Techcomp

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

NEXT PHASE OF GROWTH

ANNUAL REPORT 2017

*for identification purpose only

Contents

CORPORATE
PROFILE

Engaged in the design, development, manufacture and distribution of analytical instruments, life science equipment and laboratory instruments. Our business comprises of manufacturing the group's in-house brand products and operate distribution channels globally.

MANUFACTURING

- Designs, develops, manufactures, distributes and services spectrophotometers, fluorescence spectrofluorometers, chromatographs, gas chromatographs and gas chromatography mass spectrometry single-quad, balances, deep freezers, ovens, incubators and centrifuges for a broad range of chemical analysis and life science applications
- Develops and manufactures various instruments marketed under brands named "Techcomp", "Dynamica", "Froilabo" ,"IXRF", "Precisa", "Edinburgh", "Scion", etc.
- Manufacturing facilities in Shanghai, USA & Europe
- Dedicated research and development ("R&D") team
- Contributed 35.3% of revenue in FY2017

DISTRIBUTION CHANNEL

- Distributes and services analytical instruments, life science equipment and laboratory instruments
- Exclusive distributorship agreements with leading scientific instrument companies
- Strong distribution presence through Hong Kong, Singapore, India, and 14 branch offices in the PRC. Products are also distributed via our distribution network to South East Asia, South Asia, Australia, Middle East region and Europe
- Able to provide integrated solutions and turnkey laboratories to customers due to its strong technical capabilities as well as extensive product range
- Contributed 64.7% of revenue in FY2017

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the board (the "Board") of directors (the "Directors") of Techcomp (Holdings) Limited (the "Company" or "Techcomp"), I am pleased to present the Annual Report of the Company and its subsidiaries (collectively, the "Group" or "we") for the year ended December 31, 2017 ("FY2017").

OVERVIEW

According to the Association for Instrumental Analysis, the PRC is the country with the fastest growing demand for global analytical instruments and will grow at a compound annual growth rate of 6.8% from 2015 to 2020[1]. The increase of demand will drive the further development of the analytical instruments industry. The Association for Instrumental Analysis also reported that the products in greatest demand in the global analytical instruments market are life science equipment.

As an innovative and fast-growing scientific and analytical instruments enterprise, Techcomp is sensitive to the industry developments and keeps abreast of market trends, so as to produce and distribute products that meet customers' needs. In 2017, the Company continued to increase investment in the manufacturing business and actively expanded its product lines. Meanwhile, Techcomp was committed to the R&D of life science equipment to strengthen its market competitiveness, and the revenue from this segment maintained a stable and health record in 2017. In addition, based on market demands and product preferences in different regions, the Company actively adjusted its business layout, and the distribution business continued to maintain satisfactory growth during the year.

BUSINESS SEGMENTS REVIEW

The Group is organized into two operating divisions – distribution and manufacturing. In FY2017, the revenue for the distribution business increased by 9.2%, contributing approximately 64.7% to the Group overall revenue, while manufacturing business also recorded significant growth of 8.5%, its contribution to segment results also improved.

The Group operates principally in the PRC (including Hong Kong and Macau), Asia (other than the PRC) and Europe. In FY2017, Sales in the PRC, the dominant market for Techcomp's business, where the demand for scientific equipment continued to rise, grew 7.6% year-on-year, contributing approximately 73.0% to the Group's overall revenue. Despite a more subdued economic environment and increasing market challenges, Europe still recorded a revenue growth of 11.0%, followed by other Asian markets which registered a 10.3% increase in 2017.

PROSPECT

In recent years, the PRC government has paid more attention to food safety and environmental protection. The 19th Congress also emphasized the need to implement a healthy China strategy, strengthen food safety, and promote the construction of ecological civilization[2]. It is believed that the market for scientific equipment in the PRC will grow in tandem with the continuing investment in food safety and environmental protection industries by the PRC government. The Company will continue to actively take advantage of market demand, and to invest in the R&D of laboratory instruments and life science equipment. We are hopeful that the revenue of manufacturing business will achieve a steady increase and gradually record positive segmental results in the future. The Group will keep leveraging on the huge distribution network in the PRC market to achieve further business development.

MESSAGE TO SHAREHOLDERS

Meanwhile, Techcomp is continuing to explore the business potential in Europe and other Asian markets and is committed to increasing its market share in these two areas. In recent years, the demand in other Asian markets has remained stable, but the movement in the Japanese Yen/US dollars forex rate will affect the gross margin of the Group's business as a substantial proportion of the Techcomp's distribution products are sourced from Japan and denominated in Yen. The Group will endeavour to improve its operating level to deal with the foreign exchange risks. In addition, as the political and economic uncertainties in the Europe market still exist, it is expected that the market will remain challenging. The Group will continue to optimize the group structure, improve product quality and operational efficiency to overcome these challenges.

APPRECIATION

On behalf of the Board, I would like to express our appreciation to all shareholders, clients for their continuing support and trust. And I would also like to express my gratitude to our management and staff for their contribution. Techcomp will continue to optimize our development strategies and strive to maximize shareholders' interests.

Sincerely,

LO YAT KEUNG
President
Hong Kong, March 28, 2018

[1] *http://www.861718.com/shichang/show-1742.html*

[2] *http://cpc.people.com.cn/19th/n1/2017/1018/c414305-29595155.html*

DEVELOPING OUR PRODUCTS AND CAPABILITIES

Over the years, Techcomp has consistently built upon its strong foundation within the scientific and analytical instrument industry by developing a comprehensive range of products to meet the needs of its customers. Our extensive capabilities in design, development, manufacturing and distribution have enabled us to establish strategic partnerships with key industry players and position ourselves as an international enterprise.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lo Yat Keung
(President & Executive Director)

Chan Wai Shing
(Vice President & Executive Director)

Christopher James O'Connor
(Executive Director)

Ho Yew Yuen
(Independent Non-executive Director)

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

Teng Cheong Kwee
(Independent Non-executive Director)

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

JOINT COMPANY SECRETARIES

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

BERMUDA RESIDENT REPRESENTATIVE AND ASSISTANT SECRETARY

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

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

SINGAPORE SHARE TRANSFER AGENT

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place
88 Queensway
Hong Kong

FINANCIAL AND
OPERATIONS REVIEW

BUSINESS REVIEW

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Consolidated Statement of Profit or Loss and other Comprehensive Income

Revenue

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

Cost of sales

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

Gross profit and gross profit margin

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

Other income, gains and losses

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

Selling and distribution expenses

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

Administrative expenses

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

Finance costs

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

Profit for the year

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

Consolidated Statement of Financial Position

Other intangible assets

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

Inventories

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

Trade and other receivables

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

Trade and other payables

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

EMPLOYEES AND EMOLUMENT POLICY

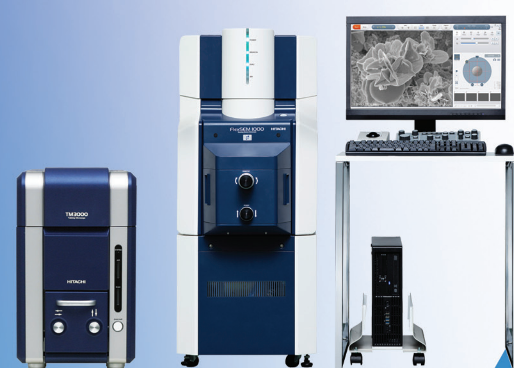
As at December 31, 2017, there were 865 (December 31, 2016: 864) employees in the Group. Staff remuneration packages are determined after considering the market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff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

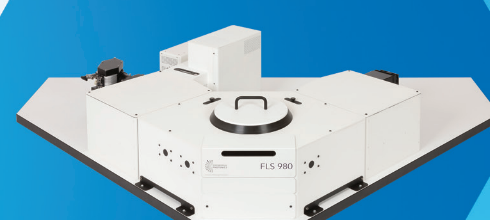
PROSPECTS

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

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

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





LEVERAGING STRENGTHS
CREATING VALUE

Techcomp strives to constantly strenghten its business through sound management and efficient execution. By optimising our technical capabilities and manufacturing competencies, we are able to cultivate growth for the long term. We consider these developments as an affirmation of the progress we have made and we aim to sustain this momentum moving forward.

BOARD OF
DIRECTORS

MR. LO YAT KEUNG (劳逸強) ("Mr. Lo"), aged 59, is the President, an executive Director of the Company and the founder of the Group. Techcomp Limited was incorporated by Mr. Lo in January 1991. Mr. Lo was appointed to the Board and nominated as President of the Company on February 9, 2004. He was re-elected as Director on May 19, 2017. 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 49, is the Vice-President and an executive Director. Mr. Chan was appointed to the Board and nominated as Vice-President of the Company on February 9, 2004 and was re-elected as Director on April 27, 2015. 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. CHRISTOPHER JAMES O'CONNOR, ("Mr. O'Connor"), MA Hons, CEng, MIMechE, aged 51, is an executive Director of the Company, and the Chief Executive Officer of Techcomp (Europe) Limited. Mr. O'Connor was appointed to the Board September 1, 2016 and was re-elected as Executive Director on May 19, 2017. He is responsible for Froilabo, Precisa, Scion and Edinburgh Instruments as well as Dynamica distribution in Europe and Latin America. Prior to joining the Group in 2011, Mr. O'Connor was Managing Director of Barloworld Scientific. He obtained a MA Hons from Cambridge University in 1989 and is a Chartered Mechanical Engineer.

MR. HO YEW YUEN ("Mr. Ho"), aged 74, is one of the independent non-executive Directors. He was appointed to the Board on May 28, 2004 and was re-elected as Director on April 29, 2016. Mr. Ho was a Senior Partner of Ernst & Young, Singapore, from 1975 up to his retirement in 1999. He was a client service partner of several large "blue-chip" companies listed on the Stock Exchange of Singapore with extensive overseas operations in South-East Asia and Australiasia, as well as MNCs in the oil and gas, building and construction, material supplies and hi-tech industries. Mr. Ho has served on the board of another public listed company in Singapore for three years as well as a Singapore Statutory Board for six years. Mr. Ho qualified as a Certified Accountant in 1966 and a Chartered Accountant in 1968. Mr. Ho was admitted as a fellow of the Institute of Chartered Accountants in England and Wales in 1979 and as a Fellow of the Charted Association of Certified Accountants in 1980.

BOARD OF
DIRECTORS

MR. SEAH KOK KHONG, MANFRED ("Mr. Seah"), aged 56, is the lead independent non-executive Director. He was appointed to the Board on February 14, 2007 and was reelected as Director on April 29, 2016. Mr. Seah has more than 20 years of investment banking, direct investments and operational management experience in Asia. He is presently the Chief Financial Officer of SATS Ltd. ("SATS"). Prior to SATS, Mr. Seah served for 4 years as Group Chief Financial Officer / Director of Strategic Finance at SMRT Corporation and 10 years as Group Chief Operating Officer of WhiteRock (a Singapore based investment group focused in medical technologies). He has also held senior management roles and conducted numerous corporate finance and M&A activities in the Asian region. He is a qualified chartered accountant and a fellow of the Institute of Chartered Accountants in England and Wales.

MR. TENG CHEONG KWEE ("Mr. Teng"), aged 64, is one of the independent non-executive Directors. He was appointed to the Board on May 28, 2004 and was re-elected as Director on May 19,2017. From 1979 to 1989, he was with the Singapore Securities Industry Council Secretariat ("SIC"), a body set up to administer the Singapore Code on Takeovers and Mergers in Singapore, serving first as Assistant Secretary and later as Secretary. 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. In 1989, he joined the Stock Exchange of Singapore ("SES") as Executive Vice President. He was later appointed 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") in 1999. Mr. Teng currently also serves as an independent director of several SGX listed companies, namely First Resources Limited, AEI Corporation Limited, Memtech International Limited, and AVIC International Maritime Holdings Limited. He is also a director of several unlisted companies. Mr. Teng 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. BAO FENG (鮑峰) ("Mr. Bao"), aged 42, is the General Manager of Techcomp (Shanghai) Limited ("Shanghai Techcomp"). He is responsible for overall management of Shanghai Techcomp. Mr. Bao joined Shanghai Techcomp in 2001 and held the positions of Marketing Manager and sales General Manager. Mr. Bao obtained his Bachelor of Machinery from China Textile University in 1998 and a Master of Machinery from Dong Hua University in 2001.

MR. FU SHI JIANG (付世江) ("Mr. Fu"), aged 51, is the Chief Executive Officer of Techcomp (China) Limited ("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. BERNARD LÉGUILLON ("Mr. Léguillon"), aged 62, is the General Manager of Froilabo and Frilabor SRL, the manufacturing units of temperature controlled equipment. Prior to joining the Group in 2011, Mr. Léguillon was General Manager of Barloworld Scientific France and Italy. He started his career as process control supervisor in the electronic industry and, rapidly moved to the Laboratory Industry. He has got a Physical Measurement University degree (1978) and a Master in Marketing Management of the distribution network (ESC Paris 1993).

MR. LI HONG, DON (李宏) ("Mr. Li"), aged 57, 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.

PROF S. DESMOND SMITH ("Prof. Smith"), OBE, FRS, FRSE, F.Inst.P, aged 87, is the Chief Scientific Officer ("CSO") of Techcomp (Holdings) Limited. He is the Founder of Edinburgh Instruments Ltd and currently Founder and Chairman of Edinburgh Biosciences Ltd and past Head of Physics at Heriot-Watt University, Edinburgh where he created a leading research department. He invented the Selective Chopper Radiometer flown on the NASA satellite Nimbus4 as one example of his 220 scientific publications in Spectroscopic Physics and applications. Prof. Smith has been a Fellow of the Royal Society since 1976.

MR. SIN SHEUNG NAM, GILBERT (冼尚南) ("Mr. Sin"), aged 44, is the Financial Controller and one of the joint 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 55, 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.

SENIOR MANAGEMENT

MR. STEFFEN WANDER ("Mr. Wander"), aged 53, is the Managing Director of Precisa Gravimetrics AG in Switzerland. He started his career in 1989 at Precisa as a Research and Development engineer. During this time, he has also been responsible for Software Development Product Management and Marketing. Mr. Wander completed an apprenticeship as Physic Lab Assistant at the Technical University of Zuerich before obtaining Bachelor Degree of Electronic Engineering.

MS. ZHAO WEI (趙薇) ("Ms. Zhao"), aged 51, 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 form Chinese Academy of Sciences in 1994, and full-time MBA from State University of New York, USA in 2003.

MS. ZHANG HAIRONG（張海蓉）("Ms. Zhang"), aged 40, is the Vice President of Techcomp China. Ms. Zhang is responsible for Analytical instrument product-line and Mar-com team management. She joined Techcomp China in 2012 as Marketing Director. Prior to this, she held various positions at Analytik Jena AG for the past 11 years of her career, including Marketing Director of China. Ms. Zhang obtained her Bachelor of Chemical & Chemistry from Donghua University in 2000 and Master of Business Administration from Peking University in 2012.

DR. ROGER FENSKE ("Dr. Fenske"), MSc, EngD, MBA, aged 39, is the Chief Executive Officer of Edinburgh Instruments Ltd. Dr. Fenske joined Edinburgh Instruments in 2002 and has had various roles within the organisation before becoming Chief Executive in 2016. He obtained an EngD in Photonics from Heriot Watt University in 2014; an MBA from Edinburgh Business School in 2010; an MSc in Optoelectronics from St Andrews University in 2001 and a First Class BSc Hons from Heriot Watt University in 2000.

MR. RICHARD FINLAYSON ("Mr. Finlayson"), MA Hons, CA, aged 49, is the Chief Financial Officer of Techcomp (Europe) Limited. Mr. Finlayson trained as a Chartered Accountant with PwC in London before transferring to Latin America with the firm in 1994; he returned to his native Scotland in 2001. He obtained a MA Hons in Economics with the University of Aberdeen in 1990.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The board (the "Board") of directors (the "Director(s)") of Techcomp (Holdings) Limited (the "Company"), together with its subsidiaries, the "Group" or "we" or "our" or "us") is pleased to present this report setting out matters relating to the environmental, social and governance ("ESG") of the Group for the period from January 1, 2017 to December 31, 2017 (the "Reporting Period") with reference to the Environmental, Social and Governance Reporting Guide contained in Appendix 27 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK").

ESG MANAGEMENT APPROACH AND STRATEGY

The Group is committed to fulfilling its environmental and social obligations while striving for economic benefits and creating value for the Company's shareholders. The Group is also dedicated to improve its corporate governance standard continuously. The Board believes that maintaining high standard of corporate governance is fundamental to the Group's corporate value and beneficial to the Group's long-term growth and sustainability. In this connection, the Group has adopted various policies and procedures covering aspects from labour, employees' health and safety, environment to product and social responsibilities.

SCOPE OF ESG REPORT

Based on the principle of materiality for disclosure and reporting, this ESG Report focuses primarily on the Group's operations in the mainland China, Macau and Hong Kong, as well as the headquarter office. It summarizes the Group's material policies and practices in the areas of sustainable development and social responsibility. For the Environmental Key Performance Indicators calculation, we mainly included our mainland China, Macau and Hong Kong operations as they contribute the majority of the Group's revenue.

A1. EMISSIONS AND WASTES

The Group has complied with the Environmental Protection Law of China and other relevant laws and regulations in the countries in which the Group operates.

A1.1 Air emissions was mainly from vehicles:

Nitrogen oxides	Sulphur oxides	Particulate Matter
71,692.11 g	338.23 g	3,844.31 g

A1.2 Greenhouse gas emissions

Scope 1 emissions (from vehicles)

Carbon dioxide	Methane	Nitrous oxide
72,247.72 kg	148.92 kg	17,284.43 kg

Scope 2 emissions (from purchased electricity) was 791,809.11 kg.

The total greenhouse gas emissions (Sope 1 and 2) was 881,490.18 kg or 881.49 tonnes. We do not report Scope 3 emissions because of lacking accurate data.

A1.3 Hazardous wastes

Methanol and acetonitrile are the major hazardous wastes and emissions of chemical pollutants from our business. During the Reporting Period, a total of 24 litres of methanol and a total of 12 litres of acetonitrile, amounting to a total of 36 litres, were produced from our operation and production process. During the Reporting Period, we complied with the related regulations and rules, i.e. PRC Regulations on the Safety Administration of Dangerous Chemicals.

A1.4 Non-hazardous wastes

Non-hazardous wastes are classified into recyclable (such as paper, plastic, package materials and metal scrap) and non-recyclable (such as water, pu foam and office equipment etc.) We keep records of the total amount used as solid waste produced and conduct inspections from time to time. During the Reporting Period, a total of 36.56 tonnes of solid waste was produced from our operation and production process.

A1.5 We seek to protect the environment by minimising the environmental impacts from our operation. Due to the nature of our business, our daily operation does not produce too much greenhouse gas emission. The major emission comes from the consumption of fuel by vehicles and electricity. We have reminded our staff members to turn off all the electronic devices before leaving workplaces and encouraged them to use public transportation for business meetings.

A1.6 It is our Group's policy that the hazardous chemicals must be collected and disposed of in separate, leak proof, sealed containers and any container holding these hazardous chemicals or wastes shall be kept securely closed to ensure no leakage. We place hazardous waste labels on these containers. Disposal of discarded dangerous chemicals made in accordance with the law on protection of environment against solid waste pollution, and other relevant state provisions. For non-hazardous waste, our inspection results show that discharge and disposal of the solid waste produced complied with the relevant local and environmental laws and regulations.

We also set up waste reduction targets and review them annually.

A2. USE OF RESOURCES

It is the Group's policy to promote and raise the awareness of environmental protection among our employees. The major environmental and natural resources used in the Group's daily operations include electricity, water, packaging materials and paper. We urge our employees to conserve energy and resources at work. During the Reporting Period, we identified practical targets to reduce electricity and water usage and we managed to meet our targets.

The following table shows the total use of resources from our daily operation during the Reporting Period:

Use of resources	Unit	2017 (approximate)
Electricity	kWh	1,237,214
Electricity intensity	kWh per square meter	47.21
Water	Kilolitres	8,115
Water intensity	Kilolitres per square meter	0.31

The table shows that we have used a total of approximately 1,237,214 kWh of electricity during the Reporting Period mainly in production and manufacturing processes. We continue to request our employees to turn off lights and air conditioners when no staff is at the office, to unplug the appliances, computers, printers and equipment which are not in use, to maintain room temperature at 25 Celsius degree when using air conditioners during summer.

The Group uses water from the local main supply, and measures usage at all sites. We used a total of approximately 8,115 kilolitres of water for manufacturing purposes during the Reporting Period. The water used for general usage in daily operation is negligible. At our work locations, water pressure is set to the lowest practical level and regular leakage tests on concealed piping and check for overflowing tanks, waste, worn tap washers and other defects in the water supply system are carried out, and used water is collected for floor cleaning.

Packaging materials such as cartons are used for delivering raw materials and finished goods. We reuse cartons and do recycling when the cartons cannot be reused. The total packaging materials used during the Reporting Period is 8,520 kg.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group advocates energy saving, water conservation, and material recycling in the business operation. There was no major event that caused serious impact on environment and/or natural resources.

Electricity is a major resource our office and operations consume every day. The Group promotes energy saving with various energy-efficient measures, which include switching off idle lightings, electrical appliances, as well as electric and electronic devices (including but not limited to computers, printers, photocopiers and air-conditioners). In addition, the Group uses LED lighting in various areas of the Group's office and operations.

Water is essential to all communities. We promote water conservation to our employees. Reminders of water-saving responsibilities, in form of notices and signs, are posted near where the water resources are in the pantries, washrooms, and offices.

The most appropriate measure for paper consumption is to reduce the daily usage. We urge our employees to use double-sided, centralized printing and rely more on electronic means for internal communication.

Our management also closely monitors the utilities consumption in different offices and encourages employees to work together to reduce utilities consumption.

B1. EMPLOYMENT

The Group continuously reviews our organization to ensure that it supports our investment strategy and the continued efficient and safe operations of our businesses. In addition, our structure needs to have organizational agility to adapt to an increasingly complex and volatile business environment.

The Group hires diverse human resources, regardless of nationality, race, gender or age and strives to maintain an equal opportunity working environment with a view to avoiding discrimination or unfair treatment of any kind. Our aim is to create a friendly working environment where people possessing different sets of values and backgrounds can work with vitality and apply their capabilities to the fullest. In addition, the Group has adopted a set of human resources management policies which sets out the Group's standard of recruitment, promotion guidelines, remuneration scale, working hours, rest breaks, holidays as well as termination of employment and compensation matters and as guidance for prevention of child labour or forced labour.

The Group promotes an equal opportunity to our employees:

(a) Job applicants and existing employees are evaluated solely on their abilities, knowledge, skills, performance and the attributes required by the job.

(b) All applicants have equal employment opportunities, i.e. they will not be disadvantaged because of their nationality, age, gender, pregnancy, disability, marital status, race or family status.

(c) We respect the dignity of prospective employees and carry out our relationships with them without discrimination, harassment, vilification, or victimisation.

The Board acknowledges that human resources are important assets of the Group and are fundamental to the operation and development of the Group. In order to retain suitable talents, the Group provides staff benefits such as medical and hospital insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group. The Company also adopted a share award scheme in January 2017 to broaden the Company's flexibility in granting performance-linked incentive shares to appropriate employees of the Group.

During the Reporting Period, we have complied with the local labour laws and regulations of the jurisdictions where we have operations.

B2. HEALTH AND SAFETY

The Group is committed to maintaining a safe working environment and making continued and sustainable improvements in our safety performance. In order to minimise workplace accidents, preventive and corrective measures are implemented, including installing plants and machineries and maintaining work systems that do not endanger safety or health, making arrangements for ensuring safety and health in connection with the use, handling, storage or transport of plants and machineries and chemical/hazardous substances, providing all necessary information, instructions, trainings and supervisions for ensuring safety and health, and maintaining insurance for our employees.

The Group employs comprehensive safe work practices that are reviewed on an ongoing basis to ensure that high safety standards are maintained across its diverse global workforce. A safe working environment is promoted through different measures including workplace safety inspections, establishing reporting and investigation procedures for all incidents, conducting regular fire drills, providing and maintaining safe access to and egress from workplaces, and providing trainings to employees on the prevention of occupational hazards. We abide strictly by all the relevant laws and regulations relating to safe working environment and ensure that all work locations have adequate access to safety equipment.

B3. DEVELOPMENT AND TRAINING

We have a training system for improving employees' working performance and capabilities. We provide a set of hierarchical curriculum and training to different positions and levels of employees, so that employees can improve or learn more about general skills, management skills, corporate knowledge, product business guidance and professional skills, etc. All new employees are required to undergo trainings regarding the corporate culture, basic guidelines, policies and procedures, production safety, basic knowledge about the Group's operations and systems, etc.

During the Reporting Period, as part of the training to enable our employees to be familiar with the Group's operations and systems, selected employees have taken to undergo training and be updated on the latest development in the Group's operations and systems.

We have also established a system which allows our employees to complete and submit self-assessment forms to report on their career achievements, job ambitions and other aspects. Supervisors use such self-assessment forms as the basis for face-to-face appraisal with employees, as a way to enhance communication and assist career design, while formulating and advancing development-oriented rotation schedules so as to continually provide challenging opportunities to help the employees actualise their capabilities.

B4. LABOUR STANDARDS

Before commencement of employment, each of our employees' legal proof of their age (i.e. personal identification cards) must have been reviewed, verified and filed. At induction, all employees are briefed on the Group's "no child and forced labor" policy and how to report and protect these workers. During the Reporting Period, no child or forced labor has been identified within the Group. We abide strictly by all the relevant laws and regulations that prohibit child and forced labour.

B5. SUPPLY CHAIN MANAGEMENT

The Group draws from an international supply chain that provides the best quality components and supplies available at an appropriate price. The Group also procures individual components or materials from over 3,000 approved suppliers to be assembled in our current product range. The Group purchases individual components or materials or products from reputable suppliers such as Hitachi and Nuaire for resale to customers in the PRC and overseas.

We have a comprehensive supplier approval process, with assessment tools that assess risks associated with the components or services provided by the suppliers. Each year, our management reviews the performance of the suppliers such as the quality of the components and materials provided, timely delivery, price, labour practice and environmental governance, compliance with laws and regulations, etc.

Most supplied components will be inspected before use for compliance with detailed specifications. Corrective actions are specified for any quality defects. Such actions include return or exchange of defective components and termination of contracts, etc.

We believe that the suitability and quality of our supplies are paramount. To achieve that, we seek and value long-term stable relationship with our suppliers. In particular, we encourage suppliers to develop partnerships, networks and relationships that can support the Group's global manufacturing network.

B6. PRODUCT RESPONSIBILITY

We take our product safety obligations seriously so as to meet and, where possible, go beyond the regulatory standards in relation to health and safety, fair advertising and labeling that are applicable to our products and services.

We believe that customer's satisfaction is driven by the design, quality, reliability, durability and innovation of our products together with knowledgeable support personnel. In this connection, we conduct regular reviews of product designs and production, implement testing and review of the quality of our products by quality control department regularly to ensure that our products meet the relevant standards. We also provide clear and thorough user instructions and training to our users. We listen to our customers' feedback on our product quality and customer services. Such feedback will be kept strictly confidential.

We generally offer 1 year limited warranty on our products. If our product has any defects, customers can receive maintenance service and spare parts at free of charge during the warranty period. During the Reporting Period, there were no recalls of our products due to safety or health reasons.

The protection and enforcement of intellectual property are cornerstones of our business and the business environment in which we operate. Through our subsidiaries, we own or have licensed rights to some system, devices and facilities registered patents in the PRC.

We respect and protect the privacy of the personal information of individuals with whom we deal. The Group has and follows the security procedures and makes use of technology to keep and protect such information held. Our data security policies and procedures rigorously protect our customers' personal privacy, as well as commercially sensitive and other privacy-protected information. Such security policies and procedures were formulated to ensure compliance with the local regulations and regulations relating to personal data protection and privacy. All employees who are likely to handle commercial or consumer data will undergo relevant trainings.

B7. ANTI-CORRUPTION

We have established and implemented a set of procedures to identify corruption risks which relate to bribery, extortion, fraud and money laundering in the Group's operation. Employees who engage in business operations are strictly prohibited to use business opportunities for personal interest or benefit. Employees are reminded that receiving expensive gifts of any form from suppliers and other related parties is absolutely prohibited. At the same time, our employees are encouraged to join ethical and anti-graft courses.

We encourage employees and external parties to report any suspected misconduct without fear of reprisal, discrimination or adverse consequences. Examples of misconduct include financial malpractices, breach of the Group's regulations, endangering health and safety, criminal activity, professional misconduct, willful failure to declare a relevant interest, disclosing business information without authority, etc. We will investigate any of such reported misconduct case and take appropriate actions. Those who have reported suspected misconduct to the Group will be protected against victimization.

During the Reporting Period, no case related to corruption, bribery, extortion, fraud and money laundering happened within the Group was reported. We abide strictly by all the relevant laws and regulations that prohibit bribery, extortion, fraud and money laundering.

B8. COMMUNITY INVOLVEMENT

As a responsible corporate citizen, the Group seeks to be a positive force in the communities in which we operate. We strive to maintain close communications and interactions with local communities in order to contribute to local development. We create job opportunities and promote economic growth in the local communities through our business and development. We hold and sponsor trainings and seminars which we believe will not only bring updated industrial knowledge to the stakeholders (e.g. undergraduate students, experts, teachers, customers, suppliers) but also provide a platform for them to exchange ideas and share latest information within the industry, thereby promoting local development.

In terms of community involvement, we encourage our employees to participate actively in voluntary activities in their leisure time to help people in need.

YOUR FEEDBACK

We value your feedback on this report. If you have any feedback and suggestions, please contact us at techcomp@techcomp.com.hk.

REPORT ON CORPORATE GOVERNANCE AND FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

Introduction

The Board (the "Board") of Directors (the "Director(s)") of Techcomp (Holdings) Limited (the "Company") is committed to maintaining high standards of corporate governance to advance its mission to create value for the Company's shareholders. This report sets out the corporate governance practices that are in place during the year ended December 31, 2017 (the "Year") with reference to the principles and guidelines of the Corporate Governance Code (the "Hong Kong Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "SEHK"), as well as any deviation from the code provisions of the Hong Kong Code together with an explanation for such deviation. Save as disclosed below, the Company had complied with the code provisions of the Hong Kong Code during the Year.

Board Matters

Principle 1: Board's Conduct of its Affairs

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

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

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review Management performance;

(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and

(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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

The Board has formed three committees namely, an Audit Committee (the "AC"), a Remuneration Committee (the "RC") and a Nomination Committee (the "NC"), to facilitate the discharge of its responsibilities efficiently and effectively. All committees are chaired by an independent non-executive Director and comprise members who are independent non-executive Directors.

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

The Board and sub-committees of the Board (namely, the AC, the RC and the NC, collectively, the "Board Committees") meet regularly during the Year. Ad hoc meetings and/or discussions (including via tele conferencing) are convened when circumstances require. The Company's bye-laws (the "ByeLaws") provide for participation at meetings via telephone and other electronic means. Details of the Directors' attendance at meetings of the Board and Board committee in the Year are disclosed as follows:

	Number of									
	Board meeting(s)		AC meeting(s)		NC meeting(s)		RC meeting(s)		Annual General Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
	Number of Meetings									
Executive Directors										
Mr. Lo Yat Keung	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Mr. Chan Wai Shing	4	4	N/A	N/A	N/A	N/A	N/A	N/A	1	1
Mr. Christopher James O'Connor	4	2	N/A	N/A	N/A	N/A	N/A	N/A	1	N/A
Independent non-executive Directors										
Mr. Ho Yew Yuen	4	4	4	4	1	1	1	1	1	1
Mr. Seah Kok Khong, Manfred	4	4	4	4	1	1	1	1	1	1
Mr. Teng Cheong Kwee	4	4	4	4	1	1	1	1	1	1

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

Continuing Development of Directors

As part of the programme to enable Directors to be familiar with the Group's operations and activities, the Group would arrange for Directors to visit key sites of operations from time to time.

Directors keep abreast of their responsibilities as a Director of the Company and of the business activities and development of the Group.

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

According to the training records maintained by the Company, the training received by each of the Directors during the Year is summarized as follows:

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

Principle 2: Board Composition and Guidance

As at the date of this report, the Board has six Directors, comprising three executive Directors and three independent non-executive Directors.

The independent non-executive Directors and executive Directors were appointed for a term of three years, subject to retirement by rotation at annual general meeting and being eligible, to offer themselves for re-election.

The criterion for independence is based on the factors set out in the Listing Rules. The Board considers an independent Director as one who, inter alia, has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to ensuring the best interests of the Company. The NC reviews the independence of each Director annually and applies the Listing Rule's criterion on who qualifies as an independent Director in its review. Mr. Ho Yew Yuen, Mr. Seah Kok Khong, Manfred and Mr. Teng Cheong Kwee have served as independent non-executive Directors of the Company for more than 9 years. Notwithstanding the tenure of service, the Board considers that Mr. Ho, Mr. Seah and Mr. Teng continue to be independent and professional as set out in Rule 3.13 of the Listing Rules as they have each continued to demonstrate independent judgment in the discharge of their responsibilities as a Director, and they are not connected with any of the Directors, the chief executive or substantial shareholder of the Company.

The composition of the Board complies with the requirements in the Listing Rules that at least three Directors be independent and non-executive (representing at least one-third of the Board) and that at least one of whom must possess appropriate professional qualifications in accounting or related financial management expertise. Furthermore, the Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the independent non-executive Directors to be independent.

The NC is of the view that the current board size and composition is appropriate, taking into account the nature and scope of the business and operations of the Group. The profile of the Directors is set out on pages 9 and 10 of this Annual Report.

Particulars of interests of Directors who held office at the end of the Year 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 pages 36 and 37 of this Annual Report.

Board Diversity Policy

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

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

Principle 3: Chairman and Chief Executive Officer

Mr. Lo Yat Keung, the controlling shareholder, is the Chairman and the Chief Executive Officer (the "CEO") of the Company. He plays a vital role in developing the business of the Group and provides leadership and vision to the Group. As the Chairman of the Board, he is responsible for ensuring the proper functioning of the Board and ensuring that procedures are introduced to comply with the Hong Kong Code. Mr. Lo's concurrent position as Chairman and Chief Executive Officer is a deviation from Code Provision A.2.1 of the Hong Kong Code.

According to those provisions of the Hong Kong Code, the roles of chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Given the size of the Company's current business operations, the nature of its activities and the stage of the Group's development, and taking into account the governance structure and practices put in place in the Board, the Board is of the view that it is not necessary to separate the roles of the Chairman and CEO. Three out of the six Directors on our Board are independent non-executive Directors, and each of the three Board Committees is chaired by an independent non-executive Director and is made up of members who are all independent non-executive Directors. In addition, the Board has appointed Mr. Seah Kok Khong, Manfred, an independent non-executive Director, as the Lead Independent Director. In view of this, the Board is of the opinion that there is an appropriate balance of power within the Board, and that there is no undue concentration of power and authority in a single individual. As such, the Company considers that sufficient measures have been taken to mitigate any concern about undue concentration of the power and authority in a single individual.

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

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

Nominating Committee

Principle 4: Board membership
Principle 5: Board performance

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

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

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

The NC is guided by its Terms of Reference, which sets out its responsibilities. It is responsible for the review of candidates for nomination and re-nomination as Director, taking into consideration each candidate's qualifications and experience and his ability to contribute to the effectiveness of the Board. The NC is also responsible for recommending a framework for evaluation of Board effectiveness, as well as evaluation of the effectiveness of Board Committees and the contribution of each individual Director to the effectiveness of the Board.

The NC carried out its functions, which include the following:

(i) To establish procedures for and make recommendations to the Board on all board appointments and re-appointments (particularly for the Chairman and the CEO) and make recommendations to the Board regarding succession plans.

(ii) In respect of re-nominations, to have regard to the Director's contribution and performance (eg. attendance, preparedness and participation) including, if applicable, as an independent non-executive Director.

(iii) To review the Board's structure, number of members and composition (including the members' skills, knowledge and experience) at least annually and make recommendation on any proposed change to the Board to complement the Company's corporate strategy.

(iv) Where a Director has multiple board representations, to decide whether the Director is able to and has been adequately carrying out his duties as Director.

(v) To assess the independence of the independent non-executive Directors; where the Board proposes a resolution to elect an individual as an independent non-executive Director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why it believes he should be elected and the reasons why it considers him to be independent.

(vi) To establish procedures for evaluation of Board's performance and assess the effectiveness of the Board as a whole, propose objective performance criteria, as approved by the Board that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value.

(vii) To identify gaps in the mix of skills, experience and other qualities required in an effective Board and nominate or recommend suitable candidate(s) to fill these gaps.

(viii) To ensure that all Board appointees undergo an appropriate induction programme.

For the Year, the NC held one meeting and carried out a review and an assessment of the Board's performance, taking note of the findings from previous evaluations undertaken and the actions taken to address those findings. The meeting discussed the areas where certain administrative inadequacies on dissemination of board materials and schedule planning had been noted, appropriate corrective measures agreed with Management and performance indicators determined to drive compliance.

In addition, the NC will have regard to whether a Director has devoted adequate time and attention to the Company, particularly, in the case of Directors with multiple board representations and other principal commitments. The Board does not set a limit on the number of listed board representations which a Director may concurrently hold, as the Board is of the view that the more appropriate consideration is whether the Directors have been assessed to have devoted sufficient time and attention to the affairs of the Company, and have been carrying out their duties as a Director of the Company. The NC is satisfied that in respect of the financial year ended December 31, 2017, where a Director had other listed company board representations and/or other principal commitments, the Director was able to carry out and had been adequately carrying out his duties as a Director of the Company.

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

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, and each Director must retire from office at least once every three years. In addition, a newly appointed Director must retire and submit himself for re-election at the forthcoming annual general meeting after his appointment pursuant to Bye-Law 107 of the Bye-Laws.

The NC had recommended the re-nomination of Mr. Chan Wai Shing and Mr. Ho Yew Yuen for re-election at the forthcoming annual general meeting. The Board had accepted the NC's recommendation.

Principle 6: Access to information

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

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

Remuneration Matters

Principle 7: Procedures for developing remuneration policies
Principle 8: Level and mix of remuneration
Principle 9: Disclosure on remuneration

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

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

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

The RC held one meeting during the Year and carried out its functions, which included the following:

(i) To recommend to the Board a framework of remuneration for the Board and executive officers; make recommendations to the Board on the remuneration packages for senior management and individual executive Directors; such remuneration packages should cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options, benefits in kind and retirement rights and compensation, including compensation payable for loss or termination of their office or appointment.

(ii) To review the rermuneration 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 executive officers' contracts of service, if any, would entail in the event of early loss or termination with a view to being fair and avoiding rewarding poor performance. To ensure that any payment made is consistent with contractual terms and is otherwise fair and not excessive.

(vii) To review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate.

(viii) To ensure that no Director or any of his associates is involved in deciding his own remuneration.

(ix) To recommend to the Board in consultation with senior management and the Chairman of the Board any long term incentive scheme.

(x) In respect of any share option schemes as may be implemented, to consider whether Directors should be eligible for benefits under such incentive schemes.

(xi) To recommend to the Board on the appointment of Directors whose service contracts shall be disclosed to shareholders in accordance with the Listing Rules.

(xii) To consult the Chairman and/or Chief Executive Officer about their proposals relating to the remuneration of other executive Directors and have access to professional advice if considered necessary.

(xiii) To report to the Board on the deliberations and recommendations of the RC in discharge of their functions.

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

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

The disclosure on the remuneration of each Director for the Year is found on pages 73 and 74 of this annual report.

A breakdown, showing the level and mix of each Director's remuneration for the Year is as follows:

Remuneration band	Salary %	Fees %	Bonus %	Other Benefits %	Total %
Less than S$250,000					
Mr. Lo Yat Keung	84	–	15	1	100
Mr. Chan Wai Shing	77	–	15	8	100
Mr. Christopher James O'Connor (Note 1)	93	–	–	7	100
Mr. Ho Yew Yuen	–	100	–	–	100
Mr. Teng Cheong Kwee	–	100	–	–	100
Mr. Seah Kok Khong, Manfred	–	100	–	–	100

Note:

1. *Mr. Christopher James O'Connor was appointed as director of the Company on September 1, 2016.*

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 the executive Director's individual performance.

The Company has two employee share option schemes, the details of which are disclosed in pages 91 to 94 of the financial statements.

As at the date of this annual report, there are no options granted by the Company which are not in line with the Listing Rules.

Accountability and Audit

Principle 10: Accountability

The Board is responsible for preparation of financial statements of the Group. In presenting the annual financial statements and interim and annual results 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.

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CORPORATE GOVERNANCE

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

The statement of the auditors of the Company about their reporting responsibilities on the financial statements of the Group is set out in "Independent Auditor's Report" on pages 43 to 46 of this annual report.

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

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

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

In the course of their statutory audit, the Company's external auditors carried out a review of the effectiveness of the Company's material internal controls. No material compliance issues or internal control weaknesses were noted by the external auditors.

The Company has appointed and commissioned an external professional services firm as internal auditors (the "Internal Auditors") to assist the Management in reviewing the Group's risk management and internal controls systems and procedures and assessing the adequacy and effectiveness of the Group's risk management and internal controls systems. The Internal Auditors have carried out their internal audits in accordance with an audit plan approved by the AC. Findings and recommendations of the Internal Auditors together with the Management response were submitted to the AC for review. Considering the scale and nature of the Group's operations, the Board is satisfied that such an arrangement is adequate and in the best interest of the Company. The risk management and internal control systems are reviewed annually.

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

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

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

Principle 12: Audit Committee

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

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

The AC held four meetings during the Year and has dealt with the following matters, where relevant, with the executive Directors and the external auditors of the Company:

a) assist the Board in discharging its responsibility to:

   - safeguard the Company's assets;

   - maintain adequate accounting records; and

   - develop and maintain effective risk management and internal control systems 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;

d) make recommendations to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.

e) review the internal audit plan, and the results of the internal audits undertaken by the Internal Auditor; and

f) review the Enterprise Risk Management Framework established, and the key risks identified together with the controls and procedures put in place to manage and mitigate the risks.

The AC has undertaken a review of all the non-audit services provided by Deloitte Touche Tohmatsu during the Year, and is satisfied that such services would not, in the AC's opinion, affect the independence of Deloitte Touche Tohmatsu as the Company's external auditors. The AC has recommended to the Board that Deloitte Touche Tohmatsu be nominated for reappointment as external auditors of the Company at the forthcoming annual general meeting. During the Year, the Company has paid an aggregate amount of approximately US$522,000 (2016: US$522,000) to the external auditors for its audit services, and has paid non-audit fees of approximately US$103,000 (2016: US$66,000) to the external auditors for other professional services provided by them.

The Group has appointed suitable audit firms to meet the Group's audit obligations. In appointing the audit firms for the Group, the AC and the Board are satisfied that the appointment of different auditing firms for its subsidiaries will not compromise the standard and effectiveness of the audit of the Company.

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 external auditors have unrestricted access to the Audit Committee.

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions. There were no whistle-blowing reports received during the Year and up to the date of this report.

Corporate Governance Functions

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

Up to the date of this annual report, the Board has reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with 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.

Shareholder Rights and Responsibilities

Principle 14: Shareholder rights
Principle 15: Communication with shareholders
Principle 16: Greater participation by shareholders

The Company engages in regular, effective and fair communication with its shareholders, and has appointed an investor relation firm to advise on and facilitate this process. The Company sees the merits of holding briefings for investors and analysts as a means to promote better understandings of the Company's business and operations. However, it does so without compromising the principles of fair and equitable disclosure. Announcements containing inside information including annual and half-year results are released through the websites of SEHK, SGX-ST and the Company. The Company will also update investors and shareholders on the Group's development by making announcements in compliance with the Listing Rules from time to time.

All shareholders of the Company will be sent a copy of the annual report, interim report, circular (if any) and notice of general meeting. The Board, the Chairman of the AC, RC and NC and the key management staff will be available at the annual general meeting to answer questions that shareholders may have concerning the Company. The external auditors will also be present to assist the Directors in addressing any relevant queries from the shareholders.

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

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

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

Procedures for putting forward proposals at shareholders' meeting

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

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

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

Shareholders' enquiries

Shareholders should direct their questions about their shareholdings to the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong 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 Directors and relevant officers from trading 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 interim 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 inside information of the Group.

The Board confirms, having made specific enquiries with all Directors that during the Year, all members of the Board had complied with the required standards of the Model Code.

Interested person transactions

During the Year, there were no interested person transactions. When a potential conflict of interest arises, the Director concerned will be required not to participate in discussions and to refrain from exercising any influence over other members of the Board.

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 Year.

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") for the financial year ended December 31, 2017.

1 PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities of the Group are set out in Note 34 to the audited consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group and an indication of the likely developments in the Group's business, can be found in the Financial and Operations Review as set out on pages 6 to 7 of this annual report. These discussions form part of this Directors' report.

2 RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47 of this annual report. No interim dividend was paid during the year. In respect of the financial year ended December 31, 2017, no dividend was proposed by the Directors (2016: Nil).

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 106 of this annual report. This summary does not form part of the audited consolidated financial statements.

4 PROPERTIES, PLANT AND EQUIPMENT

Details of movements in the properties, plant and equipment of the Group during the year are set out in Note 13 to the audited consolidated financial statements.

5 MAJOR CUSTOMERS AND SUPPLIERS

During the year ended December 31, 2017, sales to the Group's five largest customers accounted for approximately 14.7% (2016 : approximately 13.7%) of the total sales for the year and the single largest customer accounted for approximately 5.5% (2016 : approximately 4.4%); purchases from the Group's five largest suppliers accounted for approximately 37.9% (2016 : approximately 43.5%) of the total purchases for the year and the single largest supplier accounted for approximately 21.3% (2016 : approximately 32.2 %).

None of the Directors or any of their close 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 or suppliers.

6 SHARE CAPITAL AND SHARE OPTION SCHEMES AND WARRANTS

Details of the movements in the issued share capital of the Company and share option schemes during the year are set out in Notes 25 and 26 respectively to the audited consolidated financial statements.

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

The following table shows the participants who received 5% or more of the total number of ordinary share options available under the 2004 Share Option Scheme or under the 2011 Share Option 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
Christopher James O'Connor*	–	700,000	–	–	700,000
Xu Guoping	–	2,500,000	–	–	2,500,000

* Mr. Chan Wai Shing and Mr. Christopher James O'connor are the only Directors of the Company participating in the 2004 Share Option Scheme and 2011 Share Option Scheme.

There are no options granted to any of the Company's controlling shareholders or their respective associates.

The 2004 Share Option Scheme and the 2011 Share Option Scheme are administered by the Remuneration Committee whose members are:

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

Details of the 2004 Shares Option Scheme and the 2011 Share Option Scheme are set out in Note 26 to the audited consolidated financial statements.

7 EQUITY-LINKED AGREEMENT

Save for details of the share option schemes as set out in Note 26 to the audited consolidated financial statements, no equity-linked agreement was entered into by the Company during the year ended December 31, 2017 or subsisted at the end of the financial year.

8 PRE-EMPTIVE RIGHTS

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

9 PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") and the Main Board of The Singapore Exchange Securities Trading Limited (the "SGX-ST").

10 DISTRIBUTABLE RESERVES OF THE COMPANY

Details of the movements in the reserves of the Company during the year are set out in Note 33 to the audited consolidated financial statements. The Company's reserves available for distribution to shareholders as at December 31, 2017 amounted to US$8,677,000.

11 DIRECTORS

The Directors of the Company in office during the financial year ended December 31, 2017 were:

Executive Directors

Lo Yat Keung (Chairman and chief executive officer)
Chan Wai Shing
Christopher James O'Connor

Independent Non-executive Directors

Ho Yew Yuen
Teng Cheong Kwee
Seah Kok Khong, Manfred

Mr. Chan Wai Shing and Mr. Ho Yew Yuen will retire in accordance with the 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 confirmation 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") and the Corporate Governance Code set forth in the Appendix 14 to the Listing Rules and considers each of them to be independent, despite the fact that Mr. Ho Yew Yuen, Mr. Seah Kok Khong, Manfred and Mr. Teng Cheong Kwee have served as independent non-executive Directors of the Company for more than 9 years.

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

Pursuant to the Company's Bye-laws, 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 applicable laws, 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.

12 BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

13 DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's Board of Directors with reference to the respective Directors' duties, responsibilities and performance and the results of the Group. The details of the directors' remuneration are set out on pages 73 to 74 of this annual report.

14 DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, Mr. Lo Yat Keung, Mr. Chan Wai Shing and Mr. Christopher James O'Connor, entered into a service contract with the Company for a term of three years with effect from January 26, 2004, January 26, 2004 and September 1, 2016 respectively, which shall automatically continue from year to year upon expiry of its term, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing provided that the Company shall have the option to pay salary in lieu of any required period of notice.

Save as disclosed above, none of the Directors has or is proposed to have entered into any service contract with the Company or any of its subsidiaries which is not determinable by the Company or any such subsidiary within one year without payment of compensation other than statutory compensation.

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

15 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.

16 DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES AND DEBENTURES

As at December 31, 2017, 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 (Cap. 571, the Laws of Hong Kong) (the "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 as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long position

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total number of shares interested	Percentage of the total issued share capital (%)
Lo Yat Keung[1]	Beneficial Owner	Beneficial Interest	104,956,500	–	112,456,500	40.83
	Interest of his spouse	Deemed Interest	7,500,000	–		
Chan Wai Shing[2]	Beneficial Owner	Beneficial Interest	7,220,000	2,500,000	9,720,000	3.53
Ho Yew Yuen	Beneficial Owner	Beneficial Interest	300,000	–	300,000	0.11
Christopher James O'Connor[3]	Beneficial Owner	Beneficial Interest	–	700,000	700,000	0.25

Notes:

1 Mr. Lo Yat Keung is deemed to be interested in 7,500,000 shares of the Company held by his spouse, Ms. Yung Yat by virtue of the SFO.

2 Mr. Chan Wai Shing holds 2,500,000 share options of the Company.

3 Mr. Christopher James O'Connor holds 700,000 share options of the Company.

Save as disclosed above, as at December 31, 2017, none of the Directors and chief executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

17 TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

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

Neither at the end of the financial year ended December 31, 2017 nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except for the share options schemes mentioned in Note 26 to the audited consolidated financial statements.

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

As at December 31, 2017, so far as known to the Directors of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in Shares

		Direct Interest		Deemed Interest	
Name	**Capacity and nature of interests**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**	**Number of Shares held**	**Approximate percentage of the issued share capital of the Company**
Yung Yat *(Note 1)*	Beneficial owner	7,500,000	2.72%	–	–
	Interest of spouse	–	–	104,956,500	38.11%
KCH Investment Company Limited *(Note 2)*	Beneficial owner	47,364,648	17.20%	–	–
Guo Bing *(Note 2)*	Controlled corporation	–	–	47,364,648	17.20%
Zhang Li (Note 2)	Interest of spouse	–	–	47,364,648	17.20%
Kabouter Management, LLC *(Note 3)*	Investment Manager	–	–	27,185,352	9.87%

Notes:

1. Ms. Yung Yat is the spouse of Mr. Lo Yat Keung and is therefore deemed to be interested in the 104,956,500 shares held by Mr. Lo Yat Keung by virtue of the SFO.

2. KCH Investment Company Limited is wholly-owned by Mr. Guo Bing and Ms. Zhang Li is the spouse of Mr. Guo Bing. By virtue of the SFO, Mr. Guo Bing and Ms. Zhang Li are deemed to be interested in the shares held by KCH Investment Company Limited.

3. Kabouter Management LLC notified the Company that it has a deemed interest in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, all of which are managed and controlled by Kabouter Management LLC and all those shares are held through HKSCC Nominees Limited. As at 31 December 2017, (i) Kabouter Fund II, LLC was interested in 10,042,089 shares, (ii) Kabouter Fund I (QP), LLC was interested in 13,026,141 shares, and (iii) Kabouter Fund III LLC was interested in 4,117,122 shares. By virtue of the SFO, Kabouter Management LLC is deemed to be interested in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, totalling 27,185,352 shares.

Save as disclosed above, as at December 31, 2017, the Directors were not aware of any other persons (other than the Directors) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

20 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.

21 AUDIT COMMITTEE

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

a) assist the Board in discharging its responsibilities to:
   - safeguard the Company's assets;
   - maintain adequate accounting records; and
   - develop and maintain effective risk management and internal control systems 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;

d) make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

e) review the internal audit plan, and the results of the internal audits undertaken by the Internal Auditors; and

f) review the Enterprise Risk Management Framework established, and the key risks identified together with the controls and procedures put in place to manage and mitigate the risks.

The 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. 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 external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the Directors the nomination of Deloitte Touche Tohmatsu for reappointment as external auditors of the Company at the forthcoming annual general meeting of the Company.

22 DONATIONS

No charitable and other donations were made by the Group during the year ended December 31, 2017 (2016: Nil).

23 ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operating in compliance with applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment.

The Group has actively promoted material-saving and environmentally friendly working environment so as to protect the environment and improve air quality within the community. The Group is reviewing their action plan for further reduction of energy consumption in our manufacturing facilities. Several measures have been implemented in order to mitigate environmental pollution, such as reducing energy consumption and enhancing machines and equipment. The Group also adheres to the principle of recycling and reducing. Double sided printing and copying, using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance are being implemented in the offices.

24 COMPLIANCE WITH LAWS AND REGULATIONS

Throughout the financial year ended December 31, 2017, to the best knowledge, information and belief, the Company was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on the Company.

25 RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

For our relationship with employees, please refer to the paragraph headed "Employees and Emolument Policy" as set out in the Financial and Operations Review on page 7 of this annual report.

Relationship is the fundamentals of business. The Group fully understands this principle and thus maintain close relationship with the customers to fulfil their immediate and long-term need. The Group also strives to maintain fair and co-operating relationship with the suppliers.

26 PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year ended December 31, 2017. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

27 RETIREMENT BENEFIT PLAN

Details of the retirement benefit plan are set out in Note 24 to the audited consolidated financial statements.

28 EVENTS AFTER THE REPORTING PERIOD

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

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

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

29 AUDITORS

As disclosed in the Company's announcement dated March 29, 2016, the Board appointed Deloitte Touche Tohmatsu as the Company's auditors to fill the casual vacancy following the retirement of Deloitte & Touche LLP until conclusion of the annual general meeting of the Company held on April 29, 2016. The appointment of Deloitte Touche Tohmatsu as the Company's auditors was approved by the shareholders at the Company's annual general meeting held on April 29, 2016.

An ordinary resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Deloitte Touche Tohmatsu as the auditors of the Company. The auditors, Deloitte Touche Tohmatsu, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lo Yat Keung
Director

Chan Wai Shing
Director

March 28, 2018

STATEMENT OF **DIRECTORS**

In the opinion of the Directors, the consolidated financial statements of the Group together with notes, as set out on pages 47 to 105 are drawn up so as to give a true and fair view of the financial position of the Group as at December 31, 2017 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended.

ON BEHALF OF THE DIRECTORS

Lo Yat Keung
Director

Chan Wai Shing
Director

March 28, 2018

Deloitte. 德勤

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Techcomp (Holdings) Limited
(incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Techcomp (Holdings) Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 105, which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified the impairment assessment of trade receivables as a key audit matter due to the estimation uncertainty inherent in the management's credit risk assessment process in respect of the collectability of those trade receivables with reference to the credit history, including default or delay in payments, settlement history and aging analysis of the trade receivables. As disclosed in note 19 to the consolidated financial statements, the Group's trade receivables amounted to US$77,635,000 as at December 31, 2017, net of allowance for doubtful debts of US$4,112,000.	Our procedures in relation to the impairment assessment of trade receivables included: ● Obtaining an understanding of how allowance for trade receivables is estimated by the management; ● Testing the aging analysis of the trade receivables, on a sample basis, to the sales invoices; ● Assessing the reasonableness of allowance for trade receivables with reference to the credit history, including default or delay in payments, settlement history and aging analysis of the trade receivables; and ● Tracing of the subsequent settlements to the bank receipts, on a sample basis.

Key Audit Matters - continued

Key audit matter	How our audit addressed the key audit matter
Net realisable value ("NRV") assessment of inventories	
We identified the NRV assessment of inventories as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the estimation uncertainty associated with determining the allowances for inventories. In determining the NRV of the Group's inventories, the management takes into consideration the fluctuations in price, the balance on hand relative to sales prospects and the conditions of the inventories. As disclosed in note 18 to the consolidated financial statements, the carrying amount of the Group's inventories (net of allowance) was US$44,649,000 as at December 31, 2017.	Our procedures in relation to the NRV assessment of inventories included: ● Obtaining an understanding of how allowance for inventories is estimated by the management; ● Testing the aging analysis of inventories, on a sample basis, to the goods received notes or the warehouse receipts; ● Discussing with the management and evaluating the basis of identification of aged or obsolete inventories by the management, based on fluctuations in price, the balance on hand relative to sales prospects and the conditions of the inventories; ● Assessing the reasonableness of allowance for inventories with reference to fluctuations in price, the balance on hand relative to sales prospects, the condition of the inventories, aging analysis and subsequent selling prices of the inventories; and ● Tracing of inventories with subsequent selling prices to the sales invoices, on a sample basis.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - continued

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 28, 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND **OTHER COMPREHENSIVE INCOME**

For the Year Ended December 31, 2017

	NOTES	2017	2016
		US$'000	US$'000
Revenue	5	199,374	183,043
Cost of sales		(144,305)	(122,674)
Gross profit		55,069	60,369
Other income, gains and losses	6	1,093	(347)
Selling and distribution expenses		(18,829)	(19,506)
Administrative expenses		(31,101)	(32,467)
Research and development costs		(3,208)	(5,818)
Finance costs	7	(1,540)	(1,329)
Profit before taxation	8	1,484	902
Taxation	10	(498)	(288)
Profit for the year		986	614
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Recognition of actuarial (loss) gain on defined benefit plan	24	(723)	63
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,550	(3,462)
Other comprehensive income (expense) for the year		827	(3,399)
Total comprehensive income (expense) for the year		1,813	(2,785)
Profit (loss) for the year attributable to:			
Owners of the Company		1,335	1,013
Non-controlling interests		(349)	(399)
		986	614
Total comprehensive income (expense) for the year attributable to:			
Owners of the Company		2,155	(2,377)
Non-controlling interests		(342)	(408)
		1,813	(2,785)
Earnings per share:			
Basic (US cents)	12	0.48	0.37
Diluted (US cents)	12	0.48	0.37

CONSOLIDATED STATEMENT OF
FINANCIAL POSITION

As at December 31, 2017

	NOTES	2017	2016
		US$'000	US$'000
Non-current assets			
Property, plant and equipment	13	10,123	9,735
Goodwill	14	1,347	2,471
Other intangible assets	15	4,362	4,186
Deposits paid for acquisition of property, plant and equipment		910	804
Other assets	16	944	944
Deferred tax assets	17	16	15
		17,702	18,155
Current assets			
Inventories	18	44,649	41,117
Trade and other receivables	19	88,698	92,224
Tax recoverable		366	140
Bank balances and cash	20	14,438	16,612
		148,151	150,093
Current liabilities			
Trade and other payables	21	39,617	38,779
Tax payable		2,774	2,332
Bank borrowings- due within one year	23	34,076	39,718
Bank overdrafts	20	2,783	763
		79,250	81,592
Net current assets		68,901	68,501
Total assets less current liabilities		86,603	86,656
Non-current liabilities			
Bank borrowings- due after one year	23	3,150	5,826
Retirement benefit plans	24	1,192	446
Deferred tax liabilities	17	146	141
		4,488	6,413
Net assets		82,115	80,243
Capital and reserves			
Share capital	25	13,772	13,772
Reserves		69,578	67,364
Equity attributable to owners of the Company		83,350	81,136
Non-controlling interests		(1,235)	(893)
Total equity		82,115	80,243

The consolidated financial statements on pages 47 to 105 were approved and authorised for issue by the Board of Directors on March 28, 2018 and are signed on its behalf by:

LO YAT KEUNG
DIRECTOR

CHAN WAI SHING
DIRECTOR

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For the Year Ended December 31, 2017

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus	Merger reserve	Translation reserve	Legal reserves	Capital reserve	Share options reserve	Equity reserve	Retained earnings	Sub-total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000 (Note a)	US$'000	US$'000 (Note b)	US$'000 (Note c)	US$'000	US$'000 (Note d)	US$'000	US$'000	US$'000	US$'000
At January 1, 2016	13,772	18,385	394	(4,112)	3,417	535	3,003	1,537	(2,490)	50,002	84,443	(485)	83,958
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	1,013	1,013	(399)	614
Other comprehensive (expense) income for the year	–	–	–	–	(3,453)	–	–	–	–	63	(3,390)	(9)	(3,399)
Total comprehensive (expense) income for the year	–	–	–	–	(3,453)	–	–	–	–	1,076	(2,377)	(408)	(2,785)
Share-based payment expenses	–	–	–	–	–	–	–	59	–	–	59	–	59
Dividends recognised as distribution	–	–	–	–	–	–	–	–	–	(989)	(989)	–	(989)
At December 31, 2016	13,772	18,385	394	(4,112)	(36)	535	3,003	1,596	(2,490)	50,089	81,136	(893)	80,243
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	1,335	1,335	(349)	986
Other comprehensive income (expense) for the year	–	–	–	–	1,543	–	–	–	–	(723)	820	7	827
Total comprehensive income (expense) for the year	–	–	–	–	1,543	–	–	–	–	612	2,155	(342)	1,813
Share-based payment expenses	–	–	–	–	–	–	–	59	–	–	59	–	59
At December 31, 2017	13,772	18,385	394	(4,112)	1,507	535	3,003	1,655	(2,490)	50,701	83,350	(1,235)	82,115

Notes:

(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) Legal reserves are non-distributable and represent reserve fund and enterprise expansion fund of subsidiaries 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.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

For the Year Ended December 31, 2017

	2017	2016
	US$'000	US$'000
Operating activities		
Profit before taxation	1,484	902
Adjustments for:		
Depreciation of property, plant and equipment	1,185	1,449
Amortisation of other intangible assets	1,578	1,424
Interest income	(20)	(24)
Interest expenses	1,540	1,329
Allowance for doubtful debts	975	580
Gain on disposal of property, plant and equipment	(413)	(260)
Impairment loss recognised in respect of goodwill	847	410
Write-off of other intangible assets	57	38
Allowance for inventories	116	547
Share-based payment expenses	59	59
Operating cash inflow before movements in working capital	7,408	6,454
Increase in inventories	(2,828)	(6,728)
Increase in trade and other receivables	(6,028)	(11,438)
(Decrease) increase in trade and other payables	(492)	11,773
Cash (used in) generated from operations	(1,940)	61
PRC Enterprise Income Tax paid	(281)	(34)
Net cash (used in) from operating activities	(2,221)	27
Investing activities		
Payment of product development costs	(1,394)	(1,352)
Acquisition of property, plant and equipment	(1,201)	(1,647)
Deposits paid for acquisition of property, plant and equipment	(106)	(125)
Proceeds on disposal of property, plant and equipment	492	628
Interest received	20	24
Net cash used in investing activities	(2,189)	(2,472)
Financing activities		
Repayments of bank borrowings	(84,400)	(66,497)
Interest paid	(1,540)	(1,329)
Bank borrowings raised	75,758	70,563
Proceeds from loans related to trade bills discounted with recourse	9,767	1,776
Dividends paid	–	(989)
Net cash (used in) from financing activities	(415)	3,524
Net (decrease) increase in cash and cash equivalents	(4,825)	1,079
Cash and cash equivalents at beginning of the year	15,849	15,278
Effect of foreign exchange rate changes	631	(508)
Cash and cash equivalents at end of the year	11,655	15,849
Represented by:		
Bank balances and cash	14,438	16,612
Bank overdrafts	(2,783)	(763)
	11,655	15,849

1. GENERAL

Techcomp (Holdings) Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability. On March 23, 2016, the Company converted its listing status from a primary listing to a secondary listing on the Main Board of Singapore Exchange Securities Trading Limited ("SGX-ST") while maintaining its primary listing status on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"). Its ultimate controlling shareholder is Mr. Lo Yat Keung who is the chief executive of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporation information section of the annual report.

The principal activity of the Company is to act as an investment holding company. The principal activities of the subsidiaries are disclosed in note 34.

The consolidated financial statements are presented in United States Dollars ("US$") which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

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

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

Amendments to IAS 7 "Disclosure initiative"

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

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

A reconciliation between the opening and closing balances of these items is provided in note 30. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 30, the application of these amendments has had no impact on the Group's consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretations that have been issued but are not yet effective:

IFRS 9	Financial instruments[1]
IFRS 15	Revenue from contracts with customers and the related amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance contracts[4]
IFRIC 22	Foreign currency transactions and advance consideration[1]
IFRIC 23	Uncertainty over income tax treatments[2]
Amendments to IFRSs	Annual improvements to IFRS standards 2015- 2017 cycle[2]
Amendments to IFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to IFRS 4	Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts"[1]
Amendments to IFRS 9	Prepayment features with negative compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to IAS 19	Plan amendment, curtailment or settlement[2]
Amendments to IAS 28	As part of the annual improvements to IFRS standards 2014- 2016 cycle[1]
Amendments to IAS 28	Long-term interests in associates and joint ventures[2]
Amendments to IAS 40	Transfers of investment property[1]

1 Effective for annual periods beginning on or after January 1, 2018.

2 Effective for annual periods beginning on or after January 1, 2019.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after January 1, 2021.

<u>IFRS 9 "Financial instruments"</u>

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of IFRS 9 are required 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 9 "Financial instruments" - continued

- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at December 31, 2017, the directors of the Company anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

Unquoted equity shares classified as available-for-sale investments carried at cost less impairment as disclosed in note 16: these unquoted equity shares qualified for designation as measured at FVTOCI under IFRS 9 and the Group will designate these unquoted equity shares at FVTOCI at January 1, 2018 and measure these shares at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve and the investments are not subject to impairment. Upon initial application of IFRS 9, any fair value gain relating to these unquoted equity shares would be adjusted to investments revaluation reserve as at January 1, 2018;

Except for financial assets which are subject to the credit loss model upon application of IFRS 9, all other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment:

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs that subject to the impairment provisions upon application of IFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model was to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at January 1, 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings.

IFRS 15 "Revenue from contracts with customers"

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 15 "Revenue from contracts with customers" - continued

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

In 2016, the IASB issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company have assessed that the transportation services represent separate performance obligations from the sale of analytical instruments, life science equipment and laboratory instruments and accordingly, revenue will be recognised for this performance obligation when control over the corresponding service is transferred to the customers. The timing of revenue recognition of each of these performance obligations (at a point of time for sale of goods when the goods are delivered to the customers and when provision for the relevant services are completed) are expected to be consistent with current practice. IFRS 15 requires the transaction price to be allocated to the different performance obligations on a relative stand-alone selling price basis and the allocation of revenue among the above separate performance obligations may be different compared to that under the current practice.

In addition, the directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") - continued

IFRS 16 "Leases" - continued

As at December 31, 2017, the Group has non-cancellable operating lease commitments of US$2,391,000 as disclosed in note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. In addition, the Group currently considers refundable rental deposits paid of US$151,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost, such adjustments are considered as additional lease payments and would be included in the initial measurement of right-of use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The directors of the Company anticipate that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

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

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Basis of consolidation - Continued

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

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities, and assets or liabilities 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 at the acquisition date (see the accounting policy below); 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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 relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or groups of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or groups of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal (or any of the cash-generating unit within group of cash-generating units in which the Group monitors goodwill).

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.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed.

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

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets

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.

An internally-generally intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised 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 (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair values at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Intangible assets - Continued

Derecognition

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately to profit or loss.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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

Financial assets

Financial assets are classified into loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including bank balances and cash and trade and other receivables) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is an 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 affected.

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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;
- breach of contracts, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Impairment of financial assets - continued

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. Changes in the carrying amount of the allowance account are recognised in profit or loss. 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 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.

For financial assets measured at amortised cost, 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 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 investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in equity.

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimate future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

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 recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risk and awards of ownership to the lease. All other leases are classified as operating leases.

The Group as lessee

Operating leases payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Borrowing costs

Borrowing costs directly attributable to the 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 in profit or loss in the period in which they are incurred.

Government grants

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

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

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlement);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefit costs - continued

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

When the formal terms of the plans specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to service, as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability (asset).
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method required by IAS 19 paragraph 70 for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related service is rendered.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

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 before taxation” as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never 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 by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after January 1, 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are 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 on-going 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.

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

(a) Impairment assessment of trade receivables

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

In determining whether allowance for doubtful debts is required, management takes into consideration the credit history, including default or delay in payments, settlement history and aging analysis of the trade receivables. Specific allowance is made for trade receivables that are unlikely to be collected. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, further allowance for doubtful debts is required. In this regard, the Group has recognised an allowance for doubtful debts amounting to US$4,112,000 (2016: US$3,661,000). The carrying amount of trade receivables is disclosed in note 19.

(b) Net realisable value assessment of 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, the Group has recognised an allowance for inventories amounting to US$116,000 (2016: US$547,000). The carrying amount of inventories is disclosed in note 18.

(c) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate future cash flows expected to arise from the cash-generating unit and suitable discount rates, growth rates and expected changes to selling prices and direct costs in order to calculate the present value. Where the actual future cash flows are less than expected, or changes in facts and circumstances which results in downward revision of future cash, a material impairment loss may arise. During the year ended December 31, 2017, an impairment loss of US$847,000 (2016: US$410,000) is recognised and the carrying amount of goodwill and information relating to the estimates used in assessing impairment of goodwill is disclosed in note 14.

5. REVENUE AND SEGMENT INFORMATION

Revenue

	2017	2016
	US$'000	**US$'000**
Sale of analytical instruments, life science equipment and laboratory instruments	199,374	183,043

Segment information

Segment revenue and expense: Segment revenue and expense are the operating revenue and expense reported in the Group's consolidated statement of profit or loss and other 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

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 purpose of resource allocation and assessment of segment performance. The Group's chief operating decision maker has been identified as the executive directors of the Company.

The principal activities of the operating segments are as follow:

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

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

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

5. REVENUE AND SEGMENT INFORMATION - continued

Segment revenues and results

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

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) earned (incurred) by each segment without allocation of certain directors' emoluments, share-based payment expenses and central administration costs. Revenue and expenses are allocated to the reportable segments based on the subsidiaries' operating divisions, i.e. distribution or manufacturing. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

5. REVENUE AND SEGMENT INFORMATION - continued

Segment assets, liabilities and other information

	Distribution US$'000	Manufacturing US$'000	Total US$'000
2017			
ASSETS			
Segment assets	103,634	60,610	164,244
Unallocated assets			1,609
Consolidated total assets			165,853
LIABILITIES			
Segment liabilities	62,257	18,561	80,818
Unallocated liabilities			2,920
Consolidated total liabilities			83,738
OTHER INFORMATION			
Amounts included in the measure of segment results or segment assets:			
Capital expenditure	297	2,404	2,701
Depreciation and amortisation	365	2,398	2,763
Allowance for doubtful debts	706	269	975
Allowance for inventories	–	116	116
Impairment loss recognised in respect of goodwill	–	847	847
Write-off of other intangible assets	–	57	57
Finance costs	1,487	53	1,540
Interest income	(18)	(2)	(20)
2016			
ASSETS			
Segment assets	109,070	58,072	167,142
Unallocated assets			1,106
Consolidated total assets			168,248
LIABILITIES			
Segment liabilities	67,467	18,065	85,532
Unallocated liabilities			2,473
Consolidated total liabilities			88,005
OTHER INFORMATION			
Amounts included in the measure of segment results or segment assets:			
Capital expenditure	798	2,326	3,124
Depreciation and amortisation	382	2,491	2,873
Allowance for doubtful debts	389	191	580
Allowance for inventories	–	547	547
Impairment loss recognised in respect of goodwill	–	410	410
Write-off of other intangible assets	–	38	38
Finance costs	1,292	37	1,329
Interest income	(16)	(8)	(24)

5. REVENUE AND SEGMENT INFORMATION - continued

Segment assets, liabilities and other information - continued

All assets are allocated to reportable segments other than certain bank balances and cash, certain other receivables, other assets, deferred tax assets and tax recoverable. Goodwill has been allocated to reportable segments based on the subsidiaries' operating division which is the manufacturing division.

All liabilities are allocated to reportable segments other than tax payable and deferred tax liabilities.

Geographical information

The Group operates principally in the PRC (including Hong Kong and Macau) (country of domicile), Asia (other than the PRC) and Europe.

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

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

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

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

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

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

Information about major customers

There is no single external customer contributing over 10% of the total revenue of the Group for both years.

6. OTHER INCOME, GAINS AND LOSSES

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

Note: There were no specific conditions attached to the subsidies, and the Group recognised the grants upon receipts.

7. FINANCE COSTS

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

8. PROFIT BEFORE TAXATION

	2017	2016
	US$'000	US$'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration (note 9)	888	670
Other staff costs	19,734	21,122
Share-based payment expenses for other staff	35	59
Contributions to retirement benefit schemes for other staff	3,368	3,489
Total staff costs	24,025	25,340
Allowance for doubtful debts	975	580
Auditor's remuneration	522	522
Amortisation of other intangible assets	1,578	1,424
Cost of inventories recognised as an expense	144,305	122,674
Depreciation of property, plant and equipment	1,185	1,449
Allowance for inventories	116	547
Impairment loss recognised in respect of goodwill	847	410
Write-off of other intangible assets	57	38

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' remuneration

The emoluments of directors during the year are analysed as follows:

	2017						2016					
	Fees	Basic salaries and allowances	Bonus	Share-based payment expenses	Contributions to retirement benefit schemes	Total	Fees	Basic salaries and allowances	Bonus	Share-based payment expenses	Contributions to retirement benefit schemes	Total
	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000
THE COMPANY												
Executive directors:												
Lo Yat Keung	–	–	–	–	–	–	–	–	–	–	–	–
Chan Wai Shing	–	–	–	–	–	–	–	–	–	–	–	–
Christopher James O'Connor[1]	–	–	–	24	–	24	–	–	–	–	–	–
Independent non-executive directors:												
Ho Yew Yuen	50	–	–	–	–	50	51	–	–	–	–	51
Seah Kok Khong, Manfred	45	–	–	–	–	45	46	–	–	–	–	46
Teng Cheong Kwee	45	–	–	–	–	45	46	–	–	–	–	46
	140	–	–	24	–	164	143	–	–	–	–	143
SUBSIDIARIES												
Executive directors:												
Lo Yat Keung	–	196	36	–	2	234	–	188	41	–	2	231
Chan Wai Shing	–	127	24	–	14	165	–	123	28	–	14	165
Christopher James O'Connor[1]	–	325	–	–	–	325	–	131	–	–	–	131
Independent non-executive directors:												
Ho Yew Yuen	–	–	–	–	–	–	–	–	–	–	–	–
Seah Kok Khong, Manfred	–	–	–	–	–	–	–	–	–	–	–	–
Teng Cheong Kwee	–	–	–	–	–	–	–	–	–	–	–	–
	–	648	60	–	16	724	–	442	69	–	16	527

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - continued

Directors' remuneration - continued

	2017						2016					
	Fees	Basic salaries and allowances	Bonus	Share-based payment expenses	Contributions to retirement benefit schemes	Total	Fees	Basic salaries and allowances	Bonus	Share-based payment expenses	Contributions to retirement benefit schemes	Total
	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000
THE GROUP												
Executive directors:												
Lo Yat Keung	–	196	36	–	2	234	–	188	41	–	2	231
Chan Wai Shing	–	127	24	–	14	165	–	123	28	–	14	165
Christopher James O'Connor(1)	–	325	–	24	–	349	–	131	–	–	–	131
Independent non-executive directors:												
Ho Yew Yuen	50	–	–	–	–	50	51	–	–	–	–	51
Seah Kok Khong, Manfred	45	–	–	–	–	45	46	–	–	–	–	46
Teng Cheong Kwee	45	–	–	–	–	45	46	–	–	–	–	46
	140	648	60	24	16	888	143	442	69	–	16	670

(1) Christopher James O'Connor was appointed on September 1, 2016.

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

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

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the independent non-executive directors shown above were paid for their services as directors of the Company.

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS - continued

Employees' emoluments

The five highest paid individuals include two directors (2016: one director) of the Company, details of whose emoluments are disclosed above. The total emoluments of the remaining three (2016: four) individuals are as follows:

	2017	2016
	US$'000	US$'000
Basic salaries and allowances	531	694
Bonus	141	168
Share-based payment expenses	21	45
Contributions to retirement benefit schemes	52	62
	745	969

The emoluments of the three (2016: four) highest paid employees above were within following bands:

	Number of individuals	
	2017	2016
HK$1,000,001 to HK$1,500,000 (equivalent to US$128,205 to US$192,308)	–	1
HK$1,500,001 to HK$2,000,000 (equivalent to US$192,309 to US$256,410)	2	2
HK$2,000,001 to HK$2,500,000 (equivalent to US$256,411 to US$320,513)	1	1

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 in both years. None of the directors have waived any emoluments during both years.

10. TAXATION

	2017	2016
	US$'000	US$'000
Current taxation		
PRC Enterprise Income Tax	470	309
Others	34	53
	504	362
Deferred taxation (note 17)	(6)	(74)
	498	288

10. TAXATION - continued

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

Hong Kong and Singapore income tax are calculated at 16.5% and 17% (2016: 16.5% and 17%) of the estimated assessable profits for the year, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income Tax are made as the Group does not have any assessment profits arising from Hong Kong and Singapore for both years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2016: 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. Accordingly, no provision for Macau income tax is made by the Macau subsidiary.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2011 No. 1, only the profits earned by foreign-investment enterprise prior to January 1, 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the EIT at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

The taxation for the year can be reconciled to the profit before taxation per consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	US$'000	US$'000
Profit before taxation	1,484	902
Tax charge at the applicable tax rate of 16.5%	245	149
Tax effect of expenses not deductible for tax purposes	114	60
Tax effect of income not taxable for tax purposes	(191)	(201)
Tax effect of tax losses not recognised	995	1,475
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	50	(845)
Utilisation of tax losses previously not recognised	(606)	(158)
Others	(109)	(192)
Taxation for the year	498	288

11. DIVIDENDS

Dividends recognised as distribution during the year:

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

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

12. EARNINGS PER SHARE

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings	Furniture and fixtures	Machinery and equipment	Motor vehicles	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
Cost					
At January 1, 2016	10,976	2,357	6,501	944	20,778
Exchange realignment	(814)	(206)	(555)	(48)	(1,623)
Additions	686	249	670	42	1,647
Disposals	(128)	(196)	(335)	(221)	(880)
At December 31, 2016	10,720	2,204	6,281	717	19,922
Exchange realignment	629	160	436	39	1,264
Additions	328	346	519	8	1,201
Disposals	–	(96)	(708)	(33)	(837)
At December 31, 2017	11,677	2,614	6,528	731	21,550
Accumulated depreciation					
At January 1, 2016	3,363	1,516	4,344	651	9,874
Exchange realignment	(254)	(98)	(246)	(26)	(624)
Provided for the year	471	244	634	100	1,449
Eliminated on disposals	(32)	(38)	(242)	(200)	(512)
At December 31, 2016	3,548	1,624	4,490	525	10,187
Exchange realignment	274	109	396	34	813
Provided for the year	284	241	593	67	1,185
Eliminated on disposals	–	(91)	(636)	(31)	(758)
At December 31, 2017	4,106	1,883	4,843	595	11,427
Carrying values					
At December 31, 2017	7,571	731	1,685	136	10,123
At December 31, 2016	7,172	580	1,791	192	9,735

The Group has pledged its leasehold land and buildings with an aggregate carrying value of US$4,363,000 (2016: US$4,356,000) (note 23) to a bank to secure the banking facilities granted to the Group.

The above items of property, plant and equipment are depreciated after taking into account their estimated residual value, using straight-line method, as the following rates per annum:

Leasehold land and buildings	2% to 4.5%, or over the shorter of term of lease
Furniture and fixtures	18% to 20%
Machinery and equipment	9% to 20%
Motor vehicles	18% to 20%

14. GOODWILL

	US$'000
Cost	
At January 1, 2016 and December 31, 2016	4,310
Exchange realignment	(277)
At December 31, 2017	4,033
Impairment	
At January 1, 2016	1,429
Impairment recognised for the year	410
At December 31, 2016	1,839
Impairment recognised for the year	847
At December 31, 2017	2,686
Carrying values	
At December 31, 2017	1,347
At December 31, 2016	2,471

Goodwill acquired in a business combination is allocated to cash-generating units ("CGUs") that are expected to benefit from that business combination. The management considers each subsidiary represents a separate CGU for the purpose of goodwill impairment testing. At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of subsidiaries which also constitutes separate CGUs individually as follows:

	2017	2016
	US$'000	US$'000
Edinburgh Instruments Limited ("Edinburgh Instruments")	1,347	1,624
IXRF Systems Inc. ("IXRF")	–	419
Techcomp Jingke Trading (Shanghai) Co., Ltd. ("Jingke Trading")	–	428
Richwell Hightech Systems Inc. ("Richwell")	–	–
	1,347	2,471

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period that cash flow forecasts are made. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. 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 the purposes of impairment testing, 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:

	Edinburgh Instruments		IXRF		Jingke Trading		Richwell	
	2017	2016	2017	2016	2017	2016	2017	2016
Discount rate	10%	10%	10%	10%	8%	8%	N/A	8%
Growth rate	5%	5%	7% to 30%	7% to 30%	3%	3%	N/A	3%

14. GOODWILL - continued

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. As it has taken longer than expected to grow the business of IXRF and Jingke Trading, the cash flow projections and valuations assumptions were adjusted to reflect a softer near term outlook of these CGUs. Hence their recoverable amounts were determined to be lower than their carrying amounts of the assets allocated to these CGUs. During the year ended December 31, 2017, the Group recognised an impairment loss of US$847,000 in relation to goodwill arising from IXRF and Jingke Trading (2016: US$410,000 in relation to goodwill arising from Richwell). The recoverable amounts of Edinburgh Instruments were determined to be higher than the carrying amounts of the assets allocated to Edinburgh Instruments, accordingly no impairment loss was recognised.

At the end of the reporting period, any reasonably possible change to key assumptions applied is not likely to cause the recoverable amounts of Edinburgh Instruments to fall below the carrying amount of Edinburgh Instruments.

15. OTHER INTANGIBLE ASSETS

	Development costs	Technical know-how	Total
	US$'000	US$'000	US$'000
Cost			
At January 1, 2016	12,855	1,887	14,742
Exchange realignment	(453)	–	(453)
Additions	1,352	–	1,352
Write-off	(192)	–	(192)
At December 31, 2016	13,562	1,887	15,449
Exchange realignment	849	–	849
Additions	1,394	–	1,394
Write-off	(284)	–	(284)
At December 31, 2017	15,521	1,887	17,408
Amortisation			
At January 1, 2016	9,862	437	10,299
Exchange realignment	(306)	–	(306)
Provided for the year	1,062	362	1,424
Eliminated on write-off	(154)	–	(154)
At December 31, 2016	10,464	799	11,263
Exchange realignment	432	–	432
Provided for the year	1,216	362	1,578
Eliminated on write-off	(227)	–	(227)
At December 31, 2017	11,885	1,161	13,046
Carrying values			
At December 31, 2017	3,636	726	4,362
At December 31, 2016	3,098	1,088	4,186

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

16. OTHER ASSETS

	2017	2016
	US$'000	US$'000
Available-for-sale financial assets- unquoted equity shares	450	450
Golf club membership	494	494
	944	944

The above unquoted investments represent investments in unquoted equity shares issued by private entities incorporated in Germany and Australia that are both engaged in manufacture and trading of high technology products.

Management is of the opinion that the fair value of these investments cannot be measured reliably because the range of reasonable fair value estimate is so significant, accordingly they are stated at cost less impairment losses at the end of the reporting period.

17. DEFERRED TAX ASSETS (LIABILITIES)

The followings are the major deferred tax assets (liabilities) recognised by the Group and the movements thereon, during both years:

	Deferred development costs	Temporary differences on tax depreciation	Total
	US$'000	US$'000	US$'000
At January 1, 2016	(237)	26	(211)
Exchange realignment	12	(1)	11
Credited (charged) to profit or loss during the year (note 10)	84	(10)	74
At December 31, 2016	(141)	15	(126)
Exchange realignment	(11)	1	(10)
Credited to profit or loss during the year (note 10)	6	–	6
At December 31, 2017	(146)	16	(130)

The following is the analysis of the deferred tax balances:

	2017	2016
	US$'000	US$'000
Deferred tax assets	16	15
Deferred tax liabilities	(146)	(141)
	(130)	(126)

17. DEFERRED TAX ASSETS (LIABILITIES) - continued

At December 31, 2017, the Group has unutilised tax losses of US$36,037,000 (2016: US$35,834,000) available for offsetting against future periods. No deferred tax asset has been recognised for the unutilised tax losses due to the unpredictability of future profit streams. The unrecognised tax losses of US$18,420,000 (2016: US$18,071,000) will expire in the years of 2018 to 2024 (2016: 2017 to 2023). Other losses can be carried forward indefinitely.

At December 31, 2017, no deferred tax has been recognised in respect of the temporary differences attributable to the undistributed profits earned by the subsidiaries in the PRC amounting to US$829,000 (2016: US$1,054,000) as the 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.

18. INVENTORIES

	2017	2016
	US$'000	US$'000
Raw materials	13,420	10,996
Work in progress	4,777	4,606
Finished goods	26,452	25,515
	44,649	41,117

19. TRADE AND OTHER RECEIVABLES

	2017	2016
	US$'000	US$'000
Trade receivables (net of allowance for doubtful debts)	77,635	82,717
Bills receivables	463	152
Trade bills receivables discounted with recourse (note 22)	3,488	3,677
	81,586	86,546
Prepayments (note a)	2,115	2,218
Other receivables (note b)	4,997	3,460
	88,698	92,224

The Group normally allows credit terms ranging from 30 days to 90 days (2016: 30 days to 90 days) to its trade debtors.

Notes:

a) Prepayments mainly comprise advances to staff for business trips and other prepaid expenses.

b) Other receivables mainly represent other tax receivables and deposits paid to suppliers.

19. TRADE AND OTHER RECEIVABLES - continued

The aging of trade receivables, net of allowance for doubtful debts, bills receivables and trade bills receivables discounted with recourse based on the invoice date at the end of the reporting period is as follows:

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

The Group's management closely monitors the credit quality of trade receivables and considers the trade receivables that are neither past due 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$24,075,000 (2016: US$19,184,000) 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 trade receivables which are past due but not impaired at the end of the reporting period is as follows:

	2017	2016
	US$'000	US$'000
Less than 90 days	919	–
91 to 120 days	12,894	10,622
121 to 365 days	3,301	2,648
1 to 2 years	5,756	3,628
Over 2 years	1,205	2,286
	24,075	19,184

Movements in the allowance for doubtful debts

	2017	2016
	US$'000	US$'000
At January 1	3,661	3,667
Exchange realignment	146	(261)
Increase in allowance recognised in profit or loss for the year (note 8)	975	580
Amounts written off as uncollectible	(670)	(325)
At December 31	4,112	3,661

19. TRADE AND OTHER RECEIVABLES - continued

Included in trade and other receivables are the following amounts denominated in currencies other than functional currencies of the group entities which they relate:

	2017	2016
	US$'000	US$'000
United States Dollars	56,060	73,164
Renminbi	4,547	3,200
British Pound	4,165	1,429
Euro	1,110	937
Japanese Yen	1,380	393

20. BANK BALANCES AND CASH/BANK OVERDRAFTS

Bank balances and cash comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less and carry interest at an average rate of 0.25% (2016: 0.25%) per annum. Bank overdrafts carry interest at an average rate of 5.99% (2016: 6.96%) per annum and are unsecured and repayable on demand.

Included in bank balances and cash are the following amounts denominated in currencies other than functional currencies of the group entities which they relate:

	2017	2016
	US$'000	US$'000
United States Dollars	4,539	7,435
British Pound	1,253	495
Renminbi	1,024	166
Euro	534	345
Japanese Yen	48	149

21. TRADE AND OTHER PAYABLES

	2017	2016
	US$'000	US$'000
Trade payables	19,981	20,338
Accruals	4,069	4,591
Customers' deposits	7,551	8,213
Other payables (note)	8,016	5,637
	39,617	38,779

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

21. TRADE AND OTHER PAYABLES - continued

The credit period on purchases of goods generally ranges from 30 days to 75 days (2016: 30 days to 75 days). No interest is charged on outstanding trade payables during the year. The aging of trade payables based on the invoice date at the end of reporting period is as follows:

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

Included in trade and other payables are the following amounts denominated in currencies other than the functional currencies of the group entities which they relate:

	2017	2016
	US$'000	US$'000
Japanese Yen	12,582	12,936
United States Dollars	2,039	3,004
Euro	393	417
British Pound	29	96

22. TRANSFER OF FINANCIAL ASSETS

The followings were the Group's financial assets as at December 31, 2017 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 and has recognised the cash received on the transfer as a secured borrowing (see note 23). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Bills receivables discounted to banks with full recourse	
	2017	2016
	US$'000	US$'000
Carrying amount of transferred assets (note 19)	3,488	3,677
Carrying amount of associated liabilities (note 23)	3,488	3,677
Net position	–	–

23. BANK BORROWINGS

	2017 US$'000	2016 US$'000
Trust receipt loans	12,668	10,916
Other bank loans	18,218	28,345
Mortgage loan	2,852	2,606
Loans related to trade bills discounted with recourse (note 22)	3,488	3,677
	37,226	45,544
Secured	6,340	6,283
Unsecured	30,886	39,261
	37,226	45,544

	2017 US$'000	2016 US$'000
Carrying value repayable*:		
Within one year	34,076	39,718
Between one to two years	422	3,043
Between two to five years	492	473
Over five years	2,236	2,310
	37,226	45,544
Less: Amounts due within one year shown under current liabilities	(34,076)	(39,718)
Amounts due after one year shown under non-current liabilities	3,150	5,826

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

Included in bank borrowings are the following amounts denominated in currencies other than functional currencies of the group entities which they relate:

	2017 US$'000	2016 US$'000
Japanese Yen	7,697	8,059
United States Dollars	2,578	4,237
British Pound	1,922	910
Renminbi	–	681
Euro	–	89

The Group's variable-rate borrowings carry interest at various margins above Hong Kong Interbank Offered Rate ("HIBOR"), Hong Kong prime lending rates, Euro-London Interbank Offer Rate ("Euro-LIBOR") or Swiss Franc-London Interbank Offer Rate ("Swiss Franc-LIBOR"). These interest rates are repriced every twelve months (2016: twelve months). The average effective interest rates were 3.0% to 5.3% (2016: 3.0% to 3.6%) per annum.

24. RETIREMENT BENEFIT PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs, with maximum of HK$1,500 per employee per month, to the MPF Scheme, which contribution is matched by employees.

The employees employed in the PRC subsidiaries are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

Defined benefit plan

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

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

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

<u>Investment risk</u>

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

<u>Interest risk</u>

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

<u>Salary risk</u>

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2017 by AXA Pension Solutions AG (2016: AXA Pension Solutions AG). The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

24. RETIREMENT BENEFIT PLANS - continued

Defined benefit plan - continued

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

	2017	2016
Discount rate	0.53%	0.40%
Expected rate of salary increases	0.50%	0.50%

The actuarial valuation showed that the market value of plan assets was US$11,270,000 (2016: US$10,942,000).

Amounts recognised in other comprehensive income in respect of this benefit plan are as follows:

	2017	2016
	US$'000	US$'000
Service cost:		
Current service cost	126	137
Net interest expense	2	5
Components of defined benefit costs recognised in profit or loss	128	142
Remeasurement on the net defined benefit liability:		
Return on plan assets (excluding amounts included in net interest expense)	140	(657)
Actuarial gains and losses arising from experience adjustments	641	615
Components of defined benefit costs recognised in other comprehensive income	781	(42)
Contributions from the employer	(186)	(162)
Exchange realignment	–	(1)
Total	723	(63)

The current contributions of US$128,000 (2016: US$142,000) for the year is included in the staff costs in profit or loss and the remeasurement credit of the net defined benefit liability arising from the experience adjustments of US$781,000 (2016: charge of US$42,000) is included in other comprehensive income.

The amount included in the consolidated statement of financial position arising from the Group's obligations in respect of its defined benefit plan is as follows:

	2017	2016
	US$'000	US$'000
Present value of funded defined benefit obligations	(12,462)	(11,388)
Fair value of plan assets	11,270	10,942
Net liabilities recognised from defined benefit obligation	(1,192)	(446)

24. RETIREMENT BENEFIT PLANS - continued

Defined benefit plan - continued

Movements in the present value of the defined benefit obligations during the year are as follows:

	2017	2016
	US$'000	US$'000
At January 1	11,388	10,856
Current service cost	126	137
Interest cost	47	99
Contributions from plan participants	185	161
Benefits paid	(373)	(323)
Remeasurement losses:		
Actuarial losses arising from experience adjustments	641	615
Exchange realignment	448	(157)
At December 31	12,462	11,388

Movements in the present value of the plan assets during the year are as follows:

	2017	2016
	US$'000	US$'000
At January 1	10,942	10,342
Interest income	45	94
Contributions from the employer	186	162
Contributions from plan participants	185	161
Benefits paid	(373)	(323)
Remeasurement (losses) gains:		
Return on plan assets (excluding amounts included in net interest expense)	(140)	657
Exchange realignment	425	(151)
At December 31	11,270	10,942

Investment of the assets is done by the collective foundation.

24. RETIREMENT BENEFIT PLANS - continued

Defined benefit plan - continued

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

If the discount rate is 25 basis points higher (lower), the defined benefit obligations would decrease by US$268,000 (increase by US$282,000) (2016: decrease by US$267,000 (increase by US$281,000)).

If the expected salary growth increases (decreases) by 0.25%, the defined benefit obligations would increase by US$2,000 (decrease by US$5,000) (2016: increase by US$2,000 (decrease by US$5,000)).

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

Furthermore, in presenting the above sensitivity analyses, the present value of the defined benefit obligations has been calculated using the Projected Unit Credit Method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligations liability recognised in the consolidated statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analyses from prior year.

There has been no change in the process used by the Group to manage its risks from prior years.

The Group expects to make a contribution of US$186,000 (2016: US$162,000) to the defined benefit plan during the next financial year.

25. SHARE CAPITAL

	Number of ordinary shares of US$0.05 each	US$'000
Authorised	800,000,000	40,000
Issued and paid up:		
At January 1, 2016, December 31, 2016 and December 31, 2017	275,437,000	13,772

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

26. SHARE-BASED PAYMENT

The Company has two share option schemes and a share award scheme, details of which are as follows:

2004 Share Option Scheme

On May 28, 2004, the Company adopted a share option scheme (the "2004 Share Option Scheme") for a maximum period of 10 years from the adoption date. The purpose of the 2004 Share Option Scheme was to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivating them to optimise their performance efficiency for the benefit of the Company.

The size of the 2004 Share Option Scheme shall not exceed 15% of the issued ordinary share capital of the Company. The options that are granted under the 2004 Share Option Scheme may have exercise prices that are set at a price equal to the average of the last dealt prices for the shares of the Company ("Shares") determined by reference to the daily official list or other publication published by the Official List of SGX-ST for a period of five consecutive market days immediately preceding the relevant date of grant of such options or at a discount to the abovementioned price (subject to a maximum discount of 20%).

Directors (including non-executive directors and independent non-executive 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 any company within the Group will have up to 5 years from the relevant date of grant to exercise their options. Offers of options made to grantees, if not accepted within 30 days, will lapse.

The number of Shares comprised in any option to be offered to a participant of the 2004 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The maximum entitlement of any offeree, in accordance with and during the operation of the 2004 Share Option Scheme, shall not exceed 20% in aggregate of the total number of Shares which have been issued and may be issued by the Company under the 2004 Share Option Scheme. Upon acceptance of the option, the grantee shall pay S$1.00 to the Company by way of consideration for the grant of the option.

The Company granted a total of 21,835,000 options under the 2004 Share Option Scheme. 30% of the options shall be vested on the first anniversary of the date of grant. The remaining 70% of the options shall be vested on the third anniversary of the date of grant.

The 2004 Share Option Scheme was subsequently superseded by the 2011 Share Option Scheme (as defined below), and as such, the total number of Shares available for issue upon exercise of all outstanding options under the 2004 Share Option Scheme as at December 31, 2017 remains 13,773,000 Shares (December 31, 2016: 13,773,000 Shares), representing approximately 5.00% of the issued share capital of the Company as at December 31, 2017 and March 28, 2018 (i.e. the date of the annual report for the year ended December 31, 2017) respectively.

During the year ended December 31, 2017, no share options were granted, exercised, cancelled or lapsed under the 2004 Share Option Scheme.

2011 Share Option Scheme

On June 9, 2011, the Company adopted another share option scheme (the "2011 Share Option Scheme"). The purpose of the 2011 Share Option Scheme was 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.

26. SHARE-BASED PAYMENT - continued

2011 Share Option Scheme- continued

Directors (including non-executive directors and independent non-executive 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 options that are granted under the 2011 Share Option Scheme may have exercise prices that are the higher of (i) 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 of such options, which must be a business day; and (ii) 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 of such options (whichever is higher).

Where the options are granted to the controlling shareholders and their associates, (i) the aggregate number of Shares available to the 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; (ii) 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; (iii) separate approval of independent shareholders shall be obtained for each participant in respect of this participation and the number of Shares comprised 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 of the Company. The total number of Shares issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue under the 2011 Share Option Scheme. Upon acceptance of the option, the grantee shall pay S$1.00 to the Company by way of consideration for the grant of the option.

Pursuant to the extraordinary general meeting of the Company on June 9, 2011 and the approval granted by the Listing Committee of the SEHK, the Company may grant options entitling the eligible participants to subscribe for up to a maximum number of 23,250,000 Shares, representing 10% of the issued share capital of the Company as at the adoption date.

On January 22, 2015, the Company granted a total of 2,000,000 options at the exercise price of HK$2.00 per Share, of which options to subscribe for 300,000 Shares were cancelled in 2015 and options to subscribe for 1,700,000 Shares remained outstanding as at December 31, 2017 and 2016. Of the outstanding options to subscribe for 2,000,000 Shares, the first tranche of the options (30% of the share options) is exercisable from January 22, 2018 to January 22, 2025, the second tranche of the options (30% of the share options) is exercisable from January 22, 2019 to January 22, 2025, and the third tranche of the options (40% of the share options) is exercisable from January 22, 2020 to January 22, 2025.

During the year ended December 31, 2017, no share options were granted, exercised, cancelled or lapsed under the 2011 Share Option Scheme.

As of December 31, 2017, the total number of Shares available for issue upon exercise of all outstanding options under the 2011 Share Option Scheme was 22,950,000 Shares, representing approximately 8.33% of the issued share capital of the Company as at December 31, 2017 and March 28, 2018 (i.e. the date of the annual report for the year ended December 31, 2017) respectively.

26. SHARE-BASED PAYMENT - continued

Movements of the share options granted under the 2004 Share Option Scheme and the 2011 Share Option Scheme are as follows:

	Grant date	Expiry date	Exercisable period	Exercise price	Fair value at grant date	At January 1, 2016, December 31, 2016 and December 31, 2017
2004 Share Option Scheme						
Director						
Chan Wai Shing	11/01/2010	10/01/2020	11/01/2011-10/01/2020[3]	S$0.23	S$0.16[1][2]	1,800,000
	06/01/2011	05/01/2021	06/01/2012-05/01/2021[3]	S$0.42	S$0.19[1] & S$0.18[2]	700,000
						2,500,000
Employees	15/04/2008	14/04/2018	15/04/2009-14/04/2018[3]	S$0.26	S$0.14[1] & S$0.11[2]	135,000
	02/03/2009	01/03/2019	02/03/2010-01/03/2019[3]	S$0.16	S$0.11[1] & S$0.10[2]	1,270,500
	22/05/2009	21/05/2019	22/05/2010-21/05/2019[3]	S$0.16	S$0.11[1] & S$0.10[2]	150,000
	11/01/2010	10/01/2020	11/01/2011-10/01/2020[3]	S$0.23	S$0.16[1][2]	3,642,500
	06/01/2011	05/01/2021	06/01/2012-05/01/2021[3]	S$0.42	S$0.19[1] & S$0.18[2]	6,075,000
						11,273,000
						13,773,000
2011 Share Option Scheme						
Director						
Christopher James O'Connor	22/01/2015	22/01/2025	22/01/2018-22/01/2025	HK$2.00	HK$1.90	700,000
Employees	22/01/2015	22/01/2025	22/01/2018-22/01/2025	HK$2.00	HK$1.90	1,000,000
						1,700,000
Total						15,473,000
Exercisable as at December 31, 2017 and 2016						13,773,000

Notes:

(1) Senior management

(2) General management

(3) 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.

26. SHARE-BASED PAYMENT - continued

During the year ended December 31, 2017 and 2016, no share options were granted, exercised, cancelled or lapsed under the 2004 Share Option Scheme and the 2011 Share Option Scheme.

The Group recognised total expenses of US$59,000 (2016: US$59,000) related to equity-settled share based payment during the year ended December 31, 2017.

The weighted average exercise price at the end of year is S$0.32 (2016: S$0.32).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 2.9 years (2016: 3.9 years).

Share award scheme

On January 11, 2017, the Company adopted a share award scheme. Pursuant to the share award scheme, existing shares will be purchased by a trustee of the Company from the market out of cash contributed by the Group and be held in trust for the selected participants until such shares are vested with the selected participants in accordance with the provisions of the scheme. When the selected participant has satisfied all vesting conditions specified by the board of directors of the Company at the time of making the award and become entitled to the shares forming the subject of the award, the trustee shall transfer the relevant vested shares to that qualifying person.

The purposes of the share award scheme are to recognise the contributions by the Group's employees, executives, officers or directors and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

During the year ended 31 December 2017, no shares of the Company were acquired by the trustee and no shares were granted.

27. OPERATING LEASE COMMITMENTS

The Group as lessee

	2017	2016
	US$'000	US$'000
Minimum lease payments under operating leases recognised as an expense during the year	2,274	3,162

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

	2017	2016
	US$'000	US$'000
Within one year	1,032	1,811
In the second to fifth year inclusive	926	2,194
After five years	433	623
	2,391	4,628

Operating lease payments represent rentals payable by the Group for certain of its factories and office premises. Leases are negotiated for and rentals are fixed for a term ranging from 1 to 9 years (2016: 1 to 9 years).

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts, which includes the bank borrowings and bank overdrafts disclosed in notes 23 and 20, respectively and equity attributable to owners of the Company, comprising issued share capital, reserves and retained earnings as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall structure through the payment of dividends, issues of new share and share buy-backs as well as the issue of new debt or the redemption of existing debts.

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017	2016
	US$'000	US$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	101,021	106,618
Available-for-sale investments	450	450
Financial liabilities		
Amortised cost	68,006	72,282

Financial risk management objectives and policies

The Group's financial instruments include bank balances and cash, trade and other receivables, available-for-sale investments, trade and other payables, bank borrowings and bank overdrafts. 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.

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. The Group's sales are principally in United States Dollars and Renminbi. Most of the Group's purchases are made in Japanese Yen, Renminbi and United States Dollars. Expenses incurred are generally denominated in Hong Kong Dollars, Renminbi, Euro and Singapore Dollars, which are the functional currencies of the Group entities operating in Hong Kong, the PRC, Europe and Singapore, respectively.

29. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies- continued

Market risk - continued

(i) Foreign exchange risk - continued

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:

	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	US$'000	**US$'000**	**US$'000**	**US$'000**
United States Dollars	60,599	80,599	4,617	7,241
Renminbi	5,571	3,366	–	681
British Pound	5,418	1,924	1,951	1,006
Euro	1,644	1,282	393	506
Japanese Yen	1,428	542	20,279	20,995

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. The sensitivity analysis excludes balances which are denominated in United States Dollars for entities with Hong Kong Dollars as their functional currencies since United States Dollars are pegged to Hong Kong Dollars.

If the relevant foreign currency weakens by 5% against the functional currency of each group entity, profit before taxation will increase (decrease) by:

	2017	**2016**
	US$'000	**US$'000**
United States Dollars	(76)	(287)
Renminbi	(279)	(134)
British Pound	(173)	(46)
Euro	(63)	(39)
Japanese Yen	943	1,023

If the relevant foreign currency strengthens by 5%, there would be an equal but opposite impact on profit before taxation.

29. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies- continued

Market risk - continued

(ii) Interest rate risk management

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank overdrafts. Interests charged on the Group's borrowings and overdrafts are at variable rates and are pegged at various margins above the HIBOR, the prime lending rates, the Euro-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. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable rate bank balances is insignificant.

If interest rates on variable-rate bank borrowings and bank overdrafts had been 50 basis points higher/lower and all other variables were held constant, the Group's profit before taxation will decrease/increase by US$200,000 (2016: decrease/increase by US$232,000).

Credit risk

At December 31, 2017, 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 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.

The management considers the credit risk on liquid funds is limited because the counterparties are banks including banks with high credit ratings assigned by international credit agencies.

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.

29. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies- continued

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 bank overdrafts and ensures compliance with loan covenants.

Liquidity and interest risk analyses

The following table details 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.

	Weighted average effective interest rate	Less than 1 year or repayable on demand	1 year to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	US$'000	US$'000	US$'000	US$'000	US$'000
2017						
Trade and other payables	–	27,997	–	–	27,997	27,997
Bank borrowings	3.79	34,626	920	2,663	38,209	37,226
Bank overdrafts	5.99	2,783	–	–	2,783	2,783
		65,406	920	2,663	68,989	68,006
2016						
Trade and other payables	–	25,975	–	–	25,975	25,975
Bank borrowings	3.19	40,368	3,629	2,808	46,805	45,544
Bank overdrafts	6.96	763	–	–	763	763
		67,106	3,629	2,808	73,543	72,282

Fair value of financial assets and financial liabilities

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

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

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Loans related to trade bills discounted with recourse	Interest payable	Total
	US$'000	US$'000	US$'000	US$'000
	(Note 23)	(Note 23)		
At January 1, 2017	41,867	3,677	–	45,544
Financing cash flows	(8,642)	9,767	(1,540)	(415)
Exchange realignment	513	–	–	513
Non-cash changes (Note)	–	(9,956)	–	(9,956)
Interest expenses	–	–	1,540	1,540
At December 31, 2017	33,738	3,488	–	37,226

Note: Being non-cash settlement with trade bills receivables discounted with recourse included in trade and other receivables.

31. RELATED PARTY TRANSACTIONS

Compensation of directors and key management personnel

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

	2017	2016
	US$'000	US$'000
Short-term benefits	2,544	2,545
Post-employment benefits	191	176
Share-based payment expenses	59	59
	2,794	2,780

Other than the transactions and balances with related parties disclosed in the respective notes, the Group has no other significant transactions and balances with related parties.

None of the above related party transactions falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2017	2016
	US$'000	US$'000
Non-current assets		
Investments in subsidiaries	22,660	21,054
Amounts due from subsidiaries	19,546	20,419
	42,206	41,473
Current assets		
Other receivables	276	–
Bank balances and cash	7	7
	283	7
Net assets	42,489	41,480
Capital and reserves		
Share capital	13,772	13,772
Reserves (note 33)	28,717	27,708
Total equity	42,489	41,480

33. RESERVES OF THE COMPANY

	Share premium	Contributed surplus	Share options reserve	Retained earnings	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2016	18,385	394	1,537	7,308	27,624
Profit and total comprehensive income for the year	–	–	–	1,014	1,014
Share-based payment expenses	–	–	59	–	59
Dividends recognised as distribution	–	–	–	(989)	(989)
At December 31, 2016	18,385	394	1,596	7,333	27,708
Profit and total comprehensive income for the year	–	–	–	950	950
Share-based payment expenses	–	–	59	–	59
At December 31, 2017	18,385	394	1,655	8,283	28,717

34. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at December 31, 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held 2017 %	2016 %	Principal activity
Directly held by the Company					
Richwell Hightech Systems Inc.	British Virgin Islands	US$81	100	100	Investment holding
Techcomp Scientific Limited	British Virgin Islands	US$50,000	100	100	Investment holding
Techcomp Instrument Limited	British Virgin Islands	US$50,000	100	100	Investment holding
Regent Lite Pte Limited	Singapore	SGD1	100	100	Investment holding
Glory Union Investments Limited	Hong Kong	HK$10,000	100	100	Investment holding
Graceful Sky Investments Limited	Hong Kong	HK$10,000	100	100	Investment holding
Sunny Time Investments Limited	Hong Kong	HK$10,000	100	100	Investment holding
Silver Grand Holdings Limited	Hong Kong	HK$10,000	100	100	Investment holding
Techcomp Europe Limited	England & Wales	GBP1	100	100	Investment holding
Held by Techcomp Scientific Limited					
Bibby Scientific (Asia) Limited	Hong Kong	HK$10,000	100	100	Inactive
Dynamica (Asia) Limited	Hong Kong	HK$10,000	100	100	Trading of analytical and laboratory instruments
Great Bloom Limited	British Virgin Islands	US$50,000	100	100	Provision of installation and maintenance services
Sunshine Palace Limited	British Virgin Islands	US$50,000	100	100	Distributor and insurer of the Group's analytical and laboratory instruments
Techcomp Limited	Hong Kong	HK$10,000,000	100	100	Trading of analytical and laboratory instruments
Techcomp (China) Limited	PRC- wholly foreign-owned enterprise	US$10,000,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Macao Commercial Offshore) Limited	Macau	MOP10,000,000	100	100	Trading of analytical and laboratory instruments

34. PARTICULARS OF SUBSIDIARIES - continued

Particulars of the subsidiaries of the Company at December 31, 2017 and 2016 are as follows:- continued

Name of subsidiary	Place of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held 2017 %	2016 %	Principal activity
Held by Techcomp Scientific Limited- continued					
Techcomp (Shanghai) Limited	PRC- wholly foreign-owned enterprise	US$200,000	100	100	International and entreport trade and commercial consulting service (within Free Trade Zone)
Techcomp (Singapore) Pte Limited	Singapore	SGD300,000	100	100	Trading of analytical and laboratory instruments
Techcomp (Tianjin) Limited	PRC- wholly foreign-owned enterprise	US$1,300,000	100	100	International trade, consultancy and sales of clinical analytical instruments and basic medical testing equipment
Tiande (Tianjin) Limited	PRC- limited liability company	US$200,000	100	100	Inactive
Techcomp India Pvt Limited	India	RUPEE500,000	100	100	Trading of analytical and laboratory instruments
Dynamica Scientific Limited	United Kingdom	GBP1	100	100	Trading of analytical and laboratory instruments
Held by Techcomp Instrument Limited					
Dynamica GmbH	Austria	EURO200,000	100	100	Trading of analytical and laboratory instruments
Shanghai Techcomp Bio-equipment Limited	PRC- wholly foreign-owned enterprise	US$2,000,000	100	100	Manufacturing of analytical and laboratory instruments
Shanghai Techcomp Instrument Ltd.	PRC- wholly foreign-owned enterprise	US$3,350,000	100	100	Manufacturing of analytical and laboratory instruments
Cheetah Scientific Limited	Hong Kong	HK$10,000	100	100	Inactive
Held by Richwell Hightech Systems Inc.					
Shanghai Sanco Instrument Co. Ltd.	PRC- Sino-foreign equity joint venture	US$350,000	81	81	Manufacturing and trading of analytical and laboratory instruments
Held by Regent Lite Pte Ltd					
HCC SAS	France	EURO2,300,000	100	100	Investment holding

34. PARTICULARS OF SUBSIDIARIES - continued

Particulars of the subsidiaries of the Company at December 31, 2017 and 2016 are as follows:- continued

Name of subsidiary	Place of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held 2017 %	2016 %	Principal activity
Held by HCC SAS					
Froilabo Instruments SRL	Romania	RON37,500	100	100	Manufacturing and trading of analytical and laboratory instruments
Froilabo SAS	France	EURO1,000,000	100	100	Manufacturing and trading of analytical and laboratory instruments
Held by Froilabo SAS					
Societe Craponne Tolerie SARL	France	EURO75,000	100	100	Manufacturing of industrial metallurgy
Held by Glory Union Investments Ltd.					
Techcomp Precision Balances (Shanghai) Co., Ltd.	PRC- wholly foreign-owned enterprise	RMB40,000,000	100	100	Manufacturing of analytical and laboratory instruments
Techcomp Jingke Trading (Shanghai) Co. Ltd.	PRC- wholly foreign-owned enterprise	RMB10,800,000	100	100	Trading of analytical and laboratory instruments
Held by Graceful Sky Investments Limited					
Precisa Gravimetrics AG	Switzerland	CHF5,000,000	100	100	Manufacturing of analytical and laboratory instruments
Held by Precisa Gravimetrics AG					
Precisa Gmbh	Germany	EURO25,000	100	100	Trading of analytical and laboratory instruments
Held by Sunny Time Investments Ltd.					
Precisa Real Estate AG	Switzerland	CHF500,000	100	100	Property holding
Held by Silver Grand Holdings Limited					
IXRF Systems Inc.	USA	US$631,000	56	56	Manufacturing and trading of analytical and laboratory instruments
Techcomp (USA) Inc.	USA	N/A	100	100	Manufacturing and trading of analytical and laboratory instruments

34. PARTICULARS OF SUBSIDIARIES - continued

Particulars of the subsidiaries of the Company at December 31, 2017 and 2016 are as follows:- continued

Name of subsidiary	Place of incorporation (or registration) and operation	Issued and fully paid share capital/ registered capital	Proportion of ownership interest and voting power held		Principal activity
			2017 %	**2016 %**	
Held by Techcomp Europe Limited					
Edinburgh Instruments Limited	England & Wales	GBP100,000	100	100	Manufacturing and trading of analytical and laboratory instruments
Scion Instruments (UK) Ltd.	England & Wales	GBP1	100	100	Trading of analytical instruments
Scion Instruments (NL) B.V.	Netherlands	EUR1	100	100	Manufacturing of analytical instruments
Held by Techcomp (USA) Inc.					
Techcomp-Latino S.A. de C.V	Mexico	PESO130,000	100	100	Trading of analytical and laboratory instruments
Held by Dynamica Scientific Ltd.					
Presica Limited	England & Wales	GBP1,000	100	100	Distribution of analytical and laboratory instruments

None of the subsidiaries had issued any debt securities at the end of both years.

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

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

35. EVENT AFTER THE REPORTING PERIOD

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

35. EVENT AFTER THE REPORTING PERIOD - continued

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

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

FINANCIAL SUMMARY

	Year ended December 31,				
	2013	2014	2015	2016	2017
	US$'000	US$'000	US$'000	US$'000	US$'000
RESULTS					
Revenue	166,441	162,695	171,905	183,043	199,374
Profit before taxation	3,266	3,223	3,580	902	1,484
Taxation	(496)	(387)	(305)	(288)	(498)
Profit for the year	2,770	2,836	3,275	614	986
Profit for the year attributable to non-controlling interests	930	612	238	399	349
Profit for the year attributable to owners of the Company	3,700	3,448	3,513	1,013	1,335

	As at December 31,				
	2013	2014	2015	2016	2017
	US$'000	US$'000	US$'000	US$'000	US$'000
ASSETS AND LIABILITIES					
Total assets	145,165	158,738	156,058	168,248	165,853
Total liabilities	(75,944)	(78,979)	(72,100)	(88,005)	(83,738)
Total equity	69,221	79,759	83,958	80,243	82,115

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