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If you are in any doubt as to any aspect of the Privateco Offer, this response document or as to the action to be taken, you should consult a licensed securities dealer or other registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Techcomp Instrument Limited, you should at once hand this response document to the purchaser or transferee, or to the licensed securities dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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TECHCOMP INSTRUMENT LIMITED

(Incorporated in the BVI with limited liability)

**RESPONSE DOCUMENT RELATING TO THE
VOLUNTARY CASH OFFER BY
SOMERLEY CAPITAL LIMITED
ON BEHALF OF CIRCLE BROWN LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
TECHCOMP INSTRUMENT LIMITED (OTHER THAN THOSE
OWNED OR AGREED TO BE ACQUIRED BY CIRCLE BROWN LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

Independent Financial Adviser to the Independent Privateco Shareholders

AMASSE CAPITAL
寶 積 資 本

Capitalised terms used in this cover page shall have the same meaning as those defined in the section headed "Definitions" in this response document.

A letter from the Privateco Board is set out on pages 9 to 14 of this response document. A letter from Amasse Capital containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer is set out on pages 15 to 31 of this response document.

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DEFINITIONS

In this response document, unless the context otherwise requires, the following terms have the meanings set out below:

“2004 Share Option Scheme”	the share option scheme of THL adopted on 28 May 2004
“2011 Share Option Scheme”	the share option scheme of THL adopted on 9 June 2011
“Acceptance Form(s)”	the FAT HK and/or FAT SG (as the case may be)
“Acceptance Shares”	the underlying Privateco Shares in the acceptances from the Independent Privateco Shareholders received by Circle Brown
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate”	has the same meaning ascribed to it under the Listing Rules
“Business Day(s)”	a day on which licensed banks in Hong Kong are open for business throughout their normal business hours, other than (i) a Saturday, a Sunday or a public holiday in Hong Kong; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted or remains hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m
“BVI”	British Virgin Islands
“CB Subscription Agreement”	the subscription agreement dated 18 April 2018 entered into between THL as issuer, the Listco Offeror as subscriber and the Guarantor in relation to the subscription of convertible bonds to be issued by THL and supplemented and amended by the Supplemental CB Subscription Agreements, details of which are set out in the THL Circular
“CDP”	The Central Depository (Pte) Limited of Singapore
“Circle Brown”	Circle Brown Limited, a company incorporated in BVI with limited liability which is directly and wholly-owned by Mr. Lo
“Closing Date”	first closing date of the Privateco Offer, being 18 September 2018, or if the Privateco Offer is extended, the closing date of the Privateco Offer as extended by Circle Brown in accordance with the Takeovers Code

DEFINITIONS

“Distributed Business”	the business of the THL Group prior to the Distribution In Specie, other than the Remaining Business
“Distribution In Specie”	the distribution in specie of the Privateco Shares by THL to the THL Shareholders which was completed on 14 August 2018
“Encumbrances”	<p>(a) any mortgage, charge, pledge, lien, hypothecation, encumbrance or other security arrangement of any kind;</p> <p>(b) any option, equity, claim, adverse interest or other third party right of any kind;</p> <p>(c) any arrangement by which any right is subordinated to any right of such third party; or</p> <p>(d) any contractual right of set-off,</p> <p>including any agreement or commitment to create or procure to create, or to permit or suffer to be created or subsisted any of the above</p>
“Executive”	Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“FAT HK”	the form of acceptance and transfer of the Privateco Shares in respect of the Privateco Offer accompanying the Privateco Offer Document, as applicable to Hong Kong Privateco Shareholders
“FAT SG”	the form of acceptance and transfer of the Privateco Shares in respect of the Privateco Offer accompanying the Privateco Offer Document, as applicable to Singapore Privateco Shareholders
“Group Reorganisation”	the reorganisation of the THL Group, details of which were set out in the THL Circular
“Guarantor”	Yunnan Energy Investment (H K) Co. Limited, a company incorporated under the laws of Hong Kong

DEFINITIONS

“HK Transfer Agent”	Tricor Investor Services Limited, being the agent to receive the FAT HK, located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Privateco Shareholder(s)”	Privateco Shareholders whose names appeared on the register of members of the Privateco who are entitled to receive the FAT HK from the HK Transfer Agent, or the transferee of its Privateco Shares
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Financial Adviser” or “Amasse Capital”	Amasse Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser appointed by the Privateco for the purpose of advising the Independent Privateco Shareholders in relation to the Privateco Offer
“Independent Privateco Shareholders”	Privateco Shareholder(s) other than Mr. Lo, his associates and parties acting in concert with any of them
“KCH Investment”	KCH Investment Co. Limited, a company incorporated in BVI with limited liability, which is wholly-owned by Mr. Guo as at the Latest Practicable Date
“Latest Practicable Date”	3 September 2018, being the latest practicable date for ascertaining certain information referred to in this response document prior to the despatch of this response document
“Listco Offers”	the Listco Share Offer and the Listco Option Offer
“Listco Option Offer”	the unconditional mandatory cash general offer made by Deloitte Corporate Finance on behalf of the Listco Offeror on 21 August 2018 to cancel all the outstanding share options of THL granted under the 2004 Share Option Scheme and the 2011 Share Option Scheme
“Listco Share Offer”	the unconditional mandatory cash general offer made by Deloitte Corporate Finance on behalf of the Listco Offeror on 21 August 2018 to acquire all the shares in THL (other than those owned or agreed to be acquired by the Listco Offeror and parties acting in concert with it)

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“MOU”	the memorandum of understanding dated 22 May 2017 entered into between Mr. Lo as possible vendor and Yunnan Energy Investment Overseas Finance Company Ltd. as possible purchaser in respect of the possible disposal of the THL Shares held by Mr. Lo and his spouse to Yunnan Energy Investment Overseas Finance Company Ltd., and a reorganisation of THL which may be implemented by way of distribution or disposal of certain assets of THL
“MOU Announcement”	the announcement issued by THL dated 23 May 2017 in relation to, among others, the entering into of the MOU between Mr. Lo and Yunnan Energy Investment Overseas Finance Company Ltd. for the possible disposal of the shares in THL held by Mr. Lo and his spouse
“Mr. Chan”	Chan Wai Shing, an executive director of THL
“Mr. Chan’s Service Agreement”	the service agreement between Mr. Chan and Techcomp Scientific dated 18 April 2018, details of which are set out in the THL Circular
“Mr. Guo”	Guo Bing, an individual who was indirectly and beneficially interested in 47,364,648 shares in THL (representing approximately 17.2% of the issued share capital of THL immediately prior to the Sale and Purchase Completion)
“Mr. Lo”	Lo Yat Keung, a Privateco Director and the controlling shareholder of the Privateco, who was beneficially interested in 104,956,500 THL Shares (representing approximately 38.1% of the issued share capital of THL immediately prior to the Sale and Purchase Completion), and who is beneficially interested in 104,956,500 Privateco Shares (representing approximately 38.1% of the Privateco Shares) as at the Latest Practicable Date
“Mr. Lo’s Service Agreement”	the service agreement between Mr. Lo and Techcomp Scientific dated 18 April 2018, details of which are set out in the THL Circular

DEFINITIONS

“Overseas Privateco Shareholder(s)”	Privateco Shareholder(s) whose addresses as shown on the register of members of Privateco are outside Hong Kong or Singapore (as the case may be)
“PRC”	the People’s Republic of China and for the purpose of this circular, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Privateco”	Techcomp Instrument Limited, a company incorporated in BVI with limited liability, which holds the Distributed Business
“Privateco Board”	the board of Privateco Directors
“Privateco Director(s)”	director(s) of Privateco
“Privateco Group”	Privateco and its subsidiaries
“Privateco Offer”	the voluntary cash offer made by Somerley Capital on behalf of Circle Brown to acquire all the issued Privateco Shares (other than those owned or agreed to be acquired by Circle Brown and parties acting in concert with it)
“Privateco Offer Document”	the offer document in respect of the Privateco Offer dated 21 August 2018, issued by Circle Brown in accordance with the Takeovers Code, as may be revised or supplemented as appropriate
“Privateco Shareholder(s)”	holder(s) of the Privateco Shares
“Privateco Share(s)”	the share(s) of a single class of par value of US\$0.001 each in the Privateco
“Purchaser” or “Listco Offeror”	Baodi International Investment Company Ltd, a company incorporated in BVI with limited liability
“Relevant Period”	the period beginning six months prior to 23 May 2017 (being the date of commencement of the offer period for the Privateco Offer) and ending on and including the Latest Practicable Date

DEFINITIONS

“Remaining Business”	the business of the THL Group upon completion of the Distribution In Specie
“Remaining Group”	THL and the Remaining Subsidiaries upon completion of the Group Reorganisation and the Distribution In Specie
“Remaining Subsidiaries”	the remaining subsidiaries owned by THL upon completion of the Group Reorganisation and the Distribution In Specie, which includes all subsidiaries of THL immediately before completion of the Distribution In Specie other than the Privateco Group
“Sale and Purchase Agreements”	collectively the SPA I and the SPA II
“Sale and Purchase Completion”	completion of the sale and purchase of the Sale Shares pursuant to each of the SPA I and the SPA II
“Sale Shares”	any Shares referred to under the Sale Shares I and the Sale Shares II
“Sale Shares I”	an aggregate of 122,176,500 THL Shares, beneficially owned by the Vendors and Mr. Lo’s spouse immediately before the Sale and Purchase Completion
“Sale Shares II”	an aggregate of 47,364,648 THL Shares, beneficially owned by KCH Investment immediately before the Sale and Purchase Completion, the entire share capital of which is owned by Mr. Guo
“Securities Account”	a securities account maintained by a Depositor with CDP, but not including a securities sub-account maintained with a Depository Agent
“Service Agreements”	collectively, Mr. Chan’s Service Agreement and Mr. Lo’s Service Agreement, both of which constitute a special deal under the Takeovers Code, details of which are set out in the THL Circular
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“SG Transfer Agent”	M & C Services Private Limited, being the agent to receive the FAT SG, located at 112 Robinson Road, #05-01, Singapore 068902
“SGX-ST”	the Singapore Exchange Securities Trading Limited

DEFINITIONS

“Singapore Privateco Shareholder(s)”	Privateco Shareholder(s) whose names appear on the register of members of Privateco and who are entitled to receive the FAT SG from the SG Transfer Agent, or the transferee of their Privateco Shares
“Somerley Capital”	Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to Circle Brown in respect of the Privateco Offer
“SPA I”	the conditional sale and purchase agreement dated 18 April 2018 entered into between the Vendors, the Purchaser and the Guarantor in respect of the Sale Shares I as supplemented and amended on 22 June 2018 and 14 August 2018 respectively
“SPA II”	the conditional sale and purchase agreement dated 18 April 2018 entered into between Mr. Guo and the Purchaser in respect of the Sale Shares II as supplemented and amended on 22 June 2018
“Supplemental CB Subscription Agreements”	the supplemental subscription agreements dated 22 June 2018 and 14 August 2018 respectively entered into between THL, the Listco Offeror and the Guarantor to amend and supplement certain terms of the Convertible Bonds
“Supply Framework Agreement”	the supply framework agreement dated 18 April 2018 entered into between Privateco and THL, which constitutes a special deal under the Takeovers Code, details of which are set out in the THL Circular
“S\$”	Singapore dollars, the lawful currency of Singapore
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Techcomp Scientific”	Techcomp Scientific Limited, a company incorporated in BVI with limited liability, which is a direct wholly-owned subsidiary of THL
“THL”	Techcomp (Holdings) Limited, a company incorporated in Bermuda with limited liability, the shares of which are primary listed on the Main Board of the Hong Kong Stock Exchange and secondary listed on the Main Board of the SGX-ST

DEFINITIONS

“THL Circular”	the circular of THL dated 29 June 2018 in relation to, among other things, the Transactions
“THL Group”	THL and its subsidiaries
“THL SGM”	the special general meeting of THL held on 17 July 2018
“THL Share(s)”	ordinary shares of par value of US\$0.05 each in the share capital of THL
“THL Shareholder(s)”	holder(s) of THL Share(s), except that for the purposes of this response document, where the holder is CDP, the term “THL Shareholder(s)” shall, in relation to such THL Shares, be deemed to be the person named as a Depositor in the Depository Register and whose Securities Account is credited with THL Share(s)
“Transactions”	the Group Reorganisation and the Distribution In Specie, together with the transactions contemplated under the SPA I, the SPA II, the Listco Offers, the Privateco Offer, the Supply Framework Agreement, the Service Agreements, and the CB Subscription Agreement
“US\$”	United States dollar, the lawful currency of the United States of America
“Vendors”	Mr. Lo and Mr. Chan
“%”	per cent.

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

The English text of this response document shall prevail over its Chinese text.

For the purpose of this response document, the US\$:HK\$ currency conversion rate used is 1:7.8.

LETTER FROM THE PRIVATECO BOARD

TECHCOMP INSTRUMENT LIMITED

(Incorporated in the BVI with limited liability)

Director:
Lo Yat Keung

Registered office in BVI:
Jayla Place
Wickhams Cay 1
Road Town, Tortola
BVI

Correspondence address in Hong Kong:
6/F Mita Center
552-566 Castle Peak Road
Kwai Chung, Kowloon
Hong Kong

4 September 2018

To the Independent Privateco Shareholders

Dear Sir or Madam,

**VOLUNTARY CASH OFFER BY
SOMERLEY CAPITAL LIMITED
ON BEHALF OF CIRCLE BROWN LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
TECHCOMP INSTRUMENT LIMITED (OTHER THAN THOSE
OWNED OR AGREED TO BE ACQUIRED BY CIRCLE BROWN LIMITED AND
PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

On 24 April 2018, it was jointly announced by the Purchaser, THL and Circle Brown that the Vendors entered into the SPA I with the Purchaser and the Guarantor relating to the Sale Shares I, and Mr. Guo entered into the SPA II with the Purchaser relating to the Sale Shares II. The Sale and Purchase Completion was conditional upon, among others, the completion of the Group Reorganisation pursuant to which, THL would, among other things, reorganise itself to form the Remaining Group (which is principally engaged in the business of distribution and after-sales services for various analytical instruments principally in the PRC) and the Privateco Group, the principal business of which includes the design, development, and manufacturing of various analytical instruments under the Privateco Group's own brands and the distribution and provision of after-sales services for analytical instruments manufactured by third parties, primarily outside the PRC.

LETTER FROM THE PRIVATECO BOARD

It was also announced that upon Sale and Purchase Completion, THL would carry out a distribution in specie of all of the Privateco Shares registered in its name to the THL Shareholders whose names appeared on the register of members of THL or the Depository Register maintained by CDP and whose Securities Accounts were credited with shares in THL (as the case may be), on the record date for such distribution (being 23 July 2018) on the basis of one Privateco Share for each share in THL held. Further, it was announced that upon completion of the Distribution In Specie, Somerley Capital would, on behalf of Circle Brown and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the issued Privateco Shares, other than those already owned or agreed to be acquired by Circle Brown and parties acting in concert with it.

The Distribution In Specie took place on 14 August 2018, by which the Privateco Shares were distributed to the THL Shareholders whose names appeared on the register of members of THL or the Depository Register maintained by CDP and whose Securities Accounts were credited with shares in THL (as the case may be) on 23 July 2018, on the basis of one Privateco Share for each share in THL then held.

The Sale and Purchase Completion took place on 14 August 2018.

The Privateco Offer Document and the accompanying Acceptance Form(s) were despatched by the HK Transfer Agent and the SG Transfer Agent to the Privateco Shareholders on 21 August 2018.

This response document provides you with, among other things, information on the Privateco Offer and the Privateco Group, and the letter from Amasse Capital containing its advice to the Independent Privateco Shareholders in respect of the Privateco Offer.

THE PRIVATECO OFFER

Introduction and reasons for the Privateco Offer

As at the Latest Practicable Date, there were 275,437,000 Privateco Shares in issue. Without taking into account the Acceptance Shares, Circle Brown, together with its associates and parties acting in concert with it, were interested in a total of 112,456,500 Privateco Shares, representing approximately 40.8% of the shares of Privateco in issue as at the Latest Practicable Date.

Somerley Capital, the financial adviser to Circle Brown and on behalf of Circle Brown, is making the Privateco Offer to the Independent Privateco Shareholders to acquire all the Privateco Shares held by the Independent Privateco Shareholders, in compliance with the Takeovers Code, on the following terms:

for each Privateco Share held HK\$0.84 in cash

LETTER FROM THE PRIVATECO BOARD

There are a total of 162,980,500 Privateco Shares (representing approximately 59.2% of the shares of Privateco in issue) subject to the Privateco Offer, out of which 43,773,547 Privateco Shares were owned by the Independent Privateco Shareholders who have accepted the Privateco Offer as at the Latest Practicable Date. The Privateco Shares to be acquired under the Privateco Offer shall be fully paid and free from all liens, charges, claims and Encumbrances and any third party rights together with all rights attaching to them from the date of issue of the Privateco Shares, including the right to receive all dividends and distributions declared, made or paid on or after the date of issue of those Privateco Shares.

The price for the Privateco Offer has been determined after taking into account factors including:

- (i) the market price of the THL Shares, in particular the persistent discount of the “undisturbed” market price of the THL Shares before the MOU Announcement to the THL Group’s net asset value, for example, the average closing price of the THL Shares from 1 January 2017 to 22 May 2017 (the last trading day before MOU Announcement) of approximately HK\$1.34, representing a substantial discount of approximately 41.7% to the THL Group’s net asset value of approximately HK\$2.3 per Share as at 31 December 2016;
- (ii) the latest financial position of the Privateco Group, including the unaudited pro forma financial information of the Privateco Group as at 31 December 2017, as set out in Appendix II to this response document, showing an equity attributable to owners of Privateco of approximately US\$42,660,000 (or approximately HK\$332,748,000), or approximately HK\$1.21 per Privateco Share (on the basis of 275,437,000 Privateco Shares in issue), and that the Privateco Offer price represented approximately 30.6% discount to such per share net assets of the Privateco Group, significantly lower than the abovementioned 41.7% discount of the “undisturbed” market price of the THL Shares to its net assets;
- (iii) the unsatisfactory operating performance of the Privateco Group in recent years, as detailed in the section headed “Reasons for and effects of the Group Reorganisation and the Distribution In Specie” in the letter from the board of directors of THL contained in the THL Circular;
- (iv) the limited liquidity of the shares of Privateco, given that no application will be made for the listing of, and permission to deal in, the Privateco Shares on the Hong Kong Stock Exchange, the SGX-ST or any other stock exchange; and
- (v) the fact that Mr. Lo is the single largest shareholder of THL and Privateco, such that there is no change in control of Privateco and the Privateco Offer price does not include a control premium.

LETTER FROM THE PRIVATECO BOARD

The Privateco Offer price of HK\$0.84 per Privateco Share represents a discount of approximately 49.7% to the adjusted net asset value of Privateco of approximately HK\$1.67 per Privateco Share as at 31 December 2017, or approximately US\$58,931,000 in aggregate. The above adjusted net asset value of Privateco was arrived at based on (i) the unaudited pro forma consolidated net asset attributable to the owners of the Privateco Group as at 31 December 2017 of approximately US\$42,660,000, (ii) the net book value of the properties of the Privateco Group as at 31 December 2017 of approximately US\$6,865,000, and (iii) the appraised value of the properties as at 30 June 2018 of approximately US\$23,136,000.

Save for the 275,437,000 Privateco Shares in issue, as at the Latest Practicable Date, Privateco had no outstanding securities, options, warrants or derivatives, securities which are convertible or which confer rights to require the issue of Privateco Shares and Privateco had no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code).

Condition to the Privateco Offer

The Privateco Offer, upon opening for acceptance on 21 August 2018, was conditional upon Circle Brown having received valid acceptances of the Privateco Offer by 4:00 p.m. on the first closing date of the Privateco Offer (or such later time and/or date as Circle Brown may decide, subject to the Takeovers Code) which, together with the Privateco Shares already acquired or to be acquired by Circle Brown and parties acting in concert with it, would result in Circle Brown and parties acting in concert with it holding more than 50% of the voting rights of Privateco. Under the terms of the Privateco Offer, acceptance of the Privateco Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code and/or in the section headed "Right of Withdrawal" in Appendix I to the Privateco Offer Document. If the circumstances set out in Rule 19.2 of the Takeovers Code apply, the Executive may require that the Independent Privateco Shareholders accepting the Privateco Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

Circle Brown and Privateco jointly announced on 3 September 2018 that up to 3 September 2018, Circle Brown has received valid acceptances in respect of 43,773,547 Privateco Shares from the Independent Privateco Shareholders ("**Acceptance Shares**"). Taking into account the Acceptance Shares and the Privateco Shares held by Circle Brown and parties acting in concert with it, Circle Brown is interested in an aggregate of 156,230,047 Privateco Shares, representing approximately 56.7% of the issued shares of Privateco, as at 4:00 p.m. on 3 September 2018. Accordingly, the condition of the Privateco Offer has been fulfilled and the Privateco Offer has become unconditional in all respects on 3 September 2018. Such date was later than the originally expected date of 28 August 2018 as asserted by the parties in the Privateco Offer Document and the joint announcement issued by THL and Circle Brown on 14 August 2018 in relation to the Privateco Offer, as a result of the processing time required for processing the Relevant Shareholders' instruction by their respective brokers and/or other intermediaries and the relevant Acceptances Forms to be received by the HK Transfer Agent or the SG Transfer Agent (as the case may be).

Further details of the Privateco Offer including, among other things, the terms and conditions of and the procedures for acceptance and settlement for the Privateco Offer can be found in the letter from Somerley Capital contained in the Privateco Offer Document, Appendix I to the Privateco Offer Document and the accompanying Acceptance Form(s).

LETTER FROM THE PRIVATECO BOARD

Information on Privateco

Privateco is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Distributed Business operated by the Privateco Group consists of the business of the THL Group, other than the Remaining Business, prior to the Distribution In Specie, which principally includes the design, development, and manufacturing of various analytical instruments under the Privateco Group's own brands and the distribution and provision of after-sales services for analytical instruments manufactured by third parties, primarily outside the PRC.

The financial information of the Privateco Group for the three years ended 31 December 2017 and for the six months ended 30 June 2018, and the unaudited pro forma financial information of the Privateco Group, are set out in Appendices I and II to this response document respectively.

INTENTION OF CIRCLE BROWN REGARDING THE PRIVATECO GROUP

Your attention is drawn to the letter from Somerley Capital contained in the Privateco Offer Document that sets out the intention of Circle Brown regarding the Privateco Group. It is noted that Circle Brown has no intention to redeploy or discontinue the employment of the employees of the Privateco Group other than in its ordinary course of business. The Privateco Board is of the view that Circle Brown's future plan in respect of the Privateco Group is in the best interest of Privateco and the Privateco Shareholders as a whole.

RECOMMENDATION

As the Privateco Board does not have any non-executive directors or any independent non-executive directors, no independent committee of the Privateco Board can be formed to give a recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. In these circumstances, Amasse Capital has been appointed as the independent financial adviser to advise the Independent Privateco Shareholders as to whether the terms of the Privateco Offer are fair and reasonable so far as the Independent Privateco Shareholders are concerned and whether the Independent Privateco Shareholders are recommended to accept the Privateco Offer.

Your attention is drawn to the letter from Amasse Capital to the Independent Privateco Shareholders, set out on pages 15 to 31 of this response document, which sets out its recommendation in relation to the Privateco Offer and the principal factors considered by it in arriving at its recommendation. You are also advised to read the Privateco Offer Document and the accompanying Acceptance Form(s) in respect of the acceptance and settlement of the Privateco Offer.

LETTER FROM THE PRIVATECO BOARD

ADDITIONAL INFORMATION

Your attention is also drawn to the section headed "Expected Timetable" on pages ii and iii of the Privateco Offer Document and the additional information set out in the appendices which form part of this response document.

Yours faithfully,
For and on behalf of the board of
TECHCOMP INSTRUMENT LIMITED
Lo Yat Keung
Director

LETTER FROM AMASSE CAPITAL

Set out below is the text of a letter from Amasse Capital Limited, the Independent Financial Advisers to the Independent Privateco Shareholders in respect of the Privateco Offer for the purpose of inclusion in this response document.

4 September 2018

To the Independent Privateco Shareholders

Dear Sirs,

**VOLUNTARY CASH OFFER BY
SOMERLEY CAPITAL LIMITED
ON BEHALF OF CIRCLE BROWN LIMITED
TO ACQUIRE ALL THE ISSUED SHARES IN
TECHCOMP INSTRUMENT LIMITED (OTHER THAN THOSE
OWNED OR AGREED TO BE ACQUIRED BY CIRCLE BROWN LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Privateco Shareholders in respect of the Privateco Offer, details of which are set out in the response document of the Privateco Offer dated 4 September 2018 (the “**Response Document**”), of which this letter forms a part. Capitalised terms used in this letter shall have the same meanings as those defined in the Response Document unless the context requires otherwise.

On 17 July 2018, the resolutions in respect of, among other things, the Distribution In Specie, the Supply Framework Agreement, the Service Agreements, the CB Subscription Agreement, the amendment to the terms of the 2004 Share Option Scheme, the amendment to the terms of the 2011 Share Option Scheme and the respective transactions contemplated thereunder were duly approved at the THL SGM. On 14 August 2018, Sale and Purchase Completion took place and the Distribution In Specie was made. It was announced in the joint announcement published by the Offeror, the Company and Circle Brown dated 24 April 2018 (the “**Joint Announcement**”), the THL Circular and the update and clarification announcement published by THL and Circle Brown dated 14 August 2018 that Somerley Capital would, upon completion of the Distribution In Specie, on behalf of Circle Brown and pursuant to the Takeovers Code, make the Privateco Offer to the Privateco Shareholders to acquire all the issued Privateco Shares, other than those already owned or agreed to be acquired by Circle Brown and parties acting in concert with it.

The Privateco Offer Document and the accompanying Acceptance Form(s) were despatched by the HK Transfer Agent and the SG Transfer Agent to the Privateco Shareholders on 21 August 2018.

LETTER FROM AMASSE CAPITAL

As set out in the letter from the Privateco Board, since the Privateco Board does not have any non-executive director or independent non-executive director, an independent board committee cannot be formed to give recommendation to the Independent Privateco Shareholders in connection with the Privateco Offer. As such, we have been appointed as the independent financial adviser to advise the Independent Privateco Shareholders in respect of the Privateco Offer.

OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the previous engagement in connection to the Distribution In Specie, the Supply Framework Agreement, the Service Agreements and the CB Subscription Agreement (as supplemented and amended by the Supplemental CB Subscription Agreements) and existing engagement in connection with the Privateco Offer and the Listco Offers, we do not and did not have any relationship (business, financial or otherwise) that amounted to a significant connection (as referred to in Rule 2.6 of the Takeovers Code) with THL, the Privateco, Circle Brown or the listco offeror to the Listco Offers within the past two years of a kind likely to create, or to create the perception of, a conflict of interest for us or which is reasonably likely to affect the objectivity of our advice.

BASIS OF OUR OPINION

In formulating our opinions and recommendation, we have reviewed, among others, the financial information of the Privateco Group for the years ended 31 December 2015, 2016, 2017 and for the six months ended 30 June 2018 set out in Appendix I to the Response Document, the THL Circular, the joint announcement dated 14 August 2018 jointly issued by THL, the Listco Offeror and Circle Brown and the Privateco Offer Document. We have relied on the accuracy of the information and facts contained or referred to in the Response Document and provided to us by the Privateco Director. We have assumed that all information and representations contained or referred to in the Response Document were true and accurate at the time when they were made and continue to be true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the date of despatch of the Response Document. We have also assumed that all statements of belief, opinion and intention made by the Privateco Director in the Response Document were reasonably made after due enquiries and considerations. We have no reasons to doubt that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have reviewed sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Response Document and to provide a reasonable basis for our opinion and recommendation. The Privateco Director has declared in a responsibility statement set out in the Appendix V to the Response Document that he accepts full responsibility for the accuracy of the information contained in the Response Document. We have not, however, carried out any independent verification of the information provided by the Privateco and the Privateco Director, nor have we conducted an independent investigation into the business and affairs, financial condition and future prospects of the Privateco Group. Our opinion is based on the Privateco Director's representation and confirmation that there is no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Privateco Offer.

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In formulating our opinions, we have not considered the tax implication on the Independent Privateco Shareholders arising from acceptances or non-acceptances of the Privateco Offer as these are particular to their individual circumstances. It is emphasised that we will not accept responsibility for any tax effect on or liability of any person resulting from his or her acceptance or non-acceptance of the Privateco Offer. In particular, the Independent Privateco Shareholders who are residents outside Hong Kong or subject to overseas tax or Hong Kong taxation on securities dealings should consider their own tax position, and if in any doubt, should consult their own professional advisers.

In formulating our opinions, our opinions are necessarily based upon the financial, economic, market, regulatory and other conditions as they existed on, and the facts, information, representations, and opinions made available to us as of the Latest Practicable Date. The Independent Privateco Shareholders will be informed should there be any material changes to the information contained or referred to herein and our opinion as soon as possible after the Latest Practicable Date and throughout the offer period (as defined in the Takeovers Code). We disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting the opinions expressed herein which may come or be brought to our attention after the end of the period for the acceptance of the Privateco Offer.

This letter is issued for the Independent Privateco Shareholders solely in respect of the Privateco Offer and, except for its inclusion in the Response Document, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinions, we have taken into consideration the following principal factors and reasons:

1. The Privateco Offer

As at the Latest Practicable Date, there were 275,437,000 Privateco Shares in issue. Without taking into account the Acceptance Shares, Circle Brown, together with its associates and parties acting in concert with it, were interested in a total of 112,456,500 Privateco Shares, representing approximately 40.8% of the shares of Privateco in issue as at the Latest Practicable Date.

Somerley Capital, the financial adviser to Circle Brown and on behalf of Circle Brown, is making the Privateco Offer to the Independent Privateco Shareholders to acquire all the Privateco Shares held by the Independent Privateco Shareholders, in compliance with the Takeovers Code, on the following terms:

for each Privateco Share held HK\$0.84 in cash

There are a total of 162,980,500 Privateco Shares (representing approximately 59.2% of the shares of Privateco in issue) subject to the Privateco Offer, out of which 43,773,547 Privateco Shares were owned by the Privateco Shareholders who have accepted the Privateco Offer as at the Latest Practicable Date.

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The Privateco Shares to be acquired under the Privateco Offer shall be fully paid and free from all liens, charges, claims and Encumbrances and any third party rights together with all rights attaching to them from the date of the issue of the Privateco Shares, including the right to receive all dividends and distributions declared, made or paid on or after the date of the issue of those Privateco Shares.

Condition to the Privateco Offer

The Privateco Offer, upon opening for acceptance, on 21 August 2018, was conditional upon Circle Brown having received valid acceptances of the Privateco Offer by 4:00 p.m. on the first closing date of the Privateco Offer (or such later time and/or date as Circle Brown may decide, subject to the Takeovers Code) which, together with the Privateco Shares already acquired or to be acquired by Circle Brown and parties acting in concert with it, would result in Circle Brown and parties acting in concert with it holding more than 50% of the voting rights of Privateco. Under the terms of the Privateco Offer, acceptance of the Privateco Offer is irrevocable and once given cannot be withdrawn except in the circumstances set out in Rule 19.2 of the Takeovers Code and/or in the section headed "Right of Withdrawal" in Appendix I to the Privateco Offer Document. If the circumstances set out in Rule 19.2 of the Takeovers Code apply, the Executive may require that the Independent Privateco Shareholders accepting the Privateco Offer be granted a right of withdrawal, on terms acceptable to the Executive, until the requirements under Rule 19 of the Takeovers Code can be met.

It was announced on 3 September 2018 that up to 3 September 2018, Circle Brown has received valid acceptances in respect of 43,773,547 Privateco Shares from the Independent Privateco Shareholders ("**Acceptance Shares**"). Taking into account the Acceptance Shares and the Privateco Shares held by the Circle Brown and parties acting in concert with it, Circle Brown is interested in an aggregate of 156,230,047 Privateco Shares, representing approximately 56.7% of the issued shares of Privateco, as at 4:00 p.m. on 3 September 2018. Accordingly, the condition of the Privateco Offer has been fulfilled and the Privateco Offer has become unconditional in all respects on 3 September 2018. Such date was later than the originally expected date of 28 August 2018 as asserted by the parties in the Privateco Offer Document and the joint announcement issued by THL and Circle Brown on 14 August 2018 in relation to the Privateco Offer, as a result of the processing time required for processing the Relevant Shareholders' instruction by their respective brokers and/or other intermediaries and the relevant Acceptances Forms to be received by the HK Transfer Agent or the SG Transfer Agent (as the case may be).

2. Information on the Privateco Group

Privateco is a company incorporated in the BVI with limited liability and is principally engaged in investment holding. The Distributed Business operated by the Privateco Group consists of the business of the THL Group, other than the Remaining Business, prior to the Distribution In Specie, which principally includes the design, development, manufacturing of various analytical instruments under the Privateco Group's own brands and the distribution and provision of after-sales services for analytical instruments manufactured by third parties, primarily outside the PRC.

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3. Financial information of the Privateco Group

Set out below is a summary of the audited historical financial information of the Privateco Group for each of the three years ended 31 December 2015, 2016 and 2017, and the unaudited historical financial information of the Privateco Group for each of the six months ended 30 June 2017 and 2018 as extracted from the section headed “Appendix I – Financial Information of the Privateco Group” of the Response Document.

The unaudited combined net liability value of the Privateco Group as at 30 June 2018 was approximately US\$31,068,000. The unaudited combined net liability value per Privateco Share as at 30 June 2018 was approximately US\$0.11.

	For the year ended 31 December			For the six months ended 30 June	
	2017	2016	2015	2018	2017
	<i>(audited)</i> US\$'000	<i>(audited)</i> US\$'000	<i>(audited)</i> US\$'000	<i>(unaudited)</i> US\$'000	<i>(unaudited)</i> US\$'000
Revenue	81,638	72,904	76,080	44,445	33,239
Gross profit	29,237	25,735	28,147	16,571	12,151
Net loss before taxation	(3,597)	(13,153)	(4,184)	(1,803)	(2,730)
Net loss after taxation	(3,625)	(13,132)	(3,999)	(1,824)	(2,712)
				As at 30 June 2018	As at 31 December 2017
				<i>(unaudited)</i> US\$'000	<i>(audited)</i> US\$'000
Total assets			84,465		80,399
Total liabilities			(115,533)		(109,774)
Net liabilities attributable to owners of the Privateco			(29,899)		(28,140)

Financial performance for the six months ended 30 June 2018

For the six months ended 30 June 2018 (the “**1H2018**”), the Privateco Group recorded revenue of approximately US\$44.4 million, representing an increase of 33.7% as compared to that of approximately US\$33.2 million for the six months ended 30 June 2017 (the “**1H2017**”). The increase in revenue was mainly due to the increased demand for the Privateco Group’s products in PRC and Europe.

The gross profit of the Privateco Group was approximately US\$16.6 million for 1H2018, representing an increase of 36.1% as compared to that of approximately US\$12.2 million in 1H2017, and gross profit margin was 37.3%, an increase of 0.7% as compared to that of approximately 36.6% for 1H2017.

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The Privateco Group's net loss after taxation was approximately US\$1.8 million for the 1H2018, representing a decrease of 33.3% as compared to approximately a net loss after taxation of US\$2.7 million for 1H2017 due to the increase in revenue as discussed above.

Financial performance for the year ended 31 December 2017

For the year ended 31 December 2017 (the "**FY2017**"), the Privateco Group recorded revenue of approximately US\$81.6 million, representing an increase of 11.9% as compared to that of approximately US\$72.9 million for the year ended 31 December 2016 (the "**FY2016**"). The increase in revenue was mainly due to growth in demand for Privateco Group's products.

The gross profit of the Privateco Group was approximately US\$29.2 million for FY2017, representing an increase of 13.6% as compared to that of approximately US\$25.7 million in FY2016, and gross profit margin was 35.8%, an increase of 0.5% when compared to that of 35.3% for FY2016.

The Privateco Group's net loss after taxation was approximately US\$3.6 million for the FY2017, representing a decrease of 72.5% as compared to approximately a net loss after taxation of US\$13.1 million for FY2016 due to the consolidation of the manufacturing facilities and the decrease in research and development costs.

Financial performance for the year ended 31 December 2016

For FY2016, the Privateco Group recorded revenue of approximately US\$72.9 million, representing a decrease of 4.2% as compared to that of approximately US\$76.1 million for the year ended 31 December 2015 (the "**FY2015**"). The decrease in revenue was mainly due to the depreciation of currencies such as GBP and Euro Dollars which certain portions of revenue are denominated in.

The gross profit of the Privateco Group was approximately US\$25.7 million for FY2016, representing a decrease of 8.5% as compared to that of approximately US\$28.1 million in FY2015, and gross profit margin was 35.3%, a slight decrease of 1.7% when compared to that of 37.0% for FY2015.

The Privateco Group's net loss after taxation was approximately US\$13.1 million for FY2016, representing an increase of 227.5% as compared to net loss after taxation of approximately US\$4.0 million for FY2015 mainly due to the set-up of manufacturing facilities in Europe for the production of gas chromatograph and the increase in research and development costs.

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Financial position as at 30 June 2018

The total assets of the Privateco Group was approximately US\$84.5 million as at 30 June 2018, representing an increase of 5.1% as compared to that of approximately US\$80.4 million as at 31 December 2017.

The total liabilities of the Privateco Group was approximately US\$115.5 million as at 30 June 2018, representing an increase of 5.2% as compared to that of approximately US\$109.8 million as at 31 December 2017.

As at 30 June 2018, the net liabilities attributable to owners of the Privateco increased approximately 6.4% from approximately US\$28.1 million as at 31 December 2017 to approximately US\$29.9 million.

4. Background of the Circle Brown and its intentions regarding Privateco

With reference to the Privateco Offer Document, Circle Brown is a company incorporated in the BVI with limited liability. Circle Brown is directly and wholly owned by Mr. Lo.

With reference to the Privateco Offer Document, it is the intention of Circle Brown that the Privateco Group will not make changes to its principal businesses nor conduct any business other than the Distributed Business. It is also the intention of Circle Brown that the Privateco Group will not hold any assets other than those relating to the Distributed Business, nor be injected with any major assets, nor dispose of any major assets, after the close of the Privateco Offer, unless prior approval by the holders of the Privateco Shares has been obtained. Circle Brown has no intention to redeploy or discontinue the employment of the employees of the Privateco Group other than in its ordinary course of business. The Privateco Shares are unlisted and may be illiquid, and there is no intention to apply for listing of the Privateco Shares on the Stock Exchange or any other stock exchange. Interests of the Privateco Shareholders will be safeguarded by the constitution of Privateco. A summary of key terms of the constitution of the Privateco are included in Appendix IV of the Response Document. Though there is no current intention for the Privateco Group to conduct any fundraising activities including rights issues, the Privateco Group may have to be restructured or strategic alternatives considered in light of the Privateco Group's performance in recent years.

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5. Prospectus of the Distribution Business

With reference to the THL Circular, the Distributed Business to be operated by the Privateco Group will consist of the business of the THL Group other than the Remaining Business. This includes the design, development, manufacturing of various analytical instruments under the Privateco Group's own brands such as "Techcomp", "Dynamica", "Edinburgh Instrument", "Froilabo", "Precisa" and "Scion", and the distribution and provision of after-sales services for analytical instruments manufactured by third parties, primarily outside the PRC. The Privateco Group operates manufacturing facilities in the PRC, the US and Europe.

According to a report issued by Strategic Directions International Inc. (an independent business intelligence provider that publishes periodic professional research reports on the analytical instrument industry) in February 2018, values of the worldwide demand (excluding the demand of PRC) for analytical and life science instrumentation increased from approximately US\$42,816 million in 2012 to approximately US\$50,482 million in 2017, representing a compound annual growth rate (the "CAGR") of approximately 3.3% from 2012 to 2017. In view of the CAGR of approximately 3.3%, we are of the view that the worldwide market (excluding the PRC) of the analytical and life science instrument is relatively saturated and the prospect of the Distributed Business will be uncertain.

6. The Privateco Offer Price

(i) Comparison of the Privateco Offer Price with the adjusted net asset value per Privateco Share:

According to the properties valuation of the Privateco Group's property interest set out in "Appendix III – Valuation report of properties comprised in the Distributed Business" of the Response Document and the unaudited pro forma combined statement of financial position of the Privateco Group set out in Appendix II, the table below sets out the adjusted unaudited pro forma consolidated net asset attributable to the owners of the Privateco Group (the "**Adjusted Privateco NAV**") as at 31 December 2017:

	<i>US\$'000</i>
Unaudited pro forma consolidated net asset attributable to the owners of the Privateco Group as at 31 December 2017	42,660
Less: Net book value of the properties as at 31 December 2017	(6,865)
Add: Appraised value of the properties as at 30 June 2018, as set forth in Appendix III	<u>23,136</u>
Adjusted Privateco NAV as at 31 December 2017	<u><u>58,931</u></u>

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The Privateco Offer Price of HK\$0.84 per Privateco Share represents a discount of approximately 49.70% to the Adjusted Privateco NAV of approximately HK\$1.67 per Privateco Share as at 31 December 2017.

As disclosed in the sub-section headed “The Privateco Offer” under “Letter from Somerley Capital” to the Privateco Offer Document, the persistent discount of the “undisturbed” market price of the THL Shares before the MOU Announcement to the THL Group’s net asset value, for example, the average closing price of the THL Shares from 1 January 2017 to 22 May 2017 (the last trading day before MOU Announcement) of approximately HK\$1.34 representing a substantial discount of approximately 41.7% to the THL Group’s net asset value (the “**THL NAV**”) of approximately HK\$2.30 per THL Share as at 31 December 2016. Given that the THL Shares were trading at a discount of approximately 41.7% before the entering into of the MOU, we consider that a discount of approximately 49.70% for the Privateco Offer Price to the Adjusted Privateco NAV per Share is justifiable.

We have discussed with the directors of THL (the “**THL Directors**”) about the reasons for such a substantial discount at which the THL Shares were traded to the THL NAV per THL Share. It is observed that the THL NAV per THL Share as at 31 December 2015 and 2016 was approximately HK\$2.39 and HK\$2.30, which was remained stable. It is also observed that for the period from 1 January 2017 to 22 May 2017 (the last trading day before MOU Announcement), the closing price of the THL Shares remained relatively stable and fluctuated between HK\$1.14 and HK\$1.63 until 16 May 2017, and from 17 May 2017 to 22 May 2017, the closing price the THL Shares was increasing and reached HK\$2.52 on 22 May 2017. We have enquired into the THL Directors regarding the possible reasons for such movement in the closing price of the THL Shares, and as confirmed by the THL Directors, save for the annual result announcement of THL Group for the year ended 31 December 2016 dated 16 March 2017, the THL Directors were not aware of any happening or material information which might have affected the closing price of the THL Shares during the aforesaid period. Therefore, we concur with the views of the THL Directors that the movement of the closing prices of the THL Shares and so as the discount of the THL Shares to the THL NAV were as a result of the market reaction by the investors in view that the THL NAV per THL Share was stable.

Save as disclosed above, the THL Directors were not aware of any factors that might lead to such discount of the THL Shares to the THL NAV.

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(ii) Comparison of the Privateco Offer Price with the price-to-book multiple

In assessing the fairness and reasonableness of the value of the Privateco Group implied by the Privateco Offer Price, we have made reference to other comparable companies. The pro forma figures set out in the Appendix II to the Response Document has considered the financial effects in relation to the Group Reorganisation and the Group Reorganisation was completed on 14 August 2018, we therefore consider that the pro forma figures are more relevant for our analysis. With reference to the unaudited pro forma combined statement of profit or loss and other comprehensive income of the Privateco Group set out in Appendix II, as the Privateco Group recorded a net loss attributable to the owners of the Privateco Group, price-to-earning multiple is not applicable for comparison. We adopted the price-to-book ratio (the “**PBR**”) based on search of comparable companies listed in Hong Kong. We selected companies based on the following criteria: (i) principally engaged in the business of manufacturing and distribution of analytical instrument, life science equipment and laboratory instruments such as medical devices; (ii) less than 50% of the revenue of such companies was generated on the PRC as the Privateco Group is focused on non-PRC region; and (iii) currently listed on the Stock Exchange.

We found 5 Hong Kong listed companies (the “**Privateco Market Comparables**”) which meet the said criteria and they are exhaustive as far as we are aware of. Privateco Shareholders should note that the businesses, operations and prospects of the Privateco Group are not exactly the same as those of the Privateco Market Comparables.

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Set out below are the PBRs of the Privateco Market Comparables based on their respective market capitalization as at the Latest Practicable Date and their respective latest published financial information:

Company Name	Principal business	Closing price as at the Latest Practicable Date (HKD)	Number of shares issued	Market capitalization as of the Latest Practicable Date (Note 1) (HKD)	Unaudited net asset value attributable to the owners of the respective company disclosed in the respective latest published financial reports (HKD)	PBR as at the Latest Practicable Date (Note 2)
MicroPort Scientific Corporation (853)	Manufacture and sales of medical products	9.60	1,462,013,343	14,036,288,093	3,187,009,800	4.40
Vincent Medical Holdings Limited (1612)	Research, development, manufacture and trade of medical devices	0.58	637,650,000	369,837,000	381,437,000	0.97
Sisram Medical Limited (1696)	Design, development, manufacture and distribution of energy cosmetic medicine and minimally invasive medical cosmetic treatment systems	4.60	442,155,600	2,033,915,760	2,369,140,800	0.86
Modern Dental Group Limited (3600)	Production and distribution of prosthetic devices	1.69	1,000,000,000	1,690,000,000	2,076,335,000	0.81
IAG Holdings Limited (8513)	Manufacturing and sale of injection molded plastic parts for disposable medical devices	0.435	400,000,000	174,000,000	62,995,620	2.76
					Maximum	4.40
					Minimum	0.81
					Median	0.97
					Average	1.96
The Privateco Group	Manufacture and distribution of analytical instrument, life science equipment and laboratory instruments	0.84 (Note 3)	275,437,000	231,367,080 (Note 3)	459,661,800 (Note 3)	0.50 (Note 3)

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Notes:

1. Market capitalisation is based on the number of shares in issue and the closing share price as at the Latest Practicable Date.
2. The PBR of the Privateco Market Comparables were calculated based upon their respective market capitalization as at the Latest Practicable Date and divided by the net asset value attributable to the owners of the respective companies disclosed in the respective latest published interim reports or interim result announcements.
3. The implied PBR of the Privateco Offer Price was calculated based upon the Privateco Offer Price multiplied by total number of issued Privateco Shares of 275,437,000 as at the Latest Practicable Date and then divided by the Adjusted Privateco NAV of approximately US\$58,931,000 (approximately HK\$459,661,800) as at 31 December 2017.
4. For information purposes only, the unaudited pro forma consolidated equity attributable to the owners of the Privateco Group was approximately US\$42,660,000 (approximately HK\$332,748,000) as at 31 December 2017 as extracted from the unaudited pro forma financial information of the Privateco Group set out in Appendix II to the Response Document.

As depicted in the above table, the PBRs of the Privateco Market Comparables ranged from approximately 0.81 times to approximately 4.40 times, with a median of approximately 0.97 times and an average of approximately 1.96 times. Accordingly, the implied PBR of the Privateco Offer Price of approximately 0.50 times is below the lower end (i.e. the implied PBR of the Privateco Offer Price is lower than the lowest PBR of the Privateco Market Comparables and implies that the Privateco Offer Price is comparatively the lowest price), the median and the average of the PBRs of the Privateco Market Comparables.

(iii) Trading Liquidity of the Privateco Shares

Given that no application will be made for the listing of, and permission to deal in, the Privateco Shares on the Hong Kong Stock Exchange, the SGX-ST or any other stock exchange, holders of the Privateco Shares may therefore find it difficult to liquidate their holdings in the Privateco Shares as they are unlisted and illiquid.

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Our view on the terms of the Privateco Offer

Despite the fact that the Privateco Offer Price is at a discount to the Adjusted Privateco NAV and the implied PBR of the Privateco Offer Price is below the range of the PBRs for Privateco Market Comparables, after taking into account that (i) the persistent discount of the “undisturbed” market price to the THL Group’s net asset value before the entering into of the MOU, (ii) the Privateco Shares are unlisted and illiquid as there is no open market for them and; (iii) the unsatisfactory performance of the Privateco Group as it had been loss making for the past three years. We have enquired with and as advised by the management of the Privateco Group, the decrease in net loss for the year ended 31 December 2017 as compared to that of for the year ended 31 December 2016 was primarily due to the significant expenses relating to relocation of manufacturing facilities for the production of gas chromatography from the United States to Europe and China in 2016, which was considered to be one off event. We also noted that the net loss position in 2015 and 2017 was relatively similar. Additionally, the Privateco Group continues to record a net loss for the six months ended 30 June 2018. As such, based on the historical performance of the Privateco Group, there is no evidence that the Privateco Group will turnaround its net loss position and we believe that the future performance of the Privateco Group remain uncertain.

Therefore, we consider that, on balance, the terms of the Privateco Offer to be reasonable.

7. Compulsory redemption

As set out in the “Letter from Somerley Capital” of the Privateco Offer Document, Circle Brown intends to avail itself of any compulsory redemption provisions under the applicable laws in BVI and the relevant provisions of the Takeovers Code. In the event that upon closing of the Privateco Offer, Circle Brown receives acceptances of the Privateco Offer of such number of disinterested Privateco Shares (i.e. Privateco Shares other than those owned or agreed to be acquired by Circle Brown and parties acting in concert with it) which, together with the Privateco Shares held by Circle Brown and parties acting in concert with it (including Mr. Lo and his spouse) immediately prior to the Privateco Offer, constitute 90% or more of the total Privateco Shares in issue, Circle Brown (together with its concert parties) intends to, without delay, direct Privateco to mandatorily redeem the Privateco Shares not already owned or agreed to be acquired by Circle Brown and parties acting in concert with it pursuant to section 176 of BVI Business Companies Act 2004 (as amended), but subject to the Takeovers Code. Such right of Circle Brown (together with its concert parties) to direct Privateco to mandatorily redeem the Privateco Shares will constitute a right of compulsory acquisition under Rule 15.6 of the Takeovers Code. Subject to Circle Brown having become entitled to direct Privateco to mandatorily redeem the Privateco Shares pursuant to section 176 of BVI Business Companies Act 2004 (as amended), but subject to the Takeovers Code, cash consideration will be paid by Circle Brown to the Privateco Shareholders whose names are recorded in the register of members of Privateco and whose shares are not already owned or agreed to be acquired by Circle Brown and parties acting in concert with it. In addition, no share certificates of Privateco will be posted unless a request for a share certificate is made by a Privateco Shareholder prior to the Closing Date.

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In addition to the aforesaid requirement, Rule 2.11 of the Takeovers Code allows Circle Brown and parties acting in concert to exercise their rights of compulsory acquisition if acceptances of the Privateco Offer during the period of 4 months after posting of the Privateco Offer Document amount to 90% of the disinterested Privateco Shares.

Further announcement(s) will be made on whether the compulsory redemption can be implemented. As a result of the compulsory redemption (if applicable), Circle Brown and its concert parties together will hold 100% of the Privateco Shares.

8. Comparison of the combined offer price with the historical daily closing prices of the THL Share and the net asset value per THL Share:

In view that the Privateco Offer and the Listco Share Offer are implement at the same time, for more information to the Independent Privateco Shareholders, set out below is the comparison of the combined offer price (i.e. the potential aggregate cash consideration of HK\$4.107 under the Privateco Offer and the Listco Share Offer) (the “**Combined Offer Price**”). The Combined Offer Price comprises both the Distributed Business and the Remaining Business and it may not reflect the true value of the Privateco.

The Combined Offer Price of HK\$4.107 per THL Share represents:

- (a) a premium of approximately 66.95% over the closing price of HK\$2.46 per THL Share as quoted on the Hong Kong Stock Exchange on the 18 April 2018 (being the last trading day for the THL Shares prior to the suspension of trading in the THL Shares pending the publication of the Joint Announcement) (the “**Last Trading Day**”);
- (b) a premium of approximately 79.34% over the average closing price of the THL Shares as quoted on the Hong Kong Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$2.29 per THL Share;
- (c) a premium of approximately 80.93% over the average closing price of the THL Shares as quoted on the Hong Kong Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.27 per THL Share;
- (d) a premium of approximately 73.29% over the average closing price of the THL Shares as quoted on the Hong Kong Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.37 per THL Share;
- (e) a premium of approximately 86.68% over the average closing price of the THL Shares as quoted on the Hong Kong Stock Exchange for the 90 consecutive trading days up to and including the Last Trading Day of approximately HK\$2.20 per THL Share;

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- (f) a premium of approximately 25.60% over the closing price of HK\$3.27 per THL Share as quoted on the Hong Kong Stock Exchange on the Latest Practicable Date;
- (g) a premium of approximately 74.03% over the audited consolidated net asset attributable to the owners of the THL of approximately HK\$2.36 per THL Share as at 31 December 2017 (calculated based on the audited consolidated equity attributable to the owners of the THL of approximately US\$83.35 million as at 31 December 2017 (approximately HK\$650.13 million) as disclosed in the THL's 2017 annual report and 275,437,000 THL Shares in issue as at 31 December 2017); and
- (h) a premium of approximately 78.57% over the unaudited consolidated net asset attributable to the owners of the THL of approximately HK\$2.30 per Share as at 30 June 2018 (calculated based on the unaudited consolidated equity attributable to the owners of the THL of approximately US\$81.38 million as at 30 June 2018 (approximately HK\$634.76 million) as disclosed in the interim report of THL for the six months ended 30 June 2018 and 275,437,000 THL Shares in issue as at 30 June 2018).

We have also compared the Combined Offer Price to the daily closing prices of the THL Shares over the 12-month period prior to the date of the Joint Announcement up to the Latest Practicable Date. The following chart depicts the daily closing prices of the THL Shares from 24 April 2017 (approximately 12 months prior to the date of the Joint Announcement) up to the Latest Practicable Date (the "**Review Period**"):



LETTER FROM AMASSE CAPITAL

The closing prices of the THL Shares are in general remained stable in the period before the date of the Joint Announcement. Immediately after the date of the Joint Announcement to the Latest Practicable Date, the closing price of the THL Shares reached HK\$4.23 per THL Share recorded on 25 April 2018 and HK\$4.36 on 27 April 2018.

As illustrated above, the Combined Offer Price has a premium over the closing prices of the THL Shares during the period from 24 April 2017 to the Last Trading Day, which ranged from HK\$1.32 to HK\$2.68. During the Review Period, the closing prices of the THL Shares ranged from HK\$1.32 to HK\$4.36 and such closing prices were below the Combined Offer Price except for two trading days when the closing price of HK\$4.23 (recorded on 25 April 2018) and HK\$4.36 (recorded on 27 April 2018) were higher than the Combined Offer Price respectively. The average closing prices of the THL Shares during the Review Period was approximately HK\$2.43. The Combined Offer Price represents a premium of approximately 69.01% over such average closing price of the THL Shares.

RECOMMENDATION

Despite (i) the Privateco Offer Price representing a discount of approximately 49.70% to the Adjusted Privateco NAV as at 31 December 2017 of approximately HK\$1.67 per Privateco Share; and (ii) the implied PBR of the Privateco Offer Price being below the lower end of the PBRs of the Privateco Market Comparables (i.e. the implied PBR of the Privateco Offer Price is lower than the lowest PBR of the Privateco Market Comparables and implies that the Privateco Offer Price is comparatively the lowest price), and having considered the principal factors and reasons as discussed above, in particular:

- (i) the persistent discount of the “undisturbed” market price to the THL Group’s net asset value before the entering into of the MOU;
- (ii) the Privateco Shares are unlisted and illiquid as there is no open market for them;
- (iii) the unsatisfactory performance of the Privateco Group as it had been loss making for the past three years and for the six months ended 30 June 2018; and
- (iv) the worldwide market (excluding the PRC) of the analytical and life science instrument is relatively saturated,

we consider that the terms of the Privateco Offer are fair and reasonable. Accordingly, we recommend the Independent Privateco Shareholders to accept the Privateco Offer.

LETTER FROM AMASSE CAPITAL

As different Independent Privateco Shareholders would have different investment criteria, objectives and/or circumstances, we would recommend any Independent Privateco Shareholders who may require advice in relation to any aspect of the Response Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser.

Yours faithfully,
For and on behalf of
Amasse Capital Limited
Michael Lam
Managing Director

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

1. FINANCIAL SUMMARY OF THE PRIVATECO GROUP

Set out below is a financial summary of the Privateco Group for the three financial years ended 31 December 2017 and for the six months ended 30 June 2018, as extracted from the accountant's report of the Privateco Group and the unaudited condensed consolidated financial statements of the Privateco Group contained in Appendix I to this response document:

Results

	Year ended 31 December			Six months ended
	2015	2016	2017	30 June 2018
	US\$'000 (audited)	US\$'000 (audited)	US\$'000 (audited)	US\$'000 (unaudited)
Revenue	76,080	72,904	81,638	44,445
Loss before taxation	(4,184)	(13,153)	(3,597)	(1,803)
Taxation	185	21	(28)	(21)
Loss for the year/period	(3,999)	(13,132)	(3,625)	(1,824)
Total comprehensive expense for the year/period	(4,061)	(13,003)	(2,780)	(1,460)
Loss (profit) for the year/period attributable to:				
Owners of the Privateco	(3,761)	(12,733)	(3,276)	(1,892)
Non-controlling interests	(238)	(399)	(349)	68
	(3,999)	(13,132)	(3,625)	(1,824)
Total comprehensive expense (income) for the year/period attributable to:				
Owners of the Privateco	(3,818)	(12,595)	(2,438)	(1,526)
Non-controlling interests	(243)	(408)	(342)	66
	(4,061)	(13,003)	(2,780)	(1,460)
Basic and diluted loss per share (US\$)				
Note (i)	(0.01)	(0.05)	(0.01)	(0.01)

Notes:

- (i) Basic and diluted earnings per share is calculated by dividing the loss attributable to Privateco Shareholders for the year by 275,437,000 Privateco Shares in issue, assuming all the Privateco Shares had been in issue throughout the reporting period.
- (ii) No dividends were proposed, declared or paid by the Privateco Group for each of the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Assets and Liabilities

	As at 31 December			As at
	2015	2016	2017	30 June
	US\$'000	US\$'000	US\$'000	US\$'000
	(audited)	(audited)	(audited)	(unaudited)
Non-current assets	18,678	17,327	17,063	17,054
Current assets	59,888	61,689	63,336	67,411
Current liabilities	(78,643)	(99,198)	(105,286)	(110,955)
Non-current liabilities	<u>(13,653)</u>	<u>(6,413)</u>	<u>(4,488)</u>	<u>(4,578)</u>
Net liabilities	<u>(13,730)</u>	<u>(26,595)</u>	<u>(29,375)</u>	<u>(31,068)</u>
Equity attributable to owners of the Privateco	(13,245)	(25,702)	(28,140)	(29,899)
Non-controlling interests	<u>(485)</u>	<u>(893)</u>	<u>(1,235)</u>	<u>(1,169)</u>
Deficiencies in equity	<u>(13,730)</u>	<u>(26,595)</u>	<u>(29,375)</u>	<u>(31,068)</u>

The Privateco Group had no exceptional items in respect of size, nature or incidence for each of the years ended 31 December 2015, 2016 and 2017 and for the six months ended 30 June 2018 in accordance with Hong Kong Financial Reporting Standards.

2. AUDITED FINANCIAL INFORMATION

The following is the full text of the audited combined financial information of the Privateco Group for the years ended 31 December 2015, 2016 and 2017, including the financial information and explanatory notes, as extracted from the accountant's report of the Privateco Group contained in Appendix III to the THL Circular. Capitalised terms used in this section shall have the same meaning as those defined in the THL Circular.

For each of the years ended 31 December 2015, 2016 and 2017, the auditors of the Privateco Group did not issue a qualified opinion on the combined financial information of the Privateco Group.

“Deloitte.”**德勤****ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE SOLE DIRECTOR OF TECHCOMP INSTRUMENT LIMITED****Introduction**

We report on the historical financial information of Techcomp Instrument Limited (the “Privateco”) and its subsidiaries upon completion of the group reorganisation (together, the “Privateco Group”) set out on pages III-4 to III-50, which comprises the combined statements of financial position as at 31 December 2015, 31 December 2016 and 31 December 2017, statements of financial position of the Privateco as at 31 December 2015, 31 December 2016 and 31 December 2017 and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 December 2017 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages III-4 to III-50 forms an integral part of this report, which has been prepared for inclusion in the circular of Techcomp (Holdings) Limited (the “Company”) dated 29 June 2018 (the “Circular”) in connection with, amongst others, the proposed group reorganisation and distribution in specie of the Privateco’s shares.

The sole director’s responsibility for the Historical Financial Information

The sole director of the Privateco is responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the sole director of the Privateco determines is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standards on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the sole director of the Privateco, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Privateco's and the Privateco Group's financial position as at 31 December 2015, 31 December 2016 and 31 December 2017 and of the Privateco Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

The Historical Financial Information is stated after making such adjustments to the Historical Financial Statements as defined on page III-3 as were considered necessary.

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Privateco in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 June 2018

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

HISTORICAL FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on (i) previously issued financial statements of Bibby Scientific (Asia) Limited ("Bibby Asia"), Cheetah Scientific Limited ("Cheetah Scientific"), Dynamic (Asia) Limited ("Dynamic (Asia)"), Glory Union Investments Limited ("Glory Union"), Graceful Sky Investments Limited ("Graceful Sky"), Silver Grand Holdings Limited ("Silver Grand"), Sunny Time Investments Limited ("Sunny Time") and Techcomp Limited ("Techcomp (HK)") for the years ended 31 December 2015 and 2016, (ii) management accounts of Bibby Asia, Cheetah Scientific, Dynamic (Asia), Glory Union, Graceful Sky, Silver Grand, Sunny Time and Techcomp (HK) for the year ended 31 December 2017, (iii) previously issued financial statements of Techcomp Jingke Trading (Shanghai) Co., Ltd. ("Jingke Trading"), Shanghai Sanco Instrument Co., Ltd. ("Shanghai Sanco"), Shanghai Techcomp Bio-equipment Limited ("Shanghai Techcomp Bio-equipment,") Shanghai Techcomp Instrument Limited ("Shanghai Techcomp Instrument") and Techcomp Precision Balances (Shanghai) Co., Ltd. ("Techcomp Precision Balances") for the years ended 31 December 2015, 2016 and 2017, and (iv) management accounts of the Privateco and all other subsidiaries for the years ended 31 December 2015, 2016 and 2017. The previously issued financial statements were audited by the independent auditors as set out in Note 18 to the Historical Financial Information ("Historical Financial Statements").

The Historical Financial Information is presented in United States dollars ("US\$") and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2015 US\$'000	2016 US\$'000	2017 US\$'000
Revenue	6	76,080	72,904	81,638
Cost of sales		<u>(47,933)</u>	<u>(47,169)</u>	<u>(52,401)</u>
Gross profit		28,147	25,735	29,237
Other income, gains and losses	7	1,308	703	1,359
Selling and distribution expenses		(7,777)	(9,589)	(8,335)
Administrative expenses		(22,136)	(23,164)	(21,847)
Research and development costs		(2,541)	(5,818)	(3,208)
Finance costs	8	<u>(1,185)</u>	<u>(1,020)</u>	<u>(803)</u>
Loss before taxation	9	(4,184)	(13,153)	(3,597)
Taxation	11	<u>185</u>	<u>21</u>	<u>(28)</u>
Loss for the year		<u>(3,999)</u>	<u>(13,132)</u>	<u>(3,625)</u>
Other comprehensive (expense) income				
<i>Item that will not be reclassified to profit or loss:</i>				
Recognition of actuarial (loss) gain on defined benefit plan		(32)	63	(723)
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences arising on translation of foreign operations		<u>(30)</u>	<u>66</u>	<u>1,568</u>
Other comprehensive (expense) income for the year		<u>(62)</u>	<u>129</u>	<u>845</u>
Total comprehensive expense for the year		<u>(4,061)</u>	<u>(13,003)</u>	<u>(2,780)</u>
Loss for the year attributable to:				
Owners of the Privateco		(3,761)	(12,733)	(3,276)
Non-controlling interests		<u>(238)</u>	<u>(399)</u>	<u>(349)</u>
		<u>(3,999)</u>	<u>(13,132)</u>	<u>(3,625)</u>
Total comprehensive expense for the year attributable to:				
Owners of the Privateco		(3,818)	(12,595)	(2,438)
Non-controlling interests		<u>(243)</u>	<u>(408)</u>	<u>(342)</u>
		<u>(4,061)</u>	<u>(13,003)</u>	<u>(2,780)</u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December		
		2015	2016	2017
		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets				
Property, plant and equipment	14	10,115	9,317	9,894
Goodwill	15	2,881	2,471	1,347
Other intangible assets	16	4,443	4,186	4,362
Deposits paid for acquisition of property, plant and equipment		679	804	910
Other assets	17	534	534	534
Deferred tax assets	27	26	15	16
		<u>18,678</u>	<u>17,327</u>	<u>17,063</u>
Current assets				
Inventories	19	27,761	28,895	32,266
Trade and other receivables	20	21,639	22,385	23,292
Amounts due from fellow subsidiaries	21	2,054	1,542	1,892
Tax recoverable		290	140	364
Bank balances and cash	22	8,144	8,727	5,522
		<u>59,888</u>	<u>61,689</u>	<u>63,336</u>
Current liabilities				
Trade and other payables	23	11,648	14,752	12,404
Amount due to immediate holding company	21	2	2	66,520
Amounts due to fellow subsidiaries	21	51,221	63,859	10,782
Tax payable		–	65	58
Bank borrowings – due within one year	25	15,767	20,512	13,686
Bank overdrafts	22	5	8	1,836
		<u>78,643</u>	<u>99,198</u>	<u>105,286</u>
Net current liabilities		<u>(18,755)</u>	<u>(37,509)</u>	<u>(41,950)</u>
Total assets less current liabilities		<u>(77)</u>	<u>(20,182)</u>	<u>(24,887)</u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

		As at 31 December		
		2015	2016	2017
<i>Notes</i>		<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current liabilities				
Bank borrowings – due after one year	25	12,902	5,826	3,150
Retirement benefit plan	26	514	446	1,192
Deferred tax liabilities	27	237	141	146
		13,653	6,413	4,488
Net liabilities		(13,730)	(26,595)	(29,375)
Capital and reserves				
Share capital	28	1,411	1,549	1,549
Reserves		(14,656)	(27,251)	(29,689)
Equity attributable to owners of the Privateco		(13,245)	(25,702)	(28,140)
Non-controlling interests		(485)	(893)	(1,235)
Deficiencies in equity		(13,730)	(26,595)	(29,375)

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

STATEMENTS OF FINANCIAL POSITION OF THE PRIVATECO

	<i>Notes</i>	As at 31 December		
		2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Non-current assets				
Investment in subsidiaries	18	2,605	2,605	2,605
Current assets				
Amounts due from subsidiaries	21	187	187	64,681
Amounts due from fellow subsidiaries	21	–	–	9,027
Bank balances and cash		3	3	3
		190	190	73,711
Current liabilities				
Amount due to immediate holding company	21	–	–	66,520
Amount due to a subsidiary	21	1	1	6,193
Amounts due to fellow subsidiaries	21	2,382	2,385	1,282
		2,383	2,386	73,995
Net current liabilities		(2,193)	(2,196)	(284)
Net assets		412	409	2,321
Capital and reserves				
Share capital	28	50	50	50
Reserves	29	362	359	2,271
Total equity		412	409	2,321

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Privateco									Non-controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Translation reserve	Legal reserves	Capital reserve	Equity reserve	Other reserve	Accumulated losses			Sub-total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000 (Note a)	US\$'000 (Note b)	US\$'000 (Note c)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2015	1,411	283	550	3,168	421	2,989	(2,458)	114	(15,905)	(9,427)	(242)	(9,669)
Loss for the year	-	-	-	-	-	-	-	-	(3,761)	(3,761)	(238)	(3,999)
Other comprehensive expense for the year	-	-	-	(25)	-	-	-	-	(32)	(57)	(5)	(62)
Total comprehensive expense for the year	-	-	-	(25)	-	-	-	-	(3,793)	(3,818)	(243)	(4,061)
At 31 December 2015	1,411	283	550	3,143	421	2,989	(2,458)	114	(19,698)	(13,245)	(485)	(13,730)
Loss for the year	-	-	-	-	-	-	-	-	(12,733)	(12,733)	(399)	(13,132)
Other comprehensive income (expense) for the year	-	-	-	75	-	-	-	-	63	138	(9)	129
Total comprehensive income (expense) for the year	-	-	-	75	-	-	-	-	(12,670)	(12,595)	(408)	(13,003)
Issue of shares	138	-	-	-	-	-	-	-	-	138	-	138
At 31 December 2016	1,549	283	550	3,218	421	2,989	(2,458)	114	(32,368)	(25,702)	(893)	(26,595)
Loss for the year	-	-	-	-	-	-	-	-	(3,276)	(3,276)	(349)	(3,625)
Other comprehensive income (expense) for the year	-	-	-	1,561	-	-	-	-	(723)	838	7	845
Total comprehensive income (expense) for the year	-	-	-	1,561	-	-	-	-	(3,999)	(2,438)	(342)	(2,780)
At 31 December 2017	1,549	283	550	4,779	421	2,989	(2,458)	114	(36,367)	(28,140)	(1,235)	(29,375)

Notes:

- 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.
- Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.
- Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Operating activities			
Loss before taxation	(4,184)	(13,153)	(3,597)
Adjustments for:			
Depreciation of property, plant and equipment	1,383	1,109	876
Amortisation of other intangible assets	855	1,424	1,578
Interest income	(14)	(24)	(3)
Interest expenses	1,185	1,020	803
(Reversal of) allowance for doubtful debts	(2)	327	487
Loss (gain) on disposal of property, plant and equipment	1	(4)	(51)
Impairment loss recognised in respect of goodwill	228	410	847
Write-off of other intangible assets	48	38	57
Allowance for inventories	–	547	116
	<u> </u>	<u> </u>	<u> </u>
Operating cash flows before movements in working capital	(500)	(8,306)	1,113
Increase in inventories	(191)	(3,281)	(2,920)
Increase in trade and other receivables	(14,768)	(7,789)	(6,000)
(Decrease) increase in trade and other payables	(2,347)	7,349	(3,326)
	<u> </u>	<u> </u>	<u> </u>
Cash used in operations	(17,806)	(12,027)	(11,133)
Income tax (paid) refunded	(177)	152	(241)
	<u> </u>	<u> </u>	<u> </u>
Net cash used in operating activities	<u>(17,983)</u>	<u>(11,875)</u>	<u>(11,374)</u>
Investing activities			
Payment of product development costs	(1,054)	(1,352)	(1,394)
Acquisition of property, plant and equipment	(833)	(1,535)	(1,060)
Deposits paid for acquisition of property, plant and equipment	–	(125)	(106)
Proceeds on disposal of property, plant and equipment	46	285	75
Repayment from (advance to) a fellow subsidiary	1,268	512	(350)
Interest received	14	24	3
	<u> </u>	<u> </u>	<u> </u>
Net cash used in investing activities	<u>(559)</u>	<u>(2,191)</u>	<u>(2,832)</u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

	Year ended 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Financing activities			
Advances from (repayments to) fellow subsidiaries	16,778	12,638	(53,077)
Bank borrowings raised	10,971	16,382	11,979
Proceeds from loans related to trade bills discounted with recourse	9,787	5,772	6,079
Advance from immediate holding company	–	–	66,518
Repayments of bank borrowings	(14,315)	(19,699)	(22,240)
Interest paid	(1,185)	(1,020)	(803)
Issue of shares	–	138	–
	<u> </u>	<u> </u>	<u> </u>
Net cash from financing activities	<u>22,036</u>	<u>14,211</u>	<u>8,456</u>
Net increase (decrease) in cash and cash equivalents	3,494	145	(5,750)
Cash and cash equivalents at beginning of the year	5,328	8,139	8,719
Effect of foreign exchange rate changes	(683)	435	717
	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at end of the year	<u><u>8,139</u></u>	<u><u>8,719</u></u>	<u><u>3,686</u></u>
Represented by:			
Bank balances and cash	8,144	8,727	5,522
Bank overdrafts	(5)	(8)	(1,836)
	<u> </u>	<u> </u>	<u> </u>
	<u><u>8,139</u></u>	<u><u>8,719</u></u>	<u><u>3,686</u></u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL

The Privateco was incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability on February 4, 2004.

The immediate holding company of the Privateco is Techcomp (Holdings) Limited which was incorporated in Bermuda as an exempted company with limited liability with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") (primary listing), and the Main Board of Singapore Exchange Securities Trading Limited (secondary listing). 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 Privateco are Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, BVI and 6/F, Mita Center, 552-566 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong, respectively.

The Privateco acts as an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of analytical instruments, life science equipment and laboratory instruments.

The Historical Financial Information is presented in United States Dollars ("US\$") which is also the functional currency of the Privateco.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the principle of merger accounting in accordance with Accounting Guideline 5 Merger Accounting for common control combination (details are set out below).

Pursuant to the group reorganisation with details set out in the section headed "Proposed Group Reorganisation And Distribution In Specie Of The Privateco Shares" (the "Group Reorganisation") of the circular of the Company dated 29 June 2018 (the "Circular") in connection with the proposed group reorganisation and distribution in specie, the Company will transfer the 100% equity interests in Richwell Hightech Systems Inc. ("Richwell"), Regent Lite Pte. Ltd. ("Regent Lite"), Silver Grand, Glory Union, Graceful Sky, Sunny Time, Techcomp (Europe) Limited ("Techcomp Europe") to the Privateco, while Techcomp Scientific Limited, a wholly owned subsidiary of the Company, will transfer the 100% equity interests in Techcomp (HK), Techcomp (Singapore) Pte. Ltd. ("Techcomp Singapore"), Bibby Asia, Techcomp India Pvt Limited ("Techcomp India"), Dynamic Scientific Limited ("Dynamic Scientific") and Dynamic (Asia) to the Privateco. The shares of Privateco will then be distributed in specie to the shareholders of the Company. Upon completion of the distribution in specie, a company wholly owned by Mr. Lo Yat Keung will make a voluntary cash offer to the then shareholders of Privateco to acquire all the shares of Privateco. The distribution in specie is subject to the approval of the Company's shareholders in the special general meeting.

The Privateco Group resulting from the Group Reorganisation continued to be controlled by the Company and is regarded as a continuing entity. Accordingly, the combined statements of profit or loss and other comprehensive income and combined statements of cash flows for the Track Record Period have been prepared to include the results and cash flows of the companies now comprising the Privateco Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the Track Record Period. The combined statements of financial position of the Privateco Group as at 31 December 2015, 31 December 2016 and 31 December 2017 have been prepared to present the assets and liabilities of the companies now comprising the Privateco Group as if the current group structure had been in existence at those dates.

In preparing the Historical Financial Information, the sole director of the Privateco has given careful consideration to the future liquidity of the Privateco and its subsidiaries upon completion of the Group Reorganisation (together, the "Privateco Group") in light of the fact that its current liabilities exceeded its current assets by US\$18,755,000, US\$37,509,000 and US\$41,950,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively, and its total liabilities exceeded its total assets by US\$13,730,000, US\$26,595,000 and US\$29,375,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively and the Privateco Group incurred recurring losses of US\$3,999,000, US\$13,132,000 and US\$3,625,000 for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively. Taking into account that the Company has agreed to provide financial support to the Privateco Group prior to the distribution in specie and for the purpose of the Group Reorganisation, the Privateco will allot and issue one share to the Company in consideration of the capitalisation of the net amount due from the Privateco Group and the Company and its subsidiaries upon completion of the group reorganisation (the "Remaining Group"). Taken into account of the capitalisation of the net amount due from/due to the Remaining Group, the Privateco Group have net current assets and net assets position upon the completion of the distribution in specie and accordingly, the Historical Financial Information has been prepared on a going concern basis.

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3. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Privateco Group has consistently adopted IFRSs issued by the IASB that are effective for the accounting period beginning on 1 January 2017 throughout the Track Record Period.

The Privateco 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 1 January 2018.

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

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

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

IFRS 9 “Financial Instruments”

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 Privateco 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. 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.
- 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 Privateco Group’s financial instruments and risk management policies as at 31 December 2017, the sole director of the Privateco anticipates the following potential impact on initial application of IFRS 9:

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Classification and measurement:

Unquoted equity shares classified as available-for-sale investments carried at cost less impairment as disclosed in note 17: these unquoted equity shares qualified for designation as measured at FVTOCI under IFRS 9 and the Privateco Group will designate these securities at FVTOCI at 1 January 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 1 January 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 sole director of the Privateco anticipates 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 Privateco Group's financial assets measured at amortised costs that subject to the impairment provisions upon application of IFRS 9 by the Privateco Group.

Based on the assessment by the sole director of the Privateco, if the expected credit loss model was to be applied by the Privateco Group, the accumulated amount of impairment loss to be recognised by Privateco Group as at 1 January 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 increase the opening accumulated losses.

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

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 sole director of the Privateco has 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 sole director of the Privateco anticipates 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 Privateco 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 Privateco Group.

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.

As at 31 December 2017, the Privateco Group has non-cancellable operating lease commitments of US\$2,079,000 as disclosed in note 30. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Privateco 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 Privateco Group currently considers refundable rental deposits paid of US\$28,000 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 sole director of the Privateco anticipates that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the combined financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on SEHK and by the Hong Kong Companies Ordinance.

The Historical Financial Information has 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 Privateco 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 the Historical Financial Information 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.

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Basis of combination

The Historical Financial Information incorporates the financial statements of the Privateco and entities controlled by the Privateco (its subsidiaries). Control is achieved when the Privateco:

- 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 Privateco 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.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Privateco and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Privateco 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 Privateco Group's accounting policies.

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

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 Privateco Group, liabilities incurred by the Privateco Group to the former owners of the acquiree and the equity interests issued by the Privateco 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 Privateco Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net 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.

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Merger accounting for business combination involving businesses under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

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 Privateco 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 Privateco 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 Privateco Group and when specific criteria have been met for each of the Privateco Group's activities, as described below.

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

Service income is recognised when services are provided.

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 combined statements 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.

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-generated 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.

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 Privateco 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).

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When it is not possible to estimate the recoverable amount of an asset individually, the Privateco 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.

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.

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.

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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 trade and other receivables, amounts due from group companies and bank balances and cash) 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 Privateco 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

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.

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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 a group entity 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, amounts due to group companies, bank borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Privateco 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 Privateco Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Privateco Group recognise its retained interest in the asset and an associated liability for amounts it may have to pay. If the Privateco Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Privateco 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 Privateco Group derecognises financial liabilities when, and only when, the Privateco 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 Privateco 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 Privateco Group makes payments for a property interest which includes both leasehold land and building elements, the Privateco 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 Privateco 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 combined statements 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.

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 other 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 Privateco 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 combined statements 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 Privateco 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 combined statements of financial position represents the actual deficit or surplus in the Privateco 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.

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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 combined statements 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 Privateco 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 Historical Financial Information 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Privateco 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 Privateco 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.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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 Historical Financial Information, the assets and liabilities of the Privateco Group's foreign operations are translated into the presentation currency of the Privateco 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 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.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Privateco Group's accounting policies, which are described in note 4, the sole director of the Privateco is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an 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.

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 Privateco Group has recognised an accumulated allowance for doubtful debts amounting to US\$1,043,000, US\$1,273,000 and US\$1,658,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively. The carrying amount of trade receivables is disclosed in note 20.

Net realisable value assessable of inventories

In determining the net realisable value of the Privateco 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 Privateco Group has recognised an allowance for inventories amounting to nil, US\$547,000 and US\$116,000 for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively. The carrying amount of inventories is disclosed in note 19.

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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 Privateco 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 31 December 2015, 31 December 2016 and 31 December 2017, an impairment loss of US\$228,000, US\$410,000 and US\$847,000 is recognised, respectively and the carrying amount of goodwill and information relating to the estimates used in assessing impairment of goodwill is disclosed in note 15.

6. REVENUE AND SEGMENT INFORMATION

Revenue

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Sale of analytical instruments, life science equipment and laboratory instruments	76,080	72,904	81,638

Operating segments

The Privateco Group's operation was regarded as a single segment, being an enterprise engaged in design and manufacture and sales of analytical and laboratory instruments and life science equipment. The sole director of the Privateco, being the chief operating decision maker ("CODM"), reviews the revenue and the loss for the year of the Privateco Group as a whole for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. Therefore, the operation of the Privateco Group constitutes one single reportable segment.

Geographical information

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

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

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
PRC (including Hong Kong and Macau)	28,108	25,638	25,643
Asia (other than the PRC)	1,323	1,611	1,528
Europe	29,480	37,460	44,764
Others ⁽¹⁾	17,169	8,195	9,703
	<u>76,080</u>	<u>72,904</u>	<u>81,638</u>

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

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The Privateco 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:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
PRC (including Hong Kong and Macau)	8,821	7,083	6,182
Europe	7,840	8,501	9,358
United States of America	1,438	1,179	960
Others ⁽²⁾	19	15	13
	<u>18,118</u>	<u>16,778</u>	<u>16,513</u>

⁽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 Privateco Group during the Track Record Period.

7. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Foreign exchange gain, net	131	106	773
Freight service income	50	28	122
(Loss) gain on disposal of property, plant and equipment	(1)	4	51
Impairment loss recognised in respect of goodwill	(228)	(410)	(847)
Interest income on bank deposits	14	24	3
Commission income from a fellow subsidiary	666	522	783
Subsidy from government (<i>Note</i>)	148	86	120
Sundry income	528	343	354
	<u>1,308</u>	<u>703</u>	<u>1,359</u>

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

8. FINANCE COSTS

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Interest on bank borrowings and overdrafts	1,056	878	618
Interest on amount due to a fellow subsidiary	129	142	185
	<u>1,185</u>	<u>1,020</u>	<u>803</u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

9. LOSS BEFORE TAXATION

	Year ended 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Loss before taxation has been arrived at after charging (crediting):			
Sole director's remuneration (<i>note 10</i>)	207	231	234
Other staff costs	13,355	15,214	13,038
Contributions to retirement benefit schemes for other staff	1,286	1,815	1,704
	<u>14,848</u>	<u>17,260</u>	<u>14,976</u>
Total staff costs			
(Reversal of) allowance for doubtful debts	(2)	327	487
Auditor's remuneration	305	305	305
Amortisation of other intangible assets	855	1,424	1,578
Cost of inventories recognised as an expense	47,933	47,169	52,401
Depreciation of property, plant and equipment	1,383	1,109	876
Allowance for inventories	–	547	116
Write-off of other intangible assets	48	38	57
	<u>48</u>	<u>38</u>	<u>57</u>

10. SOLE DIRECTOR'S AND EMPLOYEES' EMOLUMENTS

Sole director's remuneration

The emoluments of the sole director of the Privateco, Mr. Lo Yat Keung, during the Track Record Period are analysed as follows:

	Year ended 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Fees	–	–	–
Other emoluments			
– Basic salaries and allowances	179	188	196
– Bonus	26	41	36
– Contributions to retirement benefit schemes	2	2	2
	<u>207</u>	<u>231</u>	<u>234</u>
Total sole director's emoluments			
	<u>207</u>	<u>231</u>	<u>234</u>

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

The sole director's emoluments shown above were paid for his services in connection with the management of the affairs of the Privateco and the Privateco Group.

Employees' emoluments

The five highest paid individuals include 1, 1 and 1 director of the Privateco during the year ended 31 December 2015, 31 December 2016 and 31 December 2017, details of whose emoluments are disclosed above. The total emoluments of the remaining 4, 4, and 4 individuals during the year ended 31 December 2015, 31 December 2016 and 31 December 2017 are as follows:

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	Year ended 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Basic salaries and allowances	733	694	717
Bonus	170	168	208
Contributions to retirement benefit schemes	55	62	72
	958	924	997
	958	924	997

The emoluments of the 4, 4 and 4 highest paid employees above were within following bands:

	Number of individuals		
	Year ended 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
HK\$1,000,001 to HK\$1,500,000 (equivalent to US\$128,205 to US\$192,308)	2	1	1
HK\$1,500,001 to HK\$2,000,000 (equivalent to US\$192,309 to US\$256,410)	1	2	2
HK\$2,000,001 to HK\$2,500,000 (equivalent to US\$256,411 to US\$320,513)	–	1	1
HK\$3,000,001 to HK\$3,500,000 (equivalent to US\$384,616 to US\$448,718)	1	–	–
	4	4	4
	4	4	4

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

No emoluments were paid by the Privateco Group to the sole director or the five highest paid individuals (including the sole director and employees) as an inducement to join or upon joining the Privateco Group or as compensation for loss of office during the Track Record Period. The sole director has not waived any emoluments during the Track Record Period.

11. TAXATION

	Year ended 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Current taxation			
PRC Enterprise Income Tax	(2)	(34)	–
Others	189	(19)	(34)
	187	(53)	(34)
Deferred taxation (<i>note 27</i>)	(2)	74	6
	185	21	(28)
	185	21	(28)

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

Hong Kong and Singapore income tax are calculated at 16.5% and 17% of the estimated assessable profits during the Track Record Period, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income tax are made as the Privateco Group does not have any assessable assessment profits arising from Hong Kong and Singapore during the Track Record Period.

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% during the Track Record Period.

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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 1 January 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 loss before taxation per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Loss before taxation	(4,184)	(13,153)	(3,597)
Tax credit at the applicable tax rate of 16.5%	(690)	(2,170)	(594)
Tax effect of expenses not deductible for tax purposes	82	120	114
Tax effect of income not taxable for tax purposes	(150)	(36)	(48)
Tax effect of tax losses not recognised	992	2,379	708
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	172	7	73
Utilisation of tax losses previously not recognised	(124)	(193)	(201)
Others	(97)	(86)	(80)
Taxation for the year	185	21	(28)

12. DIVIDENDS

No dividend was paid or declared by the Privateco Group during the Track Record Period.

13. EARNINGS PER SHARE

No earnings per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Group Reorganisation and the results of the Privateco Group for the Track Record Period that is on a combined basis as set out in note 2.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings US\$'000	Furniture and fixtures US\$'000	Machinery and equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
THE PRIVATECO GROUP					
COST					
At 1 January 2015	11,042	2,199	4,460	1,028	18,729
Exchange realignment	(133)	(93)	(163)	(27)	(416)
Additions	74	205	537	17	833
Disposals	(7)	(6)	(61)	(212)	(286)
At 31 December 2015	10,976	2,305	4,773	806	18,860
Exchange realignment	(814)	(203)	(434)	(42)	(1,493)
Additions	686	249	557	43	1,535
Disposals	(128)	(191)	(63)	(148)	(530)
At 31 December 2016	10,720	2,160	4,833	659	18,372
Exchange realignment	629	156	336	36	1,157
Additions	328	346	378	8	1,060
Disposals	-	(85)	(298)	(10)	(393)
At 31 December 2017	11,677	2,577	5,249	693	20,196

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	Leasehold land and buildings <i>US\$'000</i>	Furniture and fixtures <i>US\$'000</i>	Machinery and equipment <i>US\$'000</i>	Motor vehicles <i>US\$'000</i>	Total <i>US\$'000</i>
ACCUMULATED DEPRECIATION					
At 1 January 2015	3,033	1,302	2,954	678	7,967
Exchange realignment	(138)	(69)	(139)	(20)	(366)
Provided for the year	468	268	564	83	1,383
Eliminated on disposals	-	(5)	(43)	(191)	(239)
	<u>3,363</u>	<u>1,496</u>	<u>3,336</u>	<u>550</u>	<u>8,745</u>
At 31 December 2015	3,363	1,496	3,336	550	8,745
Exchange realignment	(254)	(97)	(179)	(20)	(550)
Provided for the year	471	239	305	94	1,109
Eliminated on disposals	(32)	(35)	(51)	(131)	(249)
	<u>3,548</u>	<u>1,603</u>	<u>3,411</u>	<u>493</u>	<u>9,055</u>
At 31 December 2016	3,548	1,603	3,411	493	9,055
Exchange realignment	274	107	326	27	734
Provided for the year	284	234	294	64	876
Eliminated on disposals	-	(81)	(277)	(5)	(363)
	<u>4,106</u>	<u>1,863</u>	<u>3,754</u>	<u>579</u>	<u>10,302</u>
At 31 December 2017	4,106	1,863	3,754	579	10,302
CARRYING VALUES					
At 31 December 2015	<u>7,613</u>	<u>809</u>	<u>1,437</u>	<u>256</u>	<u>10,115</u>
At 31 December 2016	<u>7,172</u>	<u>557</u>	<u>1,422</u>	<u>166</u>	<u>9,317</u>
At 31 December 2017	<u>7,571</u>	<u>714</u>	<u>1,495</u>	<u>114</u>	<u>9,894</u>

At 31 December 2015, 31 December 2016 and 31 December 2017, the Privateco Group has pledged its leasehold land and buildings with an aggregate carrying value of US\$4,526,000, US\$4,356,000 and US\$4,363,000, respectively (note 25) to a bank to secure the banking facilities granted to the Privateco 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%

15. GOODWILL

	<i>US\$'000</i>
THE PRIVATECO GROUP	
COST	
At 1 January 2015, 31 December 2015 and 31 December 2016	4,310
Exchange realignment	(277)
	<u>4,033</u>
At 31 December 2017	<u>4,033</u>
IMPAIRMENT LOSS	
At 1 January 2015	1,201
Provided for the year	228
	<u>1,429</u>

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	<i>US\$'000</i>
At 31 December 2015	1,429
Provided for the year	410
At 31 December 2016	1,839
Provided for the year	847
At 31 December 2017	2,686
CARRYING VALUES	
At 31 December 2015	2,881
At 31 December 2016	2,471
At 31 December 2017	1,347

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:

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Edinburgh Instruments Limited ("Edinburgh Instruments")	1,624	1,624	1,347
IXRF Systems Inc. ("IXRF")	419	419	–
Jingke Trading	428	428	–
Richwell	410	–	–
	<u>2,881</u>	<u>2,471</u>	<u>1,347</u>

The recoverable amounts of the CGU 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 CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

For the purpose of impairment testing, the Privateco 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		
	31 December			31 December			31 December			31 December		
	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Discount rate	10%	10%	10%	10%	10%	10%	8%	8%	8%	8%	8%	N/A
Growth rate	5%	5%	5%	8% to 20%	7% to 30%	7% to 30%	4%	3%	3%	5%	3%	N/A

The Privateco 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 Richwell, 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 31 December 2015, 31 December 2016 and 31 December 2017, the Group recognised an impairment loss of US\$228,000 in relation to goodwill arising from IXRF and Richwell, US\$410,000 in relation to goodwill arising from Richwell and US\$847,000 in relation to goodwill arising from IXRF and Jingke Trading, respectively. 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.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

16. OTHER INTANGIBLE ASSETS

	Development costs <i>US\$'000</i>	Technical know-how <i>US\$'000</i>	Total <i>US\$'000</i>
THE PRIVATECO GROUP			
COST			
At 1 January 2015	12,425	1,887	14,312
Exchange realignment	(443)	–	(443)
Additions	1,054	–	1,054
Write-off	(181)	–	(181)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	12,855	1,887	14,742
Exchange realignment	(453)	–	(453)
Additions	1,352	–	1,352
Write-off	(192)	–	(192)
	<hr/>	<hr/>	<hr/>
At 31 December 2016	13,562	1,887	15,449
Exchange realignment	849	–	849
Additions	1,394	–	1,394
Write-off	(284)	–	(284)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	15,521	1,887	17,408
	<hr/>	<hr/>	<hr/>
AMORTISATION			
At 1 January 2015	9,741	74	9,815
Exchange realignment	(238)	–	(238)
Provided for the year	492	363	855
Eliminated on write-off	(133)	–	(133)
	<hr/>	<hr/>	<hr/>
At 31 December 2015	9,862	437	10,299
Exchange realignment	(306)	–	(306)
Provided for the year	1,062	362	1,424
Eliminated on write-off	(154)	–	(154)
	<hr/>	<hr/>	<hr/>
At 31 December 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)
	<hr/>	<hr/>	<hr/>
At 31 December 2017	11,885	1,161	13,046
	<hr/>	<hr/>	<hr/>
CARRYING VALUES			
At 31 December 2015	2,993	1,450	4,443
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2016	3,098	1,088	4,186
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2017	3,636	726	4,362
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

17. OTHER ASSETS

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
THE PRIVATECO GROUP			
Available-for-sale financial assets – unquoted equity shares	40	40	40
Golf club membership	494	494	494
	534	534	534
	534	534	534

The above unquoted investments represent investments in unquoted equity shares issued by a private entity incorporated in Germany that is engaged in manufacture and trading of high technology products.

Management is of the opinion that 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 at the end of the reporting period.

18. INVESTMENTS IN SUBSIDIARIES

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
THE PRIVATECO			
Unlisted investments, at cost	2,605	2,605	2,605
	2,605	2,605	2,605
	2,605	2,605	2,605

During the Track Record Period and as at the date of this report, the Privateco has direct and indirect shareholdings/equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation (or registration) and operation	Date of incorporation (or registration)	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Privateco			Date of this report	Principal activities	Notes
				31 December					
				2015 %	2016 %	2017 %			
Directly held									
Bibby Asia	Hong Kong	9 May 2008	Hong Kong Dollars ("HK\$") 100,000	100	100	100	100	Inactive	(b), (d)
Cheetah Scientific	Hong Kong	12 December 2009	HK\$10,000	100	100	100	100	Inactive	(b), (d)
Dynamica (Asia)	Hong Kong	10 February 2011	HK\$10,000	100	100	100	100	Trading of analytical and laboratory instruments	(b), (d)
Dynamica GmbH	Austria	25 February 2008	Euro ("EUR") 200,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)
Dynamica Scientific	England & Wales	17 June 2010	British Pound ("GBP") 1	100	100	100	100	Trading of analytical and laboratory instruments	(i)
Glory Union	Hong Kong	10 December 2009	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Graceful Sky	Hong Kong	26 November 2009	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Regent Lite	Singapore	29 June 2009	Singaporean Dollars ("SGD") 1	100	100	100	100	Investment holding	(j)
Richwell	BVI	21 November 2002	US\$81	100	100	100	100	Investment holding	(a)

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Name of subsidiary	Place of incorporation (or registration) and operation	Date of incorporation (or registration)	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Privateco			Date of this report	Principal activities	Notes
				31 December					
				2015	2016	2017			
%	%	%	%	%	%				
Shanghai Techcomp Bio-equipment	PRC – wholly foreign-owned enterprise	9 October 2005	US\$2,000,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(c)
Shanghai Techcomp Instrument	PRC – wholly foreign-owned enterprise	10 June 1994	US\$3,350,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(c)
Silver Grand	Hong Kong	2 March 2012	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Sunny Time	Hong Kong	19 August 2010	HK\$10,000	100	100	100	100	Investment holding	(b), (d)
Techcomp (HK)	Hong Kong	22 January 1991	HK\$10,000,000	100	100	100	100	Trading of analytical and laboratory instruments	(b), (d)
Techcomp Europe	England & Wales	13 December 2012	GBP1	100	100	100	100	Investment holding	(l)
Techcomp India	India	17 August 2009	Rupee500,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)
Techcomp Singapore	Singapore	8 March 2004	SGD300,000	100	100	100	100	Trading of analytical and laboratory instruments	(j)
Indirectly held									
Edinburgh Instruments	England & Wales	19 September 1969	GBP100,000	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(i)
Froilabo Instruments SRL	Romania	17 May 2005	Romania Leu 37,500	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(f)
Froilabo SAS	France	23 November 1998	EUR1,000,000	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(f)
HCC SAS	France	27 April 2005	EUR2,300,000	100	100	100	100	Investment holding	(f)
IXRF	USA	19 July 1993	US\$631,000	56	56	56	56	Manufacturing and trading of analytical and laboratory instruments	(g)
Jingke Trading	PRC – wholly foreign-owned enterprise	23 June 2010	Renminbi ("RMB") 10,800,000	100	100	100	100	Trading of analytical and laboratory instruments	(c)
Precisa Gravimetrics AG	Switzerland	17 February 2006	Swiss Franc ("CHF") 5,000,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(e)
Precisa Gravimetrics Gmbh	Germany	19 December 2012	EUR25,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Name of subsidiary	Place of incorporation (or registration) and operation	Date of incorporation (or registration)	Issued and fully paid share capital/ registered capital	Shareholding/equity interest attributable to the Privateco			Date of this report	Principal activities	Notes
				31 December					
				2015	2016	2017			
%	%	%	%	%	%				
Precisa Limited	England & Wales	13 November 2006	GBP1,000	100	100	100	100	Distribution of analytical and laboratory instruments	(i)
Precisa Real Estate AG	Switzerland	13 September 2010	CHF500,000	100	100	100	100	Property holding	(m)
Scion Instruments (NL) B. V.	Netherlands	2 April 2015	EUR1	100	100	100	100	Manufacturing of analytical instruments	(h)
Scion Instruments (UK) Ltd.	England & Wales	3 July 2015	GBP1	100	100	100	100	Trading of analytical instruments	(h)
Shanghai Sanco	PRC – sino-foreign equity joint venture	15 December 1992	US\$350,000	81	81	81	81	Manufacturing and trading of analytical and laboratory instruments	(c)
Societe Craponne Tolerie SARL	France	6 January 1993	EUR75,000	100	100	100	100	Manufacturing of industrial metallurgy	(f)
Techcomp (USA) Inc.	USA	6 October 2014	N/A	100	100	100	100	Manufacturing and trading of analytical and laboratory instruments	(k)
Techcomp-Latino S.A. de C.V	Mexico	30 August 2013	Peso130,000	100	100	100	100	Trading of analytical and laboratory instruments	(a)
Techcomp Precision Balances	PRC – wholly foreign-owned enterprise	1 September 2010	RMB40,000,000	100	100	100	100	Manufacturing of analytical and laboratory instruments	(c)

All subsidiaries has adopted 31 December as their financial year end date.

Notes:

- (a) No audited financial statements of subsidiaries incorporated in Austria, BVI, India, Germany and Mexico have been prepared since their respective dates of incorporation as they were incorporated in the jurisdictions where there are no statutory audit requirements or are eligible for exemption from statutory audit under the rules in respective jurisdictions.
- (b) The statutory financial statements of Bibby Asia, Cheetah Scientific, Dynamic (Asia), Glory Union, Graceful Sky, Silver Grand, Sunny Time and Techcomp (HK) for the year ended 31 December 2015 and 31 December 2016 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

- (c) The statutory financial statements of subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and regulations applicable to entities established in the PRC and were audited by certified public accountants registered in the PRC as set out below.

Name	Financial year	Auditor
Jingke Trading	For the years ended 31 December 2015, 2016 and 2017	上海博凱會計師事務所（特殊普通合伙）
Shanghai Sanco	For the years ended 31 December 2015, 2016 and 2017	上海建信八達會計師事務所有限公司
Shanghai Techcomp Bio-equipment	For the years ended 31 December 2015, 2016 and 2017	上海琳方會計師事務所有限公司
Shanghai Techcomp Instrument	For the years ended 31 December 2015, 2016 and 2017	上海琳方會計師事務所有限公司
Techcomp Precision Balances	For the years ended 31 December 2015, 2016 and 2017	上海博凱會計師事務所（特殊普通合伙）

- (d) No statutory audited financial statements of Bibby Asia, Cheetah Scientific, Dynamic (Asia), Glory Union, Graceful Sky, Silver Grand, Sunny Time and Techcomp (HK) have been prepared for the year ended 31 December 2017 as the financial statements have not yet been due to issue.
- (e) The statutory financial statements of Precisa Gravimetrics AG for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Deloitte AG in accordance with Swiss Auditing Standards ("SAS").
- (f) The statutory financial statements of Froilabo Instruments SRL, Froilabo SAS, HCC SAS and Societe Craponne Tolerie SARL for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Crowe Horwath Avvens in accordance with International Standards of Auditing ("ISA").
- (g) The statutory financial statements of IXRF for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Alexander Lievens LLP in accordance with ISA.
- (h) The statutory financial statements of Scion Instruments (NL) B.V. and Scion Instruments (UK) Ltd. for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with IFRSs issued by IASB and were audited by Mazars LLP in accordance with ISA.
- (i) The statutory financial statements of Edinburgh Instruments, Dynamica Scientific and Precisa Limited for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with Financial Reporting Framework 101 ("FRS 101") issued by Financial Reporting Council (UK) and were audited by Mazars LLP in accordance with ISA.
- (j) The statutory financial statements of Regent Lite and Techcomp Singapore for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with Generally Accepted Accounting Principle ("GAAP") issued by Financial Accounting Standard Board ("FASB") and were audited by Deloitte & Touche LLP in accordance with ISA.
- (k) The statutory financial statements of Techcomp (USA) Inc. for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with GAAP issued by FASB and were audited by PICS Auditing, LLC, BKD CPAs & Advisors, LLP and BKD CPAs & Advisors, LLP, respectively in accordance with ISA.
- (l) The statutory financial statements of Techcomp Europe. for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with FRS 102 issued by Financial Reporting Council (UK) and were audited by Hardcastle Burton LLP in accordance with ISA.
- (m) The statutory financial statements of Precisa Real Estate AG for the year ended 31 December 2015, 31 December 2016 and 31 December 2017 were prepared in accordance with Standard for the Limited Statutory Examination Reporting issued by International Federation of Accountants and were audited by Revor Treuhand AG in accordance with SAS.

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

No summarised financial information of IXRF and Shanghai Sanco that have non-controlling interests is disclosed because the financial impacts of these subsidiaries are not material to the Privateco Group.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

19. INVENTORIES

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
THE PRIVATECO GROUP			
Raw materials	9,524	10,996	13,420
Work in progress	2,964	4,606	4,777
Finished goods	15,273	13,293	14,069
	27,761	28,895	32,266
	27,761	28,895	32,266

20. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
THE PRIVATECO GROUP			
Trade receivables (net of allowance for doubtful debts)	17,218	17,457	15,453
Trade bills receivables discounted with recourse (<i>note 24</i>)	944	1,973	2,593
	18,162	19,430	18,046
Prepayments (<i>note a</i>)	877	1,605	1,457
Other receivables (<i>note b</i>)	2,600	1,350	3,789
	21,639	22,385	23,292
	21,639	22,385	23,292

The Privateco Group normally allows credit terms ranging from 30 days to 90 days to its trade debtors during the Track Record Period.

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.

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

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Less than 90 days	13,723	16,134	14,528
91 to 120 days	640	532	573
121 to 365 days	1,809	902	366
1 to 2 years	1,670	910	1,455
Over 2 years	320	952	1,124
	18,162	19,430	18,046
	18,162	19,430	18,046

The Privateco 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 Privateco Group's management considers the default rate is low for such receivables based on historical information and experience.

Included in the Privateco Group's trade receivables balances are debtors with aggregate carrying amount of US\$4,439,000, US\$3,296,000 and US\$3,854,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively which are past due at the end of the reporting period for which the Privateco 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 Privateco Group does not hold any collateral over these balances.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The aging of trade receivables which are past due but not impaired at the end of the reporting period is as follows:

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Less than 90 days	–	–	919
91 to 120 days	640	532	259
121 to 365 days	1,809	902	97
1 to 2 years	1,670	910	1,455
Over 2 years	320	952	1,124
	<u>4,439</u>	<u>3,296</u>	<u>3,854</u>

Movements in the allowance for doubtful debts

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
At January 1	1,165	1,043	1,273
Exchange realignment	(31)	(44)	63
(Reversal of) allowance recognised for the year	(2)	327	487
Amounts written off as uncollectible	(89)	(53)	(165)
	<u>1,043</u>	<u>1,273</u>	<u>1,658</u>

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

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
US\$	8,607	14,913	10,220
EUR	1,133	902	985
GBP	–	–	22
	<u>–</u>	<u>–</u>	<u>22</u>

21. AMOUNTS DUE FROM/TO GROUP COMPANIES

THE PRIVATECO GROUP

Except for an amount due to a fellow subsidiary of US\$2,329,000, US\$3,473,000 and nil as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively which are interest bearing at 8.0%, 5.0% and nil per annum, the remaining amounts are unsecured, interest-free and repayable on demand.

THE PRIVATECO

The amounts are unsecured, interest-free and repayable on demand.

22. BANK BALANCES AND CASH/BANK OVERDRAFTS

THE PRIVATECO GROUP

Bank balances and cash comprise cash held by the Privateco 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% per annum during the Track Record Period. Bank overdrafts carry interest at an average rate of 5.05%, 6.96% and 5.99% per annum as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively and are unsecured and repayable on demand.

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

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
US\$	3,785	4,017	1,256
GBP	–	1	–
EUR	596	342	494
Japanese Yen (“JPY”)	–	7	–
	<u> </u>	<u> </u>	<u> </u>

23. TRADE AND OTHER PAYABLES

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
THE PRIVATECO GROUP			
Trade payables	6,777	8,512	5,868
Accruals	2,557	3,869	3,964
Customers’ deposits	341	807	1,079
Other payables (<i>note</i>)	1,973	1,564	1,493
	<u> </u>	<u> </u>	<u> </u>
	11,648	14,752	12,404
	<u> </u>	<u> </u>	<u> </u>

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

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

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
Less than 60 days	5,624	6,933	4,656
61 to 180 days	652	963	884
181 to 365 days	221	370	84
Over 365 days	280	246	244
	<u> </u>	<u> </u>	<u> </u>
	6,777	8,512	5,868
	<u> </u>	<u> </u>	<u> </u>

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:

	As at 31 December		
	2015 US\$'000	2016 US\$'000	2017 US\$'000
JPY	1,633	2,291	845
US\$	608	671	127
EUR	65	357	356
GBP	11	1	–
	<u> </u>	<u> </u>	<u> </u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

24. TRANSFER OF FINANCIAL ASSETS

The followings were the Privateco Group's financial assets as at 31 December 2015, 31 December 2016 and 31 December 2017 that were transferred to banks by discounting those receivables on full recourse basis. As the Privateco 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 25). These financial assets are carried at amortised cost in the Privateco Group's combined statements of financial position.

	Bills receivables discounted to banks with full recourse		
	As at 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
THE PRIVATECO GROUP			
Carrying amount of transferred assets (<i>note 20</i>)	944	1,973	2,593
Carrying amount of associated liabilities (<i>note 25</i>)	944	1,973	2,593
	<u> </u>	<u> </u>	<u> </u>
Net position	-	-	-
	<u> </u>	<u> </u>	<u> </u>

25. BANK BORROWINGS

	As at 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
	THE PRIVATECO GROUP		
Trust receipt loans	1,648	863	218
Other bank loans	23,277	20,896	11,173
Mortgage loan	2,800	2,606	2,852
Loans related to trade bills discounted with recourse (<i>note 24</i>)	944	1,973	2,593
	<u> </u>	<u> </u>	<u> </u>
	28,669	26,338	16,836
	<u> </u>	<u> </u>	<u> </u>
Secured	3,744	4,579	5,445
Unsecured	24,925	21,759	11,391
	<u> </u>	<u> </u>	<u> </u>
	28,669	26,338	16,836
	<u> </u>	<u> </u>	<u> </u>
Carrying value repayable:*			
Within one year	15,767	20,512	13,686
Between one to two years	6,140	3,043	422
Between two to five years	4,262	473	492
Over five years	2,500	2,310	2,236
	<u> </u>	<u> </u>	<u> </u>
	28,669	26,338	16,836
Less: Amounts due within one year shown under current liabilities	<u>(15,767)</u>	<u>(20,512)</u>	<u>(13,686)</u>
Amounts due after one year shown under non-current liabilities	<u>12,902</u>	<u>5,826</u>	<u>3,150</u>

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

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

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

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
US\$	1,461	1,442	–
JPY	1,390	767	218
EUR	45	10	–

The Privateco Group's variable-rate borrowings carry interest of 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 during the Track Record Period. The average effective interest rates were 2.09% to 6.09%, 3.0% to 3.6% and 3.0% to 5.3% per annum during the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

26. RETIREMENT BENEFIT PLANS

THE PRIVATECO GROUP

Defined contribution plans

The Privateco 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 Privateco Group, in funds under the control of trustees. The Privateco 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 Privateco Group with respect to the retirement benefits schemes is to make the required contributions under the schemes.

Defined benefit plan

The Privateco 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 (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.

Investment risk

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.

Interest risk

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.

Salary risk

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.

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The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 31 December 2015, 31 December 2016 and 31 December 2017 by 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.

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

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Discount rate	0.90%	0.40%	0.53%
Expected rate of salary increases	0.50%	0.50%	0.50%

At 31 December 2015, 31 December 2016 and 31 December 2017, the actuarial valuation showed that the market value of plan assets was US\$10,342,000, US\$10,942,000 and US\$11,270,000, respectively.

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

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Service cost:			
Current service cost	109	137	126
Past service cost and gain from settlements	(30)	–	–
Net interest expense	6	5	2
Components of defined benefit costs recognised in profit or loss	85	142	128
Remeasurement on the net defined benefit liability:			
Return on plan assets (excluding amounts included in net interest expense)	(154)	(657)	140
Actuarial gains and losses arising from experience adjustments	276	615	641
Components of defined benefit costs recognised in other comprehensive income	122	(42)	781
Contributions from the employer	(173)	(162)	(186)
Exchange realignment	(2)	(1)	–
Total	32	(63)	723

The current contributions for each year is included in the staff costs in profit or loss and the remeasurement credit or charge of the net defined benefit liability arising from the experience adjustments is included in other comprehensive income.

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

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Present value of funded defined benefit obligations	(10,856)	(11,388)	(12,462)
Fair value of plan assets	10,342	10,942	11,270
Net liabilities recognised from defined benefit obligation	(514)	(446)	(1,192)

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Movements in the present value of the defined benefit obligations during the Track Record Period are as follows:

	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
At January 1	9,687	10,856	11,388
Current service cost	109	137	126
Past service cost and gain from settlements	(30)	–	–
Interest cost	126	99	47
Contributions from plan participants	172	161	185
Benefits deposited (paid)	559	(323)	(373)
Remeasurement losses:			
Actuarial losses arising from experience adjustments	276	615	641
Exchange realignment	(43)	(157)	448
	<u>10,856</u>	<u>11,388</u>	<u>12,462</u>
At December 31	<u>10,856</u>	<u>11,388</u>	<u>12,462</u>

Movements in the present value of the plan assets during the Track Record Period are as follows:

	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
At January 1	9,205	10,342	10,942
Interest income	120	94	45
Contributions from the employer	173	162	186
Contributions from plan participants	172	161	185
Benefits deposited (paid)	559	(323)	(373)
Remeasurement gains (losses):			
Return on plan assets (excluding amounts included in net interest expense)	154	657	(140)
Exchange realignment	(41)	(151)	425
	<u>10,342</u>	<u>10,942</u>	<u>11,270</u>
At December 31	<u>10,342</u>	<u>10,942</u>	<u>11,270</u>

Investment of the assets is done by the collective foundation.

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\$244,000 (increase by US\$257,000), decrease by US\$267,000 (increase by US\$281,000) and decrease by US\$268,000 (increase by US\$282,000) for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

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), increase by US\$2,000 (decrease by US\$5,000) and increase by US\$2,000 (decrease by US\$5,000) for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

The sensitivity analysis 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 analysis, 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 combined statements of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis from prior years.

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

The Privateco Group expects to make a contribution of US\$173,000, US\$162,000 and US\$186,000 to the defined benefit plan during the next financial year for the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

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27. DEFERRED TAX ASSETS (LIABILITIES)

THE PRIVATECO GROUP

The followings are the major deferred tax (liabilities) assets recognised by the Privateco Group and the movements thereon, during the Track Record Period:

	Deferred development costs <i>US\$'000</i>	Temporary differences on tax depreciation <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2015	(237)	20	(217)
Exchange realignment (Charged) credited to profit or loss during the year (<i>note 11</i>)	9	(1)	8
	<u>(9)</u>	<u>7</u>	<u>(2)</u>
At 31 December 2015	(237)	26	(211)
Exchange realignment Credited (charged) to profit or loss during the year (<i>note 11</i>)	12	(1)	11
	<u>84</u>	<u>(10)</u>	<u>74</u>
At 31 December 2016	(141)	15	(126)
Exchange realignment Credited to profit or loss during the year (<i>note 11</i>)	(11)	1	(10)
	<u>6</u>	<u>-</u>	<u>6</u>
At 31 December 2017	<u>(146)</u>	<u>16</u>	<u>(130)</u>

The following is the analysis of the deferred tax balances:

	As at 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Deferred tax assets	26	15	16
Deferred tax liabilities	<u>(237)</u>	<u>(141)</u>	<u>(146)</u>
	<u>(211)</u>	<u>(126)</u>	<u>(130)</u>

At 31 December 2015, 31 December 2016 and 31 December 2017, the Privateco Group has unutilised tax losses of US\$21,682,000, US\$29,124,000 and US\$32,556,000, respectively 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\$17,974,000, US\$18,071,000 and US\$18,420,000 at 31 December 2015, 31 December 2016 and 31 December 2017 will expire in the years of 2016 to 2022, 2017 to 2023 and 2018 to 2024, respectively. Other losses can be carried forward indefinitely.

At 31 December 2015, 31 December 2016 and 31 December 2017, no deferred tax has been recognised in respect of the temporary differences attributable to the undistributable retained profits earned by the subsidiaries in the PRC amounting to US\$1,403,000, US\$1,054,000 and US\$829,000, respectively as management is of the opinion that the Privateco 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.

28. SHARE CAPITAL

THE PRIVATECO GROUP

The share capital as at 1 January 2015, 31 December 2015, 31 December 2016 and 31 December 2017 shown in the Historical Financial Information represented the combined share capital of the Privateco, Richwell, Regent Lite, Silver Grand, Glory Union, Graceful Sky, Sunny Time, Techcomp Europe, Techcomp (HK), Techcomp Singapore, Bibby Asia, Techcomp India, Dynamic Scientific and Dynamic Asia.

On 8 November 2016, 200,000 ordinary shares of SGD1 each were issued at par by Techcomp Singapore and allotted to its shareholder at a consideration of SGD200,000 (equivalent to US\$138,000) to provide additional working capital.

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THE PRIVATECO

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Authorised, issued and full paid: 50,000 shares of US\$1 each	50	50	50
29. RESERVES OF THE PRIVATECO			
	Contribution surplus	(Accumulated losses) retained profits	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
At 1 January 2015	550	(186)	364
Loss and total comprehensive expense for the year	–	(2)	(2)
At 31 December 2015	550	(188)	362
Loss and total comprehensive expense for the year	–	(3)	(3)
At 31 December 2016	550	(191)	359
Profit and total comprehensive income for the year	–	1,912	1,912
At 31 December 2017	550	1,721	2,271

30. OPERATING LEASE ARRANGEMENTS

The Privateco Group as lessee

	Year ended 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Minimum lease payments under operating leases recognised as an expense during the year	1,672	1,573	728

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

	As at 31 December		
	2015	2016	2017
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
Within one year	913	973	736
In the second to fifth year inclusive	2,299	2,140	910
After five years	243	623	433
	3,455	3,736	2,079

Operating lease payments represent rentals payable by the Privateco 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 during the Track Record Period.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Privateco 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 Privateco Group's combined statements of cash flows as cash flows from financing activities.

	Bank borrowings <i>US\$'000</i>	Loans related to trade bills discounted with recourse <i>US\$'000</i>	Amount due to immediate holding company <i>US\$'000</i>	Amounts due to fellow subsidiaries <i>US\$'000</i>	Interest payable <i>US\$'000</i>	Total <i>US\$'000</i>
At 1 January 2015	31,085	3,747	2	34,443	-	69,277
Financing cash flows	(3,344)	9,787	-	16,778	(1,185)	22,036
Exchange realignment	(16)	-	-	-	-	(16)
Non-cash changes (<i>Note</i>)	-	(12,590)	-	-	-	(12,590)
Interest expenses	-	-	-	-	1,185	1,185
At 31 December 2015	27,725	944	2	51,221	-	79,892
Financing cash flows	(3,317)	5,772	-	12,638	(1,020)	14,073
Exchange realignment	(43)	-	-	-	-	(43)
Non-cash changes (<i>Note</i>)	-	(4,743)	-	-	-	(4,743)
Interest expenses	-	-	-	-	1,020	1,020
At 31 December 2016	24,365	1,973	2	63,859	-	90,199
Financing cash flows	(10,261)	6,079	66,518	(53,077)	(803)	8,456
Exchange realignment	139	-	-	-	-	139
Non-cash changes (<i>Note</i>)	-	(5,459)	-	-	-	(5,459)
Interest expenses	-	-	-	-	803	803
At 31 December 2017	14,243	2,593	66,520	10,782	-	94,138

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

32. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances disclosed in the Historical Financial Information, the Privateco Group entered into the following transactions with related parties as follows:

	Year ended 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Sales to fellow subsidiaries	17,096	21,111	26,345
Purchases from fellow subsidiaries	2,020	1,930	1,419
Commission income from a fellow subsidiary	666	522	783
Interest expense to a fellow subsidiary	129	142	185

- (b) Guarantees given to banks by a related party are as follows:

	As at 31 December		
	2015 <i>US\$'000</i>	2016 <i>US\$'000</i>	2017 <i>US\$'000</i>
Guarantees from immediate holding company	47,500	43,141	40,897

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- (c) Compensation of key management personnel

The remuneration of key management personnel during the Track Record Period is as follows:

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Short-term benefits	2,243	2,352	2,352
Post-employment benefits	154	176	191
	<u>2,397</u>	<u>2,528</u>	<u>2,543</u>

33. CAPITAL RISK MANAGEMENT

The Privateco Group manages its capital to ensure that entities in the Privateco Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balances. The Privateco Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Privateco Group consists of net debts, which includes bank borrowings and bank overdrafts in notes 25 and 22, cash and cash equivalents and equity attributable to owners of the Privateco, comprising issued share capital, reserves and accumulated losses as disclosed in the Historical Financial Information.

The sole director of the Privateco reviews the capital structure on a regular basis. As part of this review, the sole director considers the cost of capital and the risks associated with the capital. Based on recommendations of the sole director, the Privateco will balance its overall capital structure through new share issues as well as issue of new debt or the redemption of existing debts.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
THE PRIVATECO GROUP			
Financial assets			
Loans and receivables (including cash and cash equivalents)	29,911	30,556	28,297
Available-for-sale investments	40	40	40
	<u>29,951</u>	<u>30,596</u>	<u>28,337</u>
Financial liabilities			
Amortised cost	88,497	99,224	103,552
	<u>88,497</u>	<u>99,224</u>	<u>103,552</u>
THE PRIVATECO			
Financial assets			
Loans and receivables (including cash and cash equivalents)	190	190	73,711
	<u>190</u>	<u>190</u>	<u>73,711</u>
Financial liabilities			
Amortised cost	2,383	2,386	73,995
	<u>2,383</u>	<u>2,386</u>	<u>73,995</u>

Financial risk management objectives and policies

The Privateco Group's and the Privateco's financial instruments include bank balances and cash, trade and other receivables, amounts due from/to group companies, 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 Historical Financial Information. 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.

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Market risk

Foreign exchange risk

Several subsidiaries of the Privateco have sales and purchases denominated in foreign currencies, which exposes the Privateco Group to foreign currency risk. The Privateco Group's sales are principally in US\$ and RMB. Most of the Privateco Group's purchases are made in JPY, RMB and US\$. Expenses incurred are generally denominated in HK\$, RMB, EUR and SGD, which are the functional currencies of the group entities operating in Hong Kong, the PRC, Europe and Singapore, respectively.

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		
	At 31 December			At 31 December		
	2015	2016	2017	2015	2016	2017
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
US\$	12,392	18,930	11,476	2,069	2,113	127
EUR	1,729	1,244	1,479	110	367	356
GBP	–	1	22	11	1	–
JPY	–	7	–	3,023	3,058	1,063
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Sensitivity analysis

The following table details the Privateco 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 US\$ for entities with HK\$ as their functional currencies since US\$ are pegged to HK\$.

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

	Year ended 31 December		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
US\$	6	(214)	(81)
EUR	(81)	(44)	(56)
GBP	1	–	(1)
JPY	151	153	53
	<u> </u>	<u> </u>	<u> </u>

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

Interest rate risk management

The Privateco Group is exposed to fair value interest rate risk in relation to fixed-rate amount due to a fellow subsidiary (see note 21 for details).

The Privateco Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and bank overdrafts. Interests charged on the Privateco Group's borrowings and bank 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.

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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 sole director of the Privateco considers 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 Privateco Group's loss before taxation will increase/decrease by US\$143,000, US\$132,000 and US\$93,000 during the year ended 31 December 2015, 31 December 2016 and 31 December 2017, respectively.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Privateco Group's and the Privateco's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2015, 31 December 2016 and 31 December 2017 in relation to each class of recognised financial assets are the carrying amount of these assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the management monitors follow-up actions to recover overdue debts. Management of the Privateco 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 sole director of the Privateco considers that the Group's credit risk is adequately managed and mitigated.

The Privateco Group has concentration of risk in respect of the amounts due from fellow subsidiaries at the end of each reporting period. The Privateco has concentration of credit risk on amounts due from subsidiaries and fellow subsidiaries at the end of each reporting period. In order to minimise the credit risk, the management has reviewed the recoverable amounts of the advances to subsidiaries and fellow subsidiaries regularly and the recoverable amount of each receivable from its subsidiaries and fellow subsidiaries at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the sole director of the Privateco consider that the Privateco Group's and the Privateco's credit risks are significantly reduced.

The management considers the credit risk on liquid funds is limited because the counterparties are 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.

Liquidity risk

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

The Privateco Group's current liabilities exceeded its current assets by US\$18,755,000, US\$37,509,000 and US\$41,950,000 as at 31 December 2015, 31 December 2016 and 31 December 2017, respectively, and is exposed to liquidity risk. The Privateco Group relies on its operating cash flows and fundings from fellow subsidiaries and bank borrowings as significant sources of liquidity. The Company has agreed to provide adequate fund to enable the Privateco Group to meet in full its financial obligations as and when they fall due in the foreseeable future prior to the distribution in specie and for the purpose of the Group Reorganisation, the Privateco Group will allot and issue one share to the Company in consideration of the capitalisation of the net balances due from/due to the Remaining Group, the Privateco Group have net current assets and net assets position upon completion of the distribution in specie.

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Liquidity and interest risk tables

THE PRIVATECO GROUP

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 Privateco Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	On demand or within 1 year US\$'000	1 year to 5 years US\$'000	Over 5 years US\$'000	Total undiscounted cash flows US\$'000	Carrying amounts US\$'000
31 December 2015						
Trade and other payables	-	8,600	-	-	8,600	8,600
Amount due to immediate holding company	-	2	-	-	2	2
Amounts due to fellow subsidiaries	-	51,221	-	-	51,221	51,221
Bank borrowings	3.23	16,203	10,669	2,512	29,384	28,669
Bank overdrafts	5.05	5	-	-	5	5
		<u>76,031</u>	<u>10,669</u>	<u>2,512</u>	<u>89,212</u>	<u>88,497</u>
31 December 2016						
Trade and other payables	-	9,017	-	-	9,017	9,017
Amount due to immediate holding company	-	2	-	-	2	2
Amounts due to fellow subsidiaries	-	63,859	-	-	63,859	63,859
Bank borrowings	3.19	21,076	4,212	2,808	28,096	26,338
Bank overdrafts	6.96	8	-	-	8	8
		<u>93,962</u>	<u>4,212</u>	<u>2,808</u>	<u>100,982</u>	<u>99,224</u>
31 December 2017						
Trade and other payables	-	7,578	-	-	7,578	7,578
Amount due to immediate holding company	-	66,520	-	-	66,520	66,520
Amounts due to fellow subsidiaries	-	10,782	-	-	10,782	10,782
Bank borrowings	3.79	13,917	929	2,305	17,151	16,836
Bank overdrafts	5.99	1,836	-	-	1,836	1,836
		<u>100,633</u>	<u>929</u>	<u>2,305</u>	<u>103,867</u>	<u>103,552</u>

THE PRIVATECO

The financial liabilities of the Privateco are interest-free and repayable on demand.

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 Historical Financial Information approximate their fair values.

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35. EVENT AFTER THE END OF THE REPORTING PERIOD

On 18 April 2018, (i) Mr. Lo Yat Keung and Mr. Chan Wai Shing (as vendors) (the “Vendors”), Baodi International Investment Company Ltd (as purchaser) (the “Purchaser”) and Yunnan Energy Investment (H K) Co. Limited as guarantor entered into a sale and purchase agreement (as supplemented and amended by a supplemental agreement dated 22 June 2018) relating to the disposal of an aggregate of 122,176,500 shares in the Company by the Vendors and (ii) Mr. Guo Bing (as vendor) (“Mr. Guo”) and the Purchaser entered into a sale and purchase agreement (as supplemented and amended by a supplemental agreement dated 22 June 2018) relating to the disposal of an aggregate of 47,364,648 shares in the Company by Mr. Guo.

On the same date, the Company entered into a subscription agreement (as supplemented and amended by a supplemental subscription agreement dated 22 June 2018) with the Purchaser in relation to the subscription of the convertible bonds for a maximum aggregate amount of US\$32,482,307 to be issued by the Company.

As part of the above transactions, the Company will undergo the Group Reorganisation (pursuant to which there will be certain internal transfers within the Group to split the Group into two groups i.e. the Remaining Group and the Privateco Group. The shares of the Privateco will then be distributed in specie to the shareholders of the Company. More details of the Group Reorganisation and the distribution in specie are set out in the section headed “B. Proposed Group Reorganisation and Distribution In Specie of the Privateco Shares” of the Circular.

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Privateco or any of its subsidiaries upon completion of the Group Reorganisation subsequent to 31 December 2017.”

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

3. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF THE PRIVATECO GROUP

The following is the full text of the unaudited condensed consolidated financial statements of the Privateco Group for the six months ended 30 June 2018.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	6 months ended 30 June	
		2018	2017
		<i>US\$'000</i>	<i>US\$'000</i>
Revenue	3	44,445	33,239
Cost of sales		<u>(27,874)</u>	<u>(21,088)</u>
Gross profit		16,571	12,151
Other income, gains and losses		177	641
Selling and distribution expenses		(5,532)	(3,841)
Administrative expenses		(10,195)	(9,708)
Research and development costs		(2,296)	(1,472)
Finance costs	4	<u>(528)</u>	<u>(501)</u>
Loss before taxation	5	(1,803)	(2,730)
Taxation	6	<u>(21)</u>	<u>18</u>
Loss for the period		<u>(1,824)</u>	<u>(2,712)</u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

	6 months ended 30 June	
	2018	2017
<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Other comprehensive income (expense)		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	364	(977)
Other comprehensive income (expense) for the period	364	(977)
Total comprehensive expense for the period	(1,460)	(3,689)
Loss for the period attributable to:		
Owners of Privateco	(1,892)	(2,610)
Non-controlling interests	68	(102)
	(1,824)	(2,712)
Total comprehensive (expense) income for the period attributable to:		
Owners of Privateco	(1,526)	(3,587)
Non-controlling interests	66	(102)
	(1,460)	(3,689)

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2018	At 31 December 2017
	<i>Notes</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current assets			
Property, plant and equipment	9	11,136	9,894
Goodwill		1,347	1,347
Other intangible assets		4,021	4,362
Deposits paid for acquisition of property, plant and equipment		–	910
Other assets		534	534
Deferred tax assets		16	16
		17,054	17,063
Current assets			
Inventories		42,368	32,266
Trade and other receivables	10	18,432	23,292
Amounts due from fellow subsidiaries		1,565	1,892
Tax recoverable		248	364
Bank balances and cash		4,798	5,522
		67,411	63,336
Current liabilities			
Trade and other payables	11	15,513	11,325
Amounts due to immediate holding company		66,532	66,520
Amounts due to fellow subsidiaries		12,734	10,782
Contract liabilities – customers' deposits		3,250	1,079
Tax payable		38	58
Bank borrowings – due within one year		11,613	13,686
Bank overdrafts		1,275	1,836
		110,955	105,286
Net current liabilities		(43,544)	(41,950)
Total assets less current liabilities		(26,490)	(24,887)

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

		At 30 June 2018	At 31 December 2017
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Non-current liabilities			
Bank borrowings – due after one year		3,266	3,150
Retirement benefit plans		1,177	1,192
Deferred tax liabilities		135	146
		4,578	4,488
Net liabilities		(31,068)	(29,375)
Capital and reserves			
Share capital	12	1,549	1,549
Reserves		(31,448)	(29,689)
Equity attributable to owners of Privateco		(29,899)	(28,140)
Non-controlling interests		(1,169)	(1,235)
Total equity		(31,068)	(29,375)

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Privateco										Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Translation reserve	Legal reserves(a)	Capital reserve(b)	Equity reserve(c)	Other reserve	Accumulated losses	Sub-total		
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At 1 January 2018 (audited)	1,549	283	550	4,779	421	2,989	(2,458)	114	(36,367)	(28,140)	(1,235)	(29,375)
Opening adjustment (see note 2)	-	-	-	-	-	-	-	-	(233)	(233)	-	(233)
At 1 January 2018 (restated)	1,549	283	550	4,779	421	2,989	(2,458)	114	(36,600)	(28,373)	(1,235)	(29,608)
(Loss) profit for the period	-	-	-	-	-	-	-	-	(1,892)	(1,892)	68	(1,824)
Other comprehensive income (expense) for the period	-	-	-	366	-	-	-	-	-	366	(2)	364
Total comprehensive income (expense) for the period	-	-	-	366	-	-	-	-	(1,892)	(1,526)	66	(1,460)
At 30 June 2018	1,549	283	550	5,145	421	2,989	(2,458)	114	(38,492)	(29,899)	(1,169)	(31,068)
At 1 January 2017	1,549	283	550	3,218	421	2,989	(2,458)	114	(32,368)	(25,702)	(893)	(26,595)
Loss for the period	-	-	-	-	-	-	-	-	(2,610)	(2,610)	(102)	(2,712)
Other comprehensive expense for the period	-	-	-	(977)	-	-	-	-	-	(977)	-	(977)
Total comprehensive expense for the period	-	-	-	(977)	-	-	-	-	(2,610)	(3,587)	(102)	(3,689)
At 30 June 2017	1,549	283	550	2,241	421	2,989	(2,458)	114	(34,978)	(29,289)	(995)	(30,284)

Notes:

- (a) 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.
- (b) Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.
- (c) Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 June	
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Net cash used from operating activities	2,339	2,187
Investing activities		
Payment of product development costs	(2,296)	(1,472)
Acquisition of property, plant and equipment	(461)	(494)
Repayment from fellow subsidiaries	327	1,542
Interest received	1	2
Net cash used in investing activities	(2,429)	(422)
Financing activities		
Advances from (repayment to) fellow subsidiary	1,952	(2,092)
Advance from immediate holding company	12	349
Repayments of bank borrowings	(12,252)	(17,845)
Net proceeds from loans related to trade bills discounted with recourse	(2,171)	6
Interest paid	(528)	(501)
Bank borrowings raised	12,327	14,557
Net cash used in financing activities	(660)	(5,526)
Net decrease in cash and cash equivalents	(750)	(3,761)
Cash and cash equivalents at beginning of the period	3,686	8,719
Effect of foreign exchange rate changes	587	(761)
Cash and cash equivalents at end of the period	3,523	4,197
Represented by:		
Bank balances and cash	4,798	4,911
Bank overdrafts	(1,275)	(714)
	3,523	4,197

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Privateco was incorporated in the British Virgin Islands ("BVI") as an exempted company with limited liability on February 4, 2004.

The immediate holding company of the Privateco is Techcomp (Holdings) Limited which was incorporated in Bermuda as an exempted company with limited liability with its shares listed on the Main Board of the Stock Exchange of Hong Kong Limited ("SEHK") (primary listing), and the Main Board of Singapore Exchange Securities Trading Limited (secondary listing). 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 Privateco are Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, BVI and 6/F, Mita Center, 552-566 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong, respectively.

The Privateco acts as an investment holding company and its subsidiaries are principally engaged in manufacturing and trading of analytical instruments, life science equipment and laboratory instruments.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Privateco Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to IFRSs

In the current interim period, the Privateco Group has applied, for the first time, the following new and amendments to IFRSs which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Privateco Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 "Financial Instruments" with IFRS 4 "Insurance Contracts"
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers"

The Privateco Group has applied IFRS15 for the first time in the current interim period. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Privateco Group recognises revenue from the sale of analytical instruments, life science equipment and laboratory instruments.

The Privateco Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Privateco Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and IAS 11 and the related interpretations.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Privateco Group satisfies a performance obligation.

Under IFRS 15, the Privateco Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Privateco Group’s performance as the Privateco Group performs;
- the Privateco Group’s performance creates and enhances an asset that the customer controls as the Privateco Group performs; or
- the Privateco Group’s performance does not create an asset with an alternative use to the Privateco Group and the Privateco Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Privateco Group’s right to consideration in exchange for goods or services that the Privateco Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Privateco Group’s unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Privateco Group’s obligation to transfer goods or services to a customer for which the Privateco Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations including the sales of analytical instruments, life science equipment and laboratory instruments and the provision of transportation services, the Privateco Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Privateco Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Privateco Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Privateco Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

The director of the Privateco Group considered the application of IFRS15 has no material impact of the timing and amounts of revenue recognised in the respective reporting periods.

2.2 Impacts and changes in accounting policies of application on IFRS 9 “Financial Instruments”

In the current period, the Privateco Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses (“ECL”) for financial assets and 3) general hedge accounting.

The Privateco Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 “Financial Instruments: Recognition and Measurement”.

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Privateco Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 “Business Combinations” applies.

In addition, the Privateco Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Privateco Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss when the Privateco Group’s right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the “other income” line item in profit or loss.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The directors of the Company reviewed and assessed the Privateco Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Privateco Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Privateco Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables, other receivables and bank balances and cash). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Privateco Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Privateco Group always recognises lifetime ECL for trade receivables, other receivables and bank balances and cash. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Privateco Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Privateco Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Privateco Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Privateco Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Privateco Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Privateco Group has reasonable and supportable information that demonstrates otherwise.

The Privateco Group considers that default has occurred when the instrument is more than 90 days past due unless the Privateco Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Privateco Group in accordance with the contract and all the cash flows that the Privateco Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Privateco Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Privateco Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of IFRS 9

(a) Impairment under ECL model

The Privateco Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics.

Loss allowances for other financial assets at amortised cost mainly comprise of bank balances and cash and other receivables are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of US\$233,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

The loss allowance for trade and other receivables as at 31 December 2017 reconcile to the opening balances of trade receivables and other receivables is as follows:

	Trade receivables and other receivables
	<i>US\$'000</i>
At 31 December 2017 (Audited) – IAS 39	23,292
Amounts remeasured through opening accumulated losses	(233)
	<hr/>
At 1 January 2018 (Unaudited)	23,059
	<hr/> <hr/>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each individual line item.

	31 December 2017	IFRS 9	1 January 2018
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	(Audited)		(Restated)
Trade and other receivables	23,292	(233)	23,059
Accumulated losses	36,367	233	36,600
	<u>36,367</u>	<u>233</u>	<u>36,600</u>

3. REVENUE AND SEGMENT INFORMATION

Revenue

	6 months ended 30 June	
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Sale of analytical instruments, life science equipment and laboratory instruments	44,445	33,239
	<u>44,445</u>	<u>33,239</u>

Operating segments

The Privateco Group's operation was regarded as a single segment, being an enterprise engaged in design and manufacture and sales of analytical and laboratory instruments and life science equipment. The sole director of the Privateco, being the chief operating decision maker ("CODM"), reviews the revenue and the loss for the year of the Privateco Group as a whole for performance assessment and resource allocation. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM. Therefore, the operation of the Privateco Group constitutes one single reportable segment.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

Geographical information

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

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

	6 months ended 30 June	
	2018	2017
	US\$'000	US\$'000
PRC (including Hong Kong and Macau)	9,050	5,622
Asia (other than the PRC)	2,216	866
Europe	27,255	22,512
Others ⁽¹⁾	5,924	4,239
Total	<u>44,445</u>	<u>33,239</u>

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

- b) The Privateco Group's information about its non-current assets (excluding other assets, equity instruments at fair value through other comprehensive income and deferred tax assets) by geographical location, based on location of assets, is detailed below:

	30	31
	June	December
	2018	2017
	US\$'000	US\$'000
PRC (including Hong Kong and Macau)	5,410	6,182
Europe	10,050	9,358
United States of America	1,038	960
Others ⁽²⁾	6	13
Total	<u>16,504</u>	<u>16,513</u>

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

Information about major customers

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

4. FINANCE COSTS

	6 months ended 30 June	
	2018	2017
	US\$'000	US\$'000
Interest on bank borrowings and overdrafts	<u>528</u>	<u>501</u>

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

5. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging (crediting):

	6 months ended 30 June	
	2018	2017
	US\$'000	US\$'000
Amortisation of other intangible assets	535	595
Depreciation of property, plant and equipment	551	396
Net foreign exchange loss (gain)	284	(351)
Interest income	1	2
	<u> </u>	<u> </u>

6. TAXATION

	6 months ended 30 June	
	2018	2017
	US\$'000	US\$'000
Current taxation:		
PRC Enterprise Income Tax	20	17
Others	7	2
	<u> </u>	<u> </u>
	27	19
Deferred taxation	(6)	(37)
	<u> </u>	<u> </u>
	21	(18)
	<u> </u>	<u> </u>

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

Hong Kong and Singapore income taxes are calculated at 16.5% and 17% of the estimated assessable profits for both periods, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income Tax are made as the Privateco Group does not have any assessable profits arising from Hong Kong and Singapore for both periods.

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

7. DIVIDENDS

No final dividend was paid or declared by the Privateco Group for the year ended 31 December 2017.

No interim dividend is paid or declared by the Privateco Group for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8. LOSS PER SHARE

No loss per share information is presented for the purpose of this report as its inclusion is not considered meaningful having regard to the Group Reorganisation and the results of the Privateco Group for the six months ended 30 June 2018 and 30 June 2017.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Privateco Group spent approximately US\$1,371,000 (six months ended 30 June 2017: US\$494,000) on acquisition of property, plant and equipment.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

10. TRADE AND OTHER RECEIVABLES

	30	31
	June	December
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables	13,054	15,453
Trade bills receivables discounted with recourse	422	2,593
	13,476	18,046
Prepayments (<i>note a</i>)	1,213	1,457
Other receivables (<i>note b</i>)	3,743	3,789
	18,432	23,292

The Privateco Group normally allows credit terms ranging from 30 days to 90 days (31 December 2017: 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.

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:

	30	31
	June	December
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Less than 90 days	10,911	14,528
91 to 120 days	374	573
121 to 365 days	682	366
1 to 2 years	1,372	1,455
Over 2 years	137	1,124
	13,476	18,046

11. TRADE AND OTHER PAYABLES

	30	31
	June	December
	2018	2017
	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	7,819	5,868
Accruals	5,988	3,964
Other payables (<i>note</i>)	1,706	1,493
	15,513	11,325

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

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The credit period on purchases of goods generally ranges from 30 days to 75 days (31 December 2017: 30 days to 75 days). No interest is charged on outstanding trade payables during the period. The aging of trade payables based on the invoice date at the end of reporting period is as follows:

	30 June 2018	31 December 2017
	<i>US\$'000</i>	<i>US\$'000</i>
Less than 60 days	6,297	4,656
61 to 180 days	1,289	884
181 to 365 days	39	84
Over 365 days	194	244
	<u>7,819</u>	<u>5,868</u>

12. SHARE CAPITAL

The share capital as at 1 January 2017, 31 December 2017 and 30 June 2018, represented the combined share capital of the Privateco, Richwell, Regent Lite, Silver Grand, Glory Union, Graceful Sky, Sunny Time, Techcomp Europe, Techcomp (HK), Techcomp Singapore, Bibby Asia, Techcomp India, Dynamic Scientific and Dynamic Asia.

THE PRIVATECO

	At 30 June 2018		At 1 January 2017 and 31 December 2017	
	<i>Number of ordinary shares of US\$0.001 each</i>	<i>US\$'000</i>	<i>Number of ordinary shares of US\$1 each</i>	<i>US\$'000</i>
Authorised	300,000,000 ⁽¹⁾	300	50,000	50
Issued and paid up	50,000,000 ⁽²⁾	50	50,000	50

Notes:

- (1) The authorised shares of Privateco was re-designated to 300,000,000 Privateco shares of US\$0.001 each with effect on 15 May 2018.
- (2) The issued and paid up shares of Privateco was re-designated to 50,000,000 Privateco shares of par value US\$0.001 each with effect on 15 May 2018.

13. CONTINGENT LIABILITIES

As at 30 June 2018 and 31 December 2017, the Privateco Group had no material contingent liabilities.

14. CAPITAL COMMITMENTS

As at 30 June 2018 and 31 December 2017, the Privateco Group did not have any significant capital commitment.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

15. RELATED PARTIES TRANSACTIONS

(a) The Privateco Group entered into the following transactions with related parties as follows:

	6 months ended 30 June	
	2018	2017
	US\$'000	US\$'000
Sales to fellow subsidiaries	10,255	8,391
Purchases from fellow subsidiaries	–	698
Commission income from a fellow subsidiary	200	261
Interest expense to a fellow subsidiary	–	89
	<u>10,455</u>	<u>9,339</u>

(b) Guarantees given to banks by a related party are as follows:

	30 June	31 December
	2018	2017
	US\$'000	US\$'000
Guarantees from immediate holding company	28,814	40,897
	<u>28,814</u>	<u>40,897</u>

4. STATEMENT OF INDEBTEDNESS

At the close of business on 30 June 2018, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Privateco Offer Document, the Privateco Group in aggregate had outstanding bank borrowings and bank overdrafts amounting to approximately USD14,879,000 and USD1,275,000, respectively which comprised:

	USD'000
a) Bank borrowings – unsecured and guaranteed	10,785
b) Bank borrowings – secured and guaranteed	988
c) Bank borrowings – secured and unguaranteed	2,684
d) Loans related to trade bills discounted with recourse – secured and guaranteed	422
e) Bank overdrafts – unsecured and guaranteed	1,184
f) Bank overdrafts – unsecured and unguaranteed	91

The Privateco Group's secured bank borrowings of approximately USD701,000 were secured by inventories of the Privateco Group, USD2,971,000 were secured by leasehold land and buildings of the Privateco Group and USD422,000 were secured by the trade bills discounted with recourse of the Privateco Group.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities and normal trade payables and bills payables in the ordinary course of business, the Privateco Group did not have any outstanding charges, debentures, loan capital, debt securities issued and outstanding or authorised or otherwise created but unissued, bank borrowings and overdrafts or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or material contingent liabilities as at 30 June 2018.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

5. MATERIAL CHANGE

Save for effects of the Group Reorganisation and Distribution In Species as disclosed in the THL Circular and disclosed in this Appendix I for the six months ended 30 June 2018 including that,

- (i) net loss after taxation for the six months ended 30 June 2018 (“1H2018”) was approximately US\$1.8 million, representing a decrease of approximately 33.3% from approximately US\$2.7 million for the six months ended 30 June 2017. The decrease in net loss after taxation was mainly contributed by the increase of revenue for 1H2018 due to the increased demand for the Privateco Group’s products in PRC and Europe;
- (ii) inventories of the Privateco Group as at 30 June 2018 increased by approximately 31.3% as compared with that as at 31 December 2017, which was mainly resulted by the higher overall level of inventories held to meet the expected demand in the second half of 2018;
- (iii) trade and other receivables of the Privateco Group as at 30 June 2018 decreased by approximately 20.9% as compared with that as at 31 December 2017, which was mainly related to the seasonal pattern in the Privateco Group’s business as a higher portion of sales would realize in the second half of the year;
- (iv) trade and other payables of the Privateco Group as at 30 June 2018 increased by approximately 37.0% as compared with that as at 31 December 2017, which was mainly resulted by higher purchase of inventories to meet the expected demand in the second half of 2018;
- (v) amounts due to fellow subsidiaries of the Privateco Group as at 30 June 2018 increased by approximately 18.1% as compared with that as at 31 December 2017, mainly related to the amount due to the Remaining Group for financing the repayment of certain bank loans of the Privateco Group during the period;
- (vi) contract liabilities - customer’s deposits of the Privateco Group as at 30 June 2018 increased by approximately 201.2% as compared with that as at 31 December 2017, which was mainly resulted by (i) the payment terms of the orders on hand which allow the Privateco Group to receive more deposit initially; and (ii) the postponement of shipments of certain orders as per customers’ requests; and
- (vii) bank borrowings – due within one year of the Privateco Group as at 30 June 2018 decreased by approximately 15.1% as compared with that as at 31 December 2017, which was mainly resulted by the repayment of certain bank loans during the period.

the sole Privateco Director confirms that there has been no material change in the financial or trading position or outlook of the Privateco Group subsequent to 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Privateco Group were made up) up to and including the Latest Practicable Date.

APPENDIX I FINANCIAL INFORMATION OF THE PRIVATECO GROUP

6. RECONCILIATION STATEMENT

The table below sets for the reconciliation between the net book value of the Privateco's properties as at 31 December 2017 and the appraised value of the Privateco's properties as at 30 June 2018 as detailed in the property valuation report prepared and issued by an independent professional valuer included as Appendix III in this response document:

	<i>US\$'000</i>
Net book value of the properties as at 31 December 2017	6,865
Movement during the period from 1 January to 30 June 2018 (unaudited)	
Less: Net exchange realignment	(52)
Less: Depreciation	(175)
	<hr/>
Net book value of the properties as at 30 June 2018 (unaudited)	6,638
Net valuation surplus, before tax effect	16,498
	<hr/>
Appraised value of the properties as at 30 June 2018, as set forth in Appendix III	23,136
	<hr/> <hr/>

Please refer to "Appendix III – Valuation report of properties comprised in the Distributed Business" in this response document for further details of the Privateco's property interests.

**UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP AND
THE ACCOUNTANTS' REPORT THEREON**

The following is the unaudited pro forma financial information of the Privateco Group and the accountant's report on the unaudited pro forma financial information of the Privateco Group reproduced from Appendix VI to the THL Circular. Capitalised terms used in this section shall have the same meaning as those defined in the THL Circular.

“A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE PRIVATECO GROUP

The following is the Unaudited Pro Forma Financial Information of the Privateco Group as if the Group Reorganisation had completed on 31 December 2017 for the unaudited pro forma combined statement of financial position, and on 1 January 2017 for the unaudited pro forma combined statement of profit or loss and other comprehensive income and the unaudited pro forma combined statement of cash flows.

The Unaudited Pro Forma Financial Information of the Privateco Group should be read in conjunction with the audited combined statement of financial position of the Privateco Group as at 31 December 2017, and audited combined statement of profit or loss and other comprehensive income and audited combined statement of cash flows of the Privateco Group for the year ended 31 December 2017 as set out in the accountants' report on historical financial information of the Privateco Group (the “Accountants' Report”) as set out in Appendix III to this circular, and other financial information included elsewhere in the circular.

The unaudited pro forma combined statement of financial position of the Privateco Group is prepared based on the combined statement of financial position of the Privateco Group as at 31 December 2017 as extracted from the Accountants' Report after making pro forma adjustments which are directly attributable to the Group Reorganisation and factually supportable, as if the Group Reorganisation had been completed on 31 December 2017.

The unaudited pro forma combined statement of profit or loss and other comprehensive income and the unaudited pro forma combined statement of cash flows of the Privateco Group are prepared based on the audited combined statement of profit or loss and other comprehensive income and the audited combined statement of cash flows of the Privateco Group for the year ended 31 December 2017 as extracted from the Accountants' Report after making pro forma adjustments which are directly attributable to the Group Reorganisation and factually supportable, as if the Group Reorganisation had been completed on 1 January 2017.

The Unaudited Pro Forma Financial Information of the Privateco Group has been prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules to illustrate the possible outcome relating to the Group Reorganisation. It is prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Privateco Group upon completion of the Group Reorganisation as at 31 December 2017 or any future date, or the financial performance and cash flows of the Privateco Group upon the completion of the Group Reorganisation for the year ended 31 December 2017 or any future period.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

UNAUDITED PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	The Privateco Group	Pro forma adjustments			The Pro forma Privateco Group
	<i>US\$'000 Note 1</i>	<i>US\$'000 Note 2</i>	<i>US\$'000 Note 3</i>	<i>US\$'000 Note 4</i>	<i>US\$'000</i>
Non-current assets					
Property, plant and equipment	9,894				9,894
Goodwill	1,347				1,347
Other intangible assets	4,362				4,362
Deposits paid for acquisition of property, plant and equipment	910				910
Other assets	534				534
Deferred tax assets	16				16
	<u>17,063</u>				<u>17,063</u>
Current assets					
Inventories	32,266				32,266
Trade and other receivables	23,292				23,292
Amounts due from group companies	1,892		(1,892)		-
Tax recoverable	364				364
Bank balances and cash	5,522			(200)	5,322
	<u>63,336</u>				<u>61,244</u>
Current liabilities					
Trade and other payables	12,404	4,410			16,814
Amounts due to group companies	77,302	(4,410)	(72,892)		-
Tax payable	58				58
Bank borrowings – due within one year	13,686				13,686
Bank overdrafts	1,836				1,836
	<u>105,286</u>				<u>32,394</u>
Net current (liabilities) assets	<u>(41,950)</u>				<u>28,850</u>
Total assets less current liabilities	<u>(24,887)</u>				<u>45,913</u>
Non-current liabilities					
Bank borrowings – due after one year	3,150				3,150
Retirement benefit plan	1,192				1,192
Deferred tax liabilities	146				146
	<u>4,488</u>				<u>4,488</u>
Net (liabilities) assets	<u>(29,375)</u>				<u>41,425</u>
Capital and reserves					
Share capital	1,549				1,549
Reserves	(29,689)		71,000	(200)	41,111
Equity attributable to owners of the Privateco	(28,140)				42,660
Non-controlling interests	(1,235)				(1,235)
(Deficiency in) balance of total equity	<u>(29,375)</u>				<u>41,425</u>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

**UNAUDITED PRO FORMA COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**
FOR THE YEAR ENDED 31 DECEMBER 2017

	The Privateco Group <i>US\$'000</i> <i>Note 1</i>	Pro forma adjustment <i>US\$'000</i> <i>Note 4</i>	The Pro forma Privateco Group <i>US\$'000</i>
Revenue	81,638		81,638
Cost of sales	(52,401)		(52,401)
Gross profit	29,237		29,237
Other income, gains and losses	1,359		1,359
Selling and distribution expenses	(8,335)		(8,335)
Administrative expenses	(21,847)	(200)	(22,047)
Research and development costs	(3,208)		(3,208)
Finance costs	(803)		(803)
Loss before taxation	(3,597)		(3,797)
Taxation	(28)		(28)
Loss for the year	(3,625)		(3,825)
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss:</i>			
Recognition of actuarial loss on defined benefit plan	(723)		(723)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations	1,568		1,568
Other comprehensive income for the year	845		845
Total comprehensive expense for the year	(2,780)		(2,980)
Loss for the year attributable to:			
Owners of the Privateco	(3,276)	(200)	(3,476)
Non-controlling interests	(349)		(349)
	(3,625)		(3,825)
Total comprehensive expense for the year attributable to:			
Owners of the Privateco	(2,438)	(200)	(2,638)
Non-controlling interests	(342)		(342)
	(2,780)		(2,980)

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

UNAUDITED PRO FORMA COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	The Privateco Group	Pro forma adjustment	The Pro forma Privateco Group
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>
	<i>Note 1</i>	<i>Note 4</i>	
Operating activities			
Loss before taxation	(3,597)	(200)	(3,797)
Adjustments for:			
Depreciation of property, plant and equipment	876		876
Amortisation of other intangible assets	1,578		1,578
Interest income	(3)		(3)
Interest expenses	803		803
Allowance for doubtful debts	487		487
Gain on disposal of property, plant and equipment	(51)		(51)
Impairment loss recognised in respect of goodwill	847		847
Write-off of other intangible assets	57		57
Allowance for inventories	116		116
	<hr/>		<hr/>
Operating cash inflow before movements in working capital	1,113		913
Increase in inventories	(2,920)		(2,920)
Increase in trade and other receivables	(6,000)		(6,000)
Decrease in trade and other payables	(3,326)		(3,326)
	<hr/>		<hr/>
Cash used in operations	(11,133)		(11,333)
PRC Enterprise Income Tax paid	(241)		(241)
	<hr/>		<hr/>
Net cash used in operating activities	(11,374)		(11,574)
	<hr/>		<hr/>

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

	The Privateco Group <i>US\$'000</i> <i>Note 1</i>	Pro forma adjustment <i>US\$'000</i> <i>Note 4</i>	The Pro forma Privateco Group <i>US\$'000</i>
Investing activities			
Payment for product development costs	(1,394)		(1,394)
Acquisition of property, plant and equipment	(1,060)		(1,060)
Deposits paid for acquisition of property, plant and equipment	(106)		(106)
Proceeds on disposal of property, plant and equipment	75		75
Advances to fellow subsidiaries	(350)		(350)
Interest received	3		3
	<u> </u>		<u> </u>
Net cash used in investing activities	<u>(2,832)</u>		<u>(2,832)</u>
Financing activities			
Repayments to fellow subsidiaries	(53,077)		(53,077)
Bank borrowings raised	11,979		11,979
Proceeds from loans to trade bills discounted with recourse	6,079		6,079
Advance from immediate holding company	66,518		66,518
Repayments of bank borrowings	(22,240)		(22,240)
Interest paid	(803)		(803)
	<u> </u>		<u> </u>
Net cash from financing activities	<u>8,456</u>		<u>8,456</u>
Net decrease in cash and cash equivalents	(5,750)		(5,950)
Cash and cash equivalents at beginning of the year	8,719		8,719
Effect of foreign exchange rate changes	717		717
	<u> </u>		<u> </u>
Cash and cash equivalents at end of the year	<u>3,686</u>		<u>3,486</u>
Represented by:			
Bank balances and cash	5,522	(200)	5,322
Bank overdrafts	(1,836)		(1,836)
	<u> </u>		<u> </u>
	<u>3,686</u>		<u>3,486</u>

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

1. Figures are extracted from the accountants' report on historical financial information of the Privateco Group included in Appendix III to the Circular.
2. The adjustment reflects the reclassification of the balance due from the Privateco Group to the Remaining Group arising in the normal and ordinary course of business as at 31 December 2017, assuming the Group Reorganisation had taken place on 31 December 2017.
3. The adjustment reflects the capitalisation of the net balance due from the Privateco Group to the Remaining Group of US\$71,000,000 by issuing 1 share in the Privateco of US\$0.001 each (after the subdivision of each Privateco Share of par value of US\$1.00 in the authorised shares of Privateco into 1,000 Privateco Shares of par value of US\$0.001 each) such that there will not be any indebtedness or other non-trade related liabilities between the Remaining Group and the Privateco Group, assuming the Group Reorganisation had taken place on 31 December 2017.
4. The adjustment reflects the estimated restructuring costs for the Privateco Group of approximately US\$200,000, which will be recognised in profit or loss, assuming the estimated restructuring costs were paid on 31 December 2017. The estimated amounts are subject to changes.

This adjustment is not expected to have continuing effect on the Privateco Group's combined statement of profit or loss and other comprehensive income and combined statement of cash flows.

5. Except for the Group Reorganisation and provision of estimated amount paid for restructuring costs, no adjustment has been made to reflect any trading result or other transaction of the Privateco Group entered into subsequent to 31 December 2017.

B. ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF TECHCOMP (HOLDINGS) LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Techcomp Instrument Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Privateco Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined statement of financial position as at 31 December 2017, the unaudited pro forma combined statement of profit or loss and other comprehensive income for the year ended 31 December 2017, the unaudited pro forma combined statement of cash flows for the year ended 31 December 2017 and related notes as set out on pages VI-1 to VI-6 of the circular issued by the Company dated 29 June 2018 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages VI-1 to VI-6 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Group Reorganisation (as defined in the Circular) on the Privateco Group's financial position as at 31 December 2017 and the Privateco Group's financial performance and cash flows for the year ended 31 December 2017 as if the transactions had taken place at 31 December 2017 and 1 January 2017, respectively. As part of this process, information about the Privateco Group's financial position, financial performance and cash flows has been extracted by the Directors from the Privateco Group's historical financial information of each of the three year ended 31 December 2017, on which an accountants' report set out in Appendix III to the Circular has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standards on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standards on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Privateco Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 December 2017 or 1 January 2017 would have been as presented.

**APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE PRIVATECO GROUP**

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Privateco Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Privateco Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 June 2018"

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this response document received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 30 June 2018 of the real properties located in Hong Kong, the People's Republic of China and Switzerland.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心33樓
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

4 September 2018

Techcomp (Holdings) Limited (“THL”)

6th Floor
Mita Centre
Nos. 552-566 Castle Peak Road
Kwai Chung, New Territories
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions from Techcomp (Holdings) Limited (“THL”) for us to value the real properties held by Techcomp Instrument Limited (the “Privateco”) and/or its subsidiaries (together referred to as the “Privateco Group”) located in Hong Kong, the People's Republic of China (the “PRC”) and Switzerland. We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the real properties as at 30 June 2018 (the “valuation date”).

BASIS OF VALUATION

Our valuations of the real properties have been based on the Market Value, which is defined by The Hong Kong Institute of Surveyors as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion”. The Market Value is also understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

PROPERTY CATEGORIZATION

In the course of our valuations, the real properties are categorized into the following groups:

- Group I – Real property held for owner-occupation by the Privateco Group in Hong Kong
- Group II – Real properties partly held for investment and partly held for owner-occupation by the Privateco Group in the PRC
- Group III – Real property held for owner-occupation by the Privateco Group in Switzerland

VALUATION METHODOLOGY

In valuing the real properties, we have valued them on market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales transactions as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the real properties and the comparables in terms of floor level, location, size, time and other relevant factors.

TITLE INVESTIGATION

For the real property located in Hong Kong, we have caused land search to be made at the Land Registry whereas for the real properties located in the PRC and Switzerland, we have been provided with copies of title documents. We have been advised by the Privateco Group that no further relevant documents have been produced. However, we have neither examined the original documents to verify ownership nor to ascertain the existence of any amendments, which do not appear on the copies handed to us. In the course of our valuations of real properties in the PRC, we have also relied upon the advice and information given by the Privateco Group's PRC legal adviser – DeHeng Law Offices (北京德恒律師事務所) regarding the title of the real properties. All documents have been used for reference only.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the real properties are sold in the market in their existing states without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the real properties.

In addition, no account has been taken of any option or right of pre-emption concerning or effecting sale of the real properties and no forced sale situation in any manner is assumed in our valuations.

For the real properties located in the PRC, we have further assumed that the transferable land use rights in respect of the real properties at nominal annual land use fee have been granted and that any premium payable has already been fully settled.

VALUATION CONSIDERATIONS

The real properties were inspected by Ms. Ellen Lo (BSc Valuation & Estate Management) during the period between August 2017 and May 2018. We have inspected the real properties externally and where possible, the interior of the real properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the real properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Privateco Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site/floor areas, identification of the real properties and any other relevant information.

We have not carried out detailed on-site measurements to verify the correctness of the site/floor areas in respect of the real properties but have assumed that the site/floor areas shown on the documents handed to us are correct. Dimensions, measurements and areas included in the valuation certificates are based on information contained in the documents provided to us by the Privateco Group and are therefore only approximations.

We have no reason to doubt the truth and accuracy of the information provided to us by the Privateco Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowances have been made in our valuations for any charges, mortgages or amounts owing on the real properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the real properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

For the purpose of compliance with Rule 11.3 of The Code on Takeovers and Mergers and as advised by the Privateco Group, the potential tax liabilities which may arise from the sale of the real properties include:

Hong Kong

- (i) Profits Tax: 8.25% on assessable profits up to HK\$2,000,000; and 16.5% on any part of assessable profits over HK\$2,000,000; and
- (ii) Stamp Duty at progressive rates from 1.5% to 8.5% on the transaction amount (of which both the seller and the buyer are jointly and severally liable).

The PRC

- (i) Value-added Tax ("VAT") (as the properties are all owned by the Privateco Group before the implementation of VAT, a simplified taxation method, which is 5% VAT rate, is expected to be used) plus other surcharge at approximately 11% of VAT;
- (ii) Stamp Duty at 0.05% on the transaction amount;
- (iii) Land Appreciation Tax at progressive rates from 30% to 60% on the appreciation in property value;
- (iv) Enterprise Income Tax at 25% on gain; and
- (v) Withholding Tax at 10% if the net proceeds (minus taxes and statutory contributions) are repatriated outside the PRC as dividends (reduced to 5% if the Hong Kong-PRC double tax arrangement applies).

Switzerland

- (i) Capital Gains Tax is usually progressive and the longer the property is owned, the lower the taxes. A shorter owning period would require a surcharge and both cantonal and municipal levels are applicable.
 - The standard rate is applicable after the holding period of four to five years. The top burden usually ranges from 25% to 50%.
 - Tax is gradually reduced after exceeding the four to five years of ownership. The maximum relief allowed is 50% to 70% of the payable tax.
 - A surcharge of up to 50% of the normal tax may be imposed on short term gains i.e. properties sold within the first four or five years.
- (ii) Property Tax usually ranges from 0.05% to 0.3%, levied on the value of the property.

The likelihood of the potential tax liability being crystallized is remote as the Privateco Group has no intention to dispose of its property interests.

Our valuations have been prepared in accordance with The HKIS Valuation Standards (2017 Edition) published by The Hong Kong Institute of Surveyors and the International Valuation Standards (IVS) published by The International Valuation Standards Council.

Our valuations have been prepared under the generally accepted valuation procedures and is in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, the monetary figures stated in this report are in Hong Kong Dollars (HK\$) for Real Property No. 1, Renminbi (RMB) for Real Property Nos. 2 & 3 and Swiss Franc (CHF) for Real Property No. 4 and no allowances have been made for any exchange transfers. The exchange rates adopted as at the valuation date are HK\$1=RMB0.8364 and HK\$1=CHF0.1249 respectively.

Our Summary of Values and the Valuation Certificates are attached herewith.

Yours faithfully,

For and on behalf of

BMI APPRAISALS LIMITED

Joannau W. F. Chan

BSc., MSc., MRICS, MHKIS, RPS(GP)

Senior Director

Note:

Ms. Joannau W.F. Chan is a member of the Hong Kong Institute of Surveyors (General Practice) who has over 25 years' experience in valuations of properties in Hong Kong, over 19 years' experience in valuations of real properties in the People's Republic of China and over 8 years' experience in valuations of real properties in Switzerland.

APPENDIX III	VALUATION REPORT OF PROPERTIES COMPRISED IN THE DISTRIBUTED BUSINESS
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SUMMARY OF VALUES

No.	Real Property	Market Value in existing state as at 30 June 2018 HK\$
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Group I – Real Property held for owner-occupation by the Privateco Group in Hong Kong

1.	6 th Floor, Mita Center, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories, Hong Kong	81,700,000
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Sub-total:	81,700,000
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**Market Value
in existing state
as at 30 June 2018
RMB**

**Group II – Real properties partly held for investment and partly held for owner-occupation
by the Privateco Group in the PRC**

2.	Units 901-902 on 9 th Floor, Hualin Building, No. 190 Caoxi Road, Xuhui District, Shanghai City, the PRC	No Commercial Value
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3.	Block 16, No. 201 Minyi Road, Songjiang District, Shanghai City, the PRC	45,100,000
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Sub-total:	45,100,000
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**Market Value
in existing state
as at 30 June 2018
CHF**

Group III – Real Property held for owner-occupation by the Privateco Group in Switzerland

4.	A factory building with office located at Moosmattstrasse 32, 8953 Dietikon, Switzerland	5,600,000
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Sub-total:	5,600,000
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VALUATION CERTIFICATE

Group I – Real property held for owner-occupation by the Privateco Group in Hong Kong

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018 HK\$
1.	6 th Floor, Mita Center, Nos. 552-566 Castle Peak Road, Kwai Chung, New Territories, Hong Kong 307/4,850 th equal and undivided shares of and in Kwai Chung Town Lot No. 364	<p>The real property comprises 12 industrial units on the 6th Floor of a 17-storey industrial building which was completed in about 1983.</p> <p>The total gross floor area of the real property is approximately 27,370 sq.ft. (or about 2,542.7 sq.m.) whereas its total saleable area is approximately 22,705 sq.ft. (or about 2,109.3 sq.m.).</p> <p>The real property is held under New Grant No. 5527 for a term of 99 years commencing on 1 July 1898, which is renewed for a further term of 50 years expiring on 30 June 2047.</p>	The real property is occupied by the Privateco Group for industrial use.	81,700,000

Notes:

1. The real property is located in Kwai Chung District of New Territories, which is about 10 minutes' driving distance to the MTR Kwai Hing Station. The immediate locality is an industrial area.
2. The registered owner of the real property is Techcomp Limited vide Memorial No. TW1603388 dated 4 October 2004.

3. The real property is subject to the following material encumbrances:
 - a) Legal Charge/Mortgage in favour of Standard Chartered Bank (Hong Kong) Limited vide Memorial No. TW1618645 dated 30 December 2004; and
 - b) Deed of Confirmatory vide Memorial No. 13051602480021 dated 8 March 2013.
4. Techcomp Limited is an indirect wholly-owned subsidiary of the Privateco.

VALUATION CERTIFICATE

**Group II – Real properties partly held for investment and partly held for owner-occupation
by the Privateco Group in the PRC**

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018 <i>RMB</i>								
2.	Units 901-902 on 9 th Floor, Hualin Building, No. 190 Caoxi Road, Xuhui District, Shanghai City, the PRC	<p>The real property comprises 2 office units on the 9th floor of a 12-storey office building plus a basement which was completed in about 1993.</p> <p>The total gross floor area (“GFA”) of the real property is approximately 647.22 sq.m. (or about 6,967 sq.ft.). The GFA of the constituent units are tabulated as below:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Unit</th> <th style="text-align: left;">GFA <i>sq.m.</i></th> </tr> </thead> <tbody> <tr> <td>901</td> <td>368.88</td> </tr> <tr> <td>902</td> <td>278.34</td> </tr> <tr> <td style="text-align: right;">Total:</td> <td style="text-align: right;"><u>647.22</u></td> </tr> </tbody> </table>	Unit	GFA <i>sq.m.</i>	901	368.88	902	278.34	Total:	<u>647.22</u>	As advised by the Privateco Group, Unit 902 is subject to a tenancy for a term expiring on 15 October 2020 at a monthly rent of RMB17,925.08 exclusive of management fee, whilst Unit 901 is occupied by the Privateco Group for office use.	No Commercial Value
Unit	GFA <i>sq.m.</i>											
901	368.88											
902	278.34											
Total:	<u>647.22</u>											

The land use rights of the real property have been allocated for office use.

Notes:

- The real property is located in Xuhui District of Shanghai City, which is about 30 minutes’ driving distance to the Shanghai Hongqiao International Airport. The immediate locality is a mixture of commercial and residential area.

2. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Xu Zi (2008) Di No. 12634 (滬房地徐字(2008)第12634號), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 24 June 2008, the land use rights of the real property with an apportioned site area of approximately 130.7 sq.m. have been allocated to Shanghai Techcomp Instrument Ltd. (“Shanghai Techcomp Instrument”) for office use.
3. As per annex to the Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Xu Zi (2008) Di No. 12634 (滬房地徐字(2008)第12634號), the GFA of the respective units of the real property are 368.88 sq.m. and 278.34 sq.m.
4. In the course of our valuation, we have attributed no commercial value to the real property as the nature of land use rights of the real property is allocated land and the real property cannot be freely transferred, lease, mortgaged or disposed of in the market.
5. The opinion given by the PRC legal adviser – DeHeng Law Offices (北京德恒律師事務所) contains, inter alia, the following:
 - a. The land use rights of the real property is allocated land. The land use rights together with the buildings erected thereon should be transferred, leased, mortgaged and granted with the prior approval from the People’s Government and payment of land premiums; and
 - b. The real property is not subject to any encumbrances.
6. Shanghai Techcomp Instrument is an indirect wholly-owned subsidiary of the Privateco.

VALUATION CERTIFICATE

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018 <i>RMB</i>
3.	Block 16, No. 201 Minyi Road, Songjiang District, Shanghai City, the PRC	The real property comprises a land parcel with a site area of approximately 88,077 sq.m. (or about 948,061 sq.ft.) upon which a 5-storey industrial building completed in about 2005 was erected.	The real property is occupied by the Privateco Group for manufacturing use.	45,100,000 <i>in HK\$</i> 53,920,000

The total gross floor area (“GFA”) of the real property is approximately 10,256.69 sq.m. (or about 110,403 sq.ft.). The GFA of the constituent floors are tabulated as below:

Floor level	GFA <i>sq.m.</i>
1 st Floor	2,192.18
2 nd Floor	2,214.83
3 rd Floor	2,214.83
4 th Floor	2,214.83
5 th Floor	<u>1,420.02</u>
Total:	<u><u>10,256.69</u></u>

The land use rights of the real property have been granted for a term commencing on 3 February 1997 and expiring on 28 August 2044 for industrial use.

Notes:

1. The real property is located in Songjiang District of Shanghai City, which is about 30 minutes' driving distance to the Shanghai Hongqiao International Airport. The immediate locality is an industrial area.
2. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Song Zi (2006) Di No. 24672 (滬房地松字(2006)第24672號), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 18 September 2006, the land use rights and building ownership rights of the 1st and 2nd floors of the real property with a total GFA of approximately 4,407.01 sq.m. are legally vested in Shanghai Techcomp Bio-Equipment Limited ("Shanghai Techcomp Bio-Equipment") for a term expiring on 28 August 2044.
3. Pursuant to a Shanghai Certificate of Real Estate Ownership (上海市房地產權證), Hu Fang Di Song Zi (2007) Di No. 16516 (滬房地松字(2007)第16516號), issued by Shanghai Housing and Land Resources Administration Bureau (上海市房屋土地資源管理局) dated 18 June 2007, the land use rights and building ownership rights of the 3rd to 5th floors of the real property with a total GFA of approximately 5,849.68 sq.m. are legally vested in Shanghai Techcomp Instrument Limited ("Shanghai Techcomp Instrument") for a term expiring on 28 August 2044.
4. The opinion given by the PRC legal adviser – DeHeng Law Offices (北京德恒律師事務所) contains, inter alia, the following:
 - a. The land use rights and buildings ownership rights of the real property are legally vested in Shanghai Techcomp Bio-Equipment and Shanghai Techcomp Instrument;
 - b. Within the term specified in the Shanghai Certificates of Real Estate Ownership, Shanghai Techcomp Bio-Equipment and Shanghai Techcomp Instrument are legally entitled to transfer, lease and mortgage the real property without further approval and authorization from the government authority or payment of land premium;
 - c. The land premium has been fully settled; and
 - d. The real property is not subject to any encumbrances.
5. Shanghai Techcomp Bio-Equipment and Shanghai Techcomp Instrument are both indirect wholly-owned subsidiaries of the Privateco.

VALUATION CERTIFICATE

Group III – Real property held by the Privateco Group for owner-occupation in Switzerland

No.	Real property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 30 June 2018 <i>CHF</i>
4.	A factory building with office located at Moosmattstrasse 32, 8953 Dietikon, Switzerland	The real property comprises a detached 5-storey composite building with outdoor car parking spaces which was completed in about 1992.	The real property is occupied by the Privateco Group for production and office uses.	5,600,000 <i>in HK\$</i> 44,840,000

The gross floor area (“GFA”) of the real property is approximately 3,800 sq.m. (or about 40,903 sq.ft.) The GFA of the constituent floors are tabulated as below:

Floor Level	GFA <i>sq.m.</i>
Underground	185
Ground Floor	1,010
1 st Floor	350
2 nd Floor	1,115
3 rd Floor	570
4 th Floor	570
Total:	<u>3,800</u>

The land use rights of the real property are held under freehold interest for industrial use.

The annual ground rent for the building rights of the real property expiring on 26 January 2050 is CHF 23,667.

Notes:

1. The real property is located in Dietikon District of Switzerland, which is about 20 minutes' driving distance to the Zurich Airport Airport. The immediate locality is an industrial area.
2. Pursuant to a Sale and Purchase Contract entered into between Personalvorsorgestiftung der Precisa instruments AG and Precisa Real Estate AG dated 24 November 2010, the former agreed to transfer the real property to the latter at a consideration of CHF4,304,0000.
3. The registered owner of the real property is Precisa Real Estate AG according to registration record in Land Registry Dietikon dated 7 December 2010.
4. Precisa Real Estate AG is an indirect wholly-owned subsidiary of the Privateco.

Set out below is a summary of certain provisions of the amended and restated memorandum of association (“**Memorandum**”) and the amended and restated articles of association (“**Articles**”) of Privateco and of certain aspects of BVI company law.

Privateco was incorporated in BVI under the International Business Companies Act (Cap. 291) (the “**IBC Act**”) and automatically re-registered under BVI Business Companies Act, 2004 (as amended) (the “**BVI BC Act**”). Privateco’s constitutional documents consist of the Memorandum and the Articles.

The Memorandum and Articles were adopted by way of the sole shareholder’s resolutions dated 9 May 2018 and filed with the Registrar of Corporate Affairs in BVI on 15 May 2018. A summary of certain provisions of the Memorandum and Articles is set out below.

(a) Limited liability; capacity and powers of Privateco

The Memorandum provides, *inter alia*, that the liability of members of Privateco is limited and that subject to BVI BC Act and any other BVI legislation, Privateco has full capacity to carry on or undertake any business or activity, do any act or enter into any transaction.

(b) Amendment of the Memorandum and Articles

By a Resolution of Shareholders (as defined in (f)(i) below) or a Resolution of Directors (as defined in (d)(ix) below) Privateco may amend the Memorandum or the Articles, save that no amendment may be made by a Resolution of Directors to restrict the rights or powers of the shareholders to amend the Memorandum or the Articles or the clauses relating to the rights attached to the shares set out in the Memorandum.

(c) Shares

(i) Classes of shares

The authorised shares of Privateco consists of shares of a single class.

(ii) Variation of rights of existing shares or classes of shares

The following rights attached to each share of Privateco may only, whether or not Privateco is being wound up, be varied with the consent in writing of or by a resolution passed at a meeting by the holders of more than 50 per cent of the issued shares of that class:

- (a) the right to one vote at a meeting of the shareholders or on any Resolution of Shareholders;

- (b) the right to an equal share in any Distribution (which is defined in the Memorandum to mean the direct or indirect transfer of an asset, other than shares, to or for the benefit of the shareholder in relation to shares held by a shareholder, and whether by means of a purchase of an asset, the redemption or other acquisition of shares, a distribution of indebtedness or otherwise, and includes a dividend) paid by Privateco; and
- (c) the right to an equal share in the distribution of the surplus assets of Privateco on its liquidation.

(iii) Alteration of authorised shares

There are no provisions in the Articles relating to the alteration of authorised shares of Privateco. However, subject to BVI BC Act, Privateco may amend its Memorandum to effect a change to the maximum number of shares Privateco is authorised to issue.

(iv) Transfer of shares

Shares may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee, which shall be sent to Privateco at the office of its registered agent for registration. Privateco shall, on receipt of an instrument of transfer complying with the Articles, enter the name of the transferee of a share in the register of members of Privateco, unless the directors resolve to refuse or delay the registration of the transfer because the shareholder has failed to pay an amount due in respect of the share.

The transfer of a share is effective when the name of the transferee is entered on the register of members.

(v) Power of Privateco to purchase its own shares

Privateco may purchase, redeem or otherwise acquire and hold its own shares save that Privateco may not purchase, redeem or otherwise acquire its own shares without the consent of shareholders whose shares are to be purchased, redeemed or otherwise acquired unless Privateco is permitted by BVI BC Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the shares without their consent.

(vi) Power of any subsidiary of Privateco to own shares in Privateco

Where shares of Privateco are held by another body corporate of which Privateco holds directly or indirectly shares having more than 50 per cent of the votes in the election of directors of the other body corporate, all rights and obligations attaching to the shares of Privateco held by the other body corporate are suspended and shall not be exercised by the other body corporate.

(vii) Calls on shares and forfeiture of shares

Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in the Articles and for this purpose shares issued for a promissory note or a contract for future services are deemed to be not fully paid.

A written notice of call specifying the date for payment to be made shall be served on the shareholder who defaults in making payment in respect of the shares, and shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the shares, or any of them, in respect of which payment is not made will be liable to be forfeited.

Where such written notice of call has been issued and the requirements of the notice have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the shares to which the notice relates.

Privateco is under no obligation to refund any moneys to the shareholder whose shares have been cancelled pursuant to the forfeiture and that shareholder shall be discharged from any further obligation to Privateco.

(d) Directors**(i) Appointment, retirement and removal**

The first directors of Privateco shall be appointed by the first registered agent within six months of the date of incorporation of Privateco; and thereafter, the directors shall be elected by Resolution of Shareholders or by Resolution of Directors for such term as the shareholders or directors determine. The minimum number of directors shall be one and the maximum number shall be twelve. A director is not required to hold a share as a qualification to office. No person shall be appointed as a director of Privateco unless he has consented in writing to act as a director. Each director holds office for the term, if any, fixed by the Resolution of Shareholders or Resolution of Directors appointing him, or until his earlier death, resignation or removal. If no term is fixed on the appointment of a director, the director serves indefinitely until his earlier death, resignation or removal.

A director may be removed from office,

- (a) with or without cause, by a Resolution of Shareholders passed at a meeting of Shareholders called for the purposes of removing the director or for purposes including the removal of the director or by a written resolution passed by at least seventy five per cent of the votes of the shareholders entitled to vote; or
- (b) with cause, by a Resolution of Directors passed at a meeting of directors called for the purpose of removing the director or for purposes including the removal of the director.

A director may resign his office by giving written notice of his resignation to Privateco and the resignation has effect from the date the notice is received by Privateco at the office of its registered agent or from such later date as may be specified in the notice. A director shall resign forthwith as a director if he is, or becomes, disqualified from acting as a director under BVI BC Act.

The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person as director to fill a vacancy, the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office.

(ii) Power to allot and issue shares

Shares and other securities may be issued at such times, to such eligible individuals, corporations, trusts, the estates of deceased individuals, partnerships and unincorporated associations of persons, for such consideration and on such terms as the directors may by Resolution of Directors determine.

A share may be issued for consideration in any form, including money, a promissory note, real property, personal property (including goodwill and know-how) or a contract for future services.

No shares may be issued for a consideration other than money, unless a Resolution of Directors has been passed stating:

- (a) the amount to be credited for the issue of the shares;
- (b) their determination of the reasonable present cash value of the non-money consideration for the issue; and
- (c) that, in their opinion, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the shares.

(iii) Power to dispose of the assets of Privateco or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of Privateco or any of its subsidiaries, the directors of Privateco may exercise all powers and do all acts and things which may be exercised or done or approved by Privateco and which are not required by the Articles or BVI BC Act to be exercised or done by Privateco in general meeting, but if such power or act is regulated by Privateco in general meeting, such regulation shall not invalidate any prior act of the directors of Privateco which would have been valid if such regulation had not been made.

(iv) Borrowing powers

The directors may by Resolution of Directors exercise all the powers of Privateco to incur indebtedness, liabilities or obligations and to guarantee and/or secure indebtedness, liabilities or obligations whether of Privateco or of any third party.

(v) Remuneration

The directors may, by a Resolution of Directors, fix the emoluments of directors with respect to services to be rendered in any capacity to Privateco.

(vi) Compensation or payments for loss of office

There are no provisions in the Articles concerning the compensation or payments for a director's loss of office.

(vii) Loans and provision of security for loans to Directors

There are no provisions in the Articles concerning the loans and provision of security for loans to directors of Privateco.

(viii) Disclosure of interest in contracts with Privateco or any of its subsidiaries

A director of Privateco shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by Privateco, disclose the interest to all other directors of Privateco. A disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry or disclosure, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.

A director of Privateco who is interested in a transaction entered into or to be entered into by Privateco may:

- (a) vote on a matter relating to the transaction;
- (b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
- (c) sign a document on behalf of Privateco, or do any other thing in his capacity as a director, that relates to the transaction,

and, subject to compliance with BVI BC Act shall not, by reason of his office be accountable to Privateco for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

(ix) Proceedings of the Board

The directors of Privateco or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable. A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, unless there are only two directors in which case the quorum is two. If Privateco has only one director the provisions in the Articles relating to meetings of directors do not apply and such sole director has full power to represent and act for Privateco in all matters as are not by BVI BC Act, the Memorandum or the Articles required to be exercised by the shareholders. In lieu of minutes of a meeting the sole director shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Directors. Such a note or memorandum constitutes sufficient evidence of such resolution for all purposes.

A Resolution of Directors is defined in the Memorandum to mean either:

- (a) a resolution approved at a duly convened and constituted meeting of directors of Privateco or of a committee of directors of Privateco by the affirmative vote of a majority of the directors present at the meeting who voted except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority, or
- (b) a resolution consented to in writing by all directors or by all members of a committee of directors of Privateco.

(e) Alterations to Privateco's name

To the extent that the same is permissible under BVI law and subject to the Memorandum, the Memorandum and the Articles may be altered or amended, and the name of Privateco may be changed, by a Resolution of Shareholders or by a Resolution of Directors.

(f) Meetings of member**(i) Special and ordinary resolutions**

A Resolution of Shareholders is defined in the Memorandum to mean either:

- (a) a resolution approved at a duly convened and constituted meeting of the shareholders by the affirmative vote of a majority of the votes of the shares entitled to vote thereon which were present at the meeting and were voted; or
- (b) a resolution consented to in writing by the holders of a majority of the votes of shares entitled to vote thereon.

There are no provisions in the Articles relating to the special resolutions of shareholders.

(ii) Voting rights and right to demand a poll

The Memorandum provides that each share of Privateco confers upon the shareholder the right to one vote at a meeting of the shareholders or on any Resolution of Shareholders.

At any meeting of the shareholders the chairman is responsible for deciding in such manner as he considers appropriate whether any resolution proposed has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes of the meeting. If the chairman has any doubt as to the outcome of the vote on a proposed resolution, he shall cause a poll to be taken of all votes cast upon such resolution. If the chairman fails to take a poll then any shareholder present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall cause a poll to be taken. If a poll is taken at any meeting, the result shall be announced to the meeting and recorded in the minutes of the meeting.

(iii) Annual general meetings

BVI BC Act does not require a company to hold an annual general meeting of shareholders. The Articles provide that any director of Privateco may convene meetings of the shareholders at such times and in such manner and places within or outside the British Virgin Islands as the director considers necessary or desirable.

(iv) Notices of meetings and business to be conducted

The director convening a meeting shall give not less than seven days' notice of a meeting of shareholders to:

- (a) those shareholders whose names on the date the notice is given appear as shareholders in the register of members of Privateco and are entitled to vote at the meeting; and
- (b) the other directors.

A meeting of shareholders held in contravention of the requirement to give notice is valid if shareholders holding at least 90 per cent of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a shareholder at the meeting shall constitute waiver in relation to all the shares which that shareholder holds.

(v) Quorum for meetings and separate class meetings

A meeting of shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy not less than 50 per cent of the votes of the shares or class or series of shares entitled to vote on Resolutions of Shareholders to be considered at the meeting. A quorum may comprise a single shareholder or proxy and then such person may pass a Resolution of Shareholders and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy instrument shall constitute a valid Resolution of Shareholders.

A shareholder shall be deemed to be present at a meeting of shareholders if he participates by telephone or other electronic means and all shareholders participating in the meeting are able to hear each other.

If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are present within one hour from the time appointed for the meeting in person or by proxy not less than one third of the votes of the Shares or each class or series of Shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.

(vi) Proxies

A shareholder may be represented at a meeting of shareholders by a proxy who may speak and vote on behalf of the shareholder.

The instrument appointing a proxy shall be in substantially the form set out in the Articles or such other form as the chairman of the meeting shall accept as properly evidencing the wishes of the shareholder appointing the proxy, and shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at which the proxy shall be presented.

The following applies where shares are jointly owned:

- (a) if two or more persons hold shares jointly each of them may be present in person or by proxy at a meeting of shareholders and may speak as a shareholder;
- (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and
- (c) if two or more of the joint owners are present in person or by proxy they must vote as one.

(g) Accounts and audit

Privateco shall keep records that are sufficient to show and explain Privateco's transactions and that will, at any time, enable the financial position of Privateco to be determined with reasonable accuracy. Privateco may by Resolution of Shareholders call for the directors to prepare periodically and make available a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of Privateco for a financial period and a true and fair view of the assets and liabilities of Privateco as at the end of a financial period.

Privateco may also by Resolution of Shareholders call for the accounts to be examined by auditors. The auditor of Privateco shall have a right of access at all times to the books of account and vouchers of Privateco, and shall be entitled to require from the directors and officers of Privateco such information and explanations as he thinks necessary for the performance of the duties of the auditors. The auditors shall examine each profit and loss account and balance sheet required to be laid before a meeting of the shareholders or otherwise given to shareholders and shall state in a written report whether or not:

- (a) in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the assets and liabilities of Privateco at the end of that period; and
- (b) all the information and explanations required by the auditors have been obtained

The report of the auditors shall be annexed to the accounts and shall be read at the meeting of shareholders at which the accounts are laid before Privateco, or shall be otherwise given to the shareholders.

(h) Dividends

The directors of Privateco may, by Resolution of Directors, authorise a Distribution (including a dividend) at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, immediately after the distribution, the value of Privateco's assets will exceed its liabilities and Privateco will be able to pay its debts as they fall due. Distributions may be paid in money, shares, or other property. Notice of any distribution that may have been declared shall be given to each shareholder as specified in the Articles and all distributions unclaimed for three years after having been declared may be forfeited by Resolution of directors for the benefit of Privateco. No Distribution shall bear interest as against Privateco and no distribution shall be paid on the treasury shares of Privateco.

(i) Inspection of corporate records

There are no provisions in the Articles concerning the rights of the shareholders to inspect the corporate records of Privateco. However, the shareholders are entitled certain rights to inspect the corporate records of Privateco under BVI law, as summarized in paragraph 3(J) of this Appendix.

(j) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of Privateco under BVI law, as summarized in paragraph 3(E) of this Appendix.

(k) Procedures on liquidation

Privateco may by a Resolution of Shareholders or by a Resolution of Directors appoint a voluntary liquidator.

2. BRITISH VIRGIN ISLANDS COMPANY LAW

Privateco was incorporated in BVI under the International Business Companies Act (Cap. 291) (the “**IBC Act**”) and automatically re-registered under BVI Business Companies Act, 2004 (as amended) (the “**BVI BC Act**”) and is subject to BVI law.

(A) Shares

There is no concept of authorised share capital, or of share capital, under BVI BC Act. The memorandum of association of a company limited by shares must set out:

- (i) either the maximum number of shares the company is authorised to issue or state that the company is authorised to issue an unlimited number of shares; and
- (ii) the classes of shares that the company is authorised to issue, and, if the company is authorised to issue two or more classes, the rights, privileges, restrictions and conditions attaching to each class of shares.

BVI BC Act provides that, subject to the memorandum and articles of association of a company, a share may be issued with or without a par value. Where a company issues shares with par value, the consideration for a share shall not be less than the par value of the share. A share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.

Subject to the memorandum and articles of association of a company, its directors have the power to issue shares of the company from time to time.

Subject to BVI BC Act and to a company's memorandum of association or the articles, shares may be issued, and options to acquire shares in a company granted, at such times, to such persons, for such consideration and on such terms as the directors may determine.

The issue by a company of a share that (i) increases a liability of a person, or (ii) imposes a new liability on a person to the company, is void if that person, or an authorised agent of that person, does not agree in writing to becoming the holder of that share. A share is deemed issued when the name of the shareholder is entered in the company's register of members.

A company may, subject to its memorandum and articles of association, (a) divide its shares, including issued shares, into a larger number of shares; or (b) combine its shares, including issued shares, into a smaller number of shares. A division or combination of shares, including issued shares, of a class or series shall be for a larger or smaller number, as the case may be, of shares in the same class or series. Where par value shares are divided or combined, the aggregate par value of the new shares must be equal to the aggregate par value of the original shares. A company shall not divide its shares if it would cause the maximum number of shares that the company is authorised to issue by its memorandum to be exceeded.

(B) Membership

Under BVI BC Act, the entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person. A company may treat the holder of a registered share as the only person entitled to: (a) exercise any voting rights attaching to the share; (b) receive notices; (c) receive a distribution in respect of the share; and (d) exercise other rights and powers attaching to the share.

(C) Purchase of Shares by a Company and Its Subsidiaries

A BVI business company may purchase, redeem or otherwise acquire its own shares in accordance with either the provisions of BVI BC Act or its memorandum or articles of association.

A company may not purchase, redeem or otherwise acquire its own shares without the consent of the member whose shares are to be purchased, redeemed or otherwise acquired, unless the company is permitted by BVI BC Act or any provision of its memorandum or articles of association to purchase, redeem or otherwise acquire the shares without that consent.

No purchase, redemption or other acquisition of a company's own shares may be made unless the directors are satisfied on reasonable grounds that the company will, immediately after the purchase, redemption or acquisition, satisfy the solvency test. A company satisfies the solvency test if: (i) the value of its assets exceeds its liabilities; and (ii) the company is able to pay its debts as they fall due. BVI BC Act provides for certain situations where this solvency test is not mandatory prior to repurchase, redemption or acquisition being permitted. These are where: (a) the company redeems the shares under and in accordance with section 62 of BVI BC Act; (b) the company redeems the shares pursuant to a right of a member to have his shares redeemed or to have his shares exchanged for money or other property of the company; or (c) the company purchases, redeems or otherwise acquires the share or shares by virtue of the provisions of section 179 of BVI BC Act.

The directors of a company may make an offer to purchase, redeem or otherwise acquire shares issued by the company, if the offer is:

- (a) an offer to all members to purchase, redeem or otherwise acquire shares issued by the company that:
 - (i) would, if accepted, leave the relative voting and distribution rights of the members unaffected; and
 - (ii) affords each member a reasonable opportunity to accept the offer; or
- (b) an offer to one or more members to purchase, redeem or otherwise acquire shares:
 - (i) to which all members have consented in writing; or
 - (ii) that is permitted by the memorandum or articles and is made in accordance with section 61 of BVI BC Act.

Shares that are purchased, redeemed or otherwise acquired may be cancelled or held as treasury shares. A company may hold shares that have been purchased, redeemed or otherwise acquired as treasury shares if (i) the memorandum or articles of the company do not prohibit it from holding treasury shares; (ii) the directors resolve that shares to be purchased, redeemed or otherwise acquired shall be held as treasury shares; and (iii) the number of shares purchased, redeemed or otherwise acquired, when aggregated with shares of the same class already held by the company as treasury shares, does not exceed 50% of the shares of that class previously issued by the company, excluding shares that have been cancelled. All the rights and obligations attaching to a treasury share are suspended and shall not be exercised by or against the company while it holds the share as a treasury share.

(D) Distributions

Subject to BVI BC Act and its memorandum and articles of association, the directors of the company may by resolution, authorize a distribution (which includes a dividend) by the company to its members if the directors are satisfied, on reasonable grounds, that immediately after the distribution satisfy the solvency test, that is: (a) the company will be able to pay its debts as they fall due; and (b) the value of our assets exceeds its liabilities.

A distribution made to a member at a time when the company did not, immediately after the distribution, satisfy the aforesaid solvency test may be recovered by the company from the member unless (a) the member received the distribution in good faith and without knowledge of our failure to satisfy the solvency test; (b) the member has altered his position in reliance on the validity of the distribution; and (c) it would be unfair to require repayment in full or at all.

If, after a distribution is authorised and before it is made, the directors cease to be satisfied on reasonable grounds that the company will, immediately after the distribution is made, satisfy the solvency test, any distribution made by the company is deemed not to have been authorised. A director is personally liable to the company to repay to the company so much of the distribution as is not able to be recovered from members if the director (a) ceased, after authorization but before the making of the distribution, to be satisfied on reasonable grounds for believing that the company would satisfy the solvency test immediately after the distribution is made; and (b) failed to take reasonable steps to prevent the distribution being made.

(E) Protection of Minorities

BVI BC Act provides that if a company or a director of a company engages in or has engaged in, or proposes to engage in, conduct that contravenes BVI BC Act or the memorandum or articles of association of the company, BVI High Court may, on the application of a member or a director of the company, make an order directing the company or director to comply with, or restraining the company or director from engaging in conduct that contravenes, BVI BC Act or the memorandum or articles or association.

BVI BC Act also contains provisions allowing the court, on the application of a member of a company, to grant leave to the member to (a) bring proceedings in the name and on behalf of that company; or (b) intervene in proceedings to which the company is a party for the purpose of continuing, defending or discontinuing the proceedings on behalf of the company. No proceedings brought by a member or in which a member intervenes with the leave of the court may be settled or compromised or discontinued without the approval of the court. Under BVI BC Act, a member of a company may bring an action against the company for breach of a duty owed by the company to him as a member.

In the case where a member of a company brings proceedings against the company and other members that have the same or substantially the same interest in relation to the proceedings, BVI High Court may appoint that member to represent all or some of the members having the same interest and may, for that purpose, make such order as it thinks fit, including an order (a) as to the control and conduct of the proceedings; (b) as to the costs of the proceedings; and (c) directing the distribution of any amount ordered to be paid by a defendant in the proceedings among the members represented.

BVI BC Act provides that a member of a company who considers that the affairs of the company have been, are being or are likely to be, conducted in a manner that is, or any act or acts of the company have been, or are, likely to be oppressive, unfairly discriminatory, or unfairly prejudicial to him in that capacity, may make an application to BVI High Court. If the court considers that it is just and equitable to do so, it may make such order as it thinks fit, including, without limiting the generality of this subsection, one or more of the following orders: (a) in the case of a member, requiring the company or any other person to acquire the shareholder's shares; (b) requiring the company or any other person to pay compensation to the member; (c) regulating the future conduct of our affairs; (d) amending the memorandum or articles of the company; (e) appointing a receiver of the company; (f) appointing a liquidator of the company under section 159(1) of BVI Insolvency Act on the grounds specified in section 162(1)(b) of that Act; (g) directing the rectification of the records of the company; or (h) setting aside any decision made or action taken by the company or its directors in breach of BVI BC Act or the memorandum or articles of the company. None of the foregoing orders may be made against the company or any other person unless the company or that person is a party to the proceedings in which the application is made.

A member or the Registrar of Corporate Affairs may apply to BVI High Court *ex parte* or upon such notice as the court may require, for an order directing that an investigation be made of the company and any of its affiliated companies. If, upon such an application, it appears to the court that: (a) the business of the company or any of its affiliates is or has been carried on with intent to defraud any person; (b) the company or any of its affiliates was formed for a fraudulent or unlawful purpose or is to be dissolved for a fraudulent or unlawful purpose; or (c) persons concerned with the incorporation, business or affairs of the company or any of its affiliates have in connection therewith acted fraudulently or dishonestly, the court may make any order it thinks fit with respect to an investigation of the company and any of its affiliated companies by an inspector, who may be the Registrar of Corporate Affairs.

BVI BC Act provides that a member of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (1) a merger, if the company is a constituent company, unless the company is the surviving company and the member continues to hold the same or similar shares;

- (2) a consolidation, if the company is a constituent company;
- (3) any sale, transfer, lease, exchange or other disposition of more than 50% in value of the assets or business of the company, if not made in the usual or regular course of the business carried on by the company, but not including:
 - (i) a disposition pursuant to an order of the Court having jurisdiction in the matter,
 - (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the members in accordance with their respective interests within one year after the date of disposition, or
 - (iii) a transfer pursuant to the power described in section 28(2) of BVI BC Act;
- (4) a redemption of his shares by the company pursuant to section 176 of BVI BC Act; and
- (5) an arrangement, if permitted by BVI High Court.

(F) Management

BVI BC Act provides that, subject to the memorandum or articles of association of a company, any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance of the enforcement thereof, of more than 50% in value of the assets of the company (other than a transfer pursuant to a power described in section 28(3) of BVI BC Act), if not made in the usual or regular course of business carried on by the company, must be approved by a resolution of members and in the manner provided in section 175 of BVI BC Act.

A director of a company, in exercising his powers or performing his duties, shall act honestly and in good faith and in what the director believes to be in the best interests of the company. A director shall exercise his powers as a director for a proper purpose and shall not act, or agree to the company acting, in a manner that contravenes BVI BC Act or the memorandum or articles of association of the company. A director of a company, when exercising powers or performing duties as a director, shall exercise the care, diligence and skill that a reasonable director would exercise in the same circumstances taking into account, but without limitation, (a) the nature of the company; (b) the nature of the decision; and (c) the position of the director and the nature of the responsibilities undertaken by him.

(G) Accounting and Auditing Requirements

A BVI business company is required by BVI BC Act to keep records that: (a) are sufficient to show and explain its transactions; and (b) will, at any time, enable the financial position of the company to be determined with reasonable accuracy.

(H) Taxation in BVI

A BVI business company is exempt from all provisions of the Income Tax Ordinance of BVI (including with respect to all dividends, interests, rents, royalties, compensations and other amounts payable by the company to persons who are not resident in BVI). Capital gains realized with respect to any shares, debt obligations or other securities of the company by persons who are not resident in BVI are also exempt from all provisions of the Income Tax Ordinance of BVI.

No estate, inheritance, succession or gift tax is payable by persons who are not resident in BVI with respect to any shares, debt obligations or other securities of the company, save for interest payable to or for the benefit of an individual resident in the European Union.

(I) Stamp Duty on Transfer

No stamp duty is payable in BVI on a transfer of shares, debt obligations or other securities in a BVI business company which is not a land owning company. A company is a land owning company if it, or any of its subsidiaries, has an interest in any land in BVI.

(J) Inspection of Corporate Records

A member of a company is entitled, on giving written notice to the company, to inspect the memorandum and articles, the register of members, the register of directors, and minutes of meetings and resolutions of members and of those classes of members of which he is a member, and to make copies of or take extracts from the documents and records maintained at the office of the registered agent of the company. Subject to the memorandum and articles of association of the company, its directors may, if they are satisfied that it would be contrary to the company's interests to allow the member to inspect the register of members, register of directors or minutes/resolutions of members or part of any such documents, refuse to permit the member to inspect the document or limit the inspection of the document, including limiting the making of copies or the taking of extracts from the records. The directors are required, as soon as reasonably practicable, to notify the member concerned. Where a company fails or refuses to permit a member to inspect a document or permits a member to inspect a document subject to limitations, that member may apply to BVI High Court for an order that he should be permitted to inspect the document or to inspect the document without limitation.

BVI BC Act requires a business company to keep minutes of all meetings of directors, members, committees of directors and committees of members and copies of all resolutions consented to by directors, members, committees of directors, committees of officers and committees of members. The minutes of meetings and resolutions of members and of classes of members, and the minutes of meeting of directors and committees of directors are required by BVI BC Act to be kept at the office of the company's registered agent or at such other places, within or outside BVI, as the directors may determine. A company shall keep at the office of its registered agent the memorandum and articles of association of the company, the register of members (or a copy thereof), the register of directors (or a copy thereof) and copies of all notices and other documents filed by the company in the previous ten years. BVI BC Act requires a company to have a common seal and an imprint of the seal shall be kept at the office of its registered agent.

A business company is required to keep a register of members containing the names and addresses of the persons who hold registered shares in the company, the number of each class and series of registered shares held by each shareholder, the date on which the name of each member was entered in the register of members and the date on which any person ceased to be a member. The register of members may be in such form as the directors may approve but if it is in magnetic, electronic or other data storage form, the company must be able to produce legible evidence of its contents. The entry of the name of a person in the register of members as a holder of a share in a company is prima facie evidence that legal title in the share vests in that person.

BVI BC Act requires a business company to keep a register known as a register of directors containing the particulars as prescribed under BVI BC Act. The register of directors is prima facie evidence of any matters directed or authorised by BVI BC Act to be contained therein. A company shall file for registration by the Registrar of Corporate Affairs a copy of its register of directors. A company that has filed for registration by the Registrar of Corporate Affairs a copy of its register of directors shall, within 30 days of any changes occurring, file the changes in the register by filing a copy of the register containing the changes.

(K) Liquidation

(i) *Where the business company is solvent*

Where it is proposed to liquidate a solvent business company (that is, the company either has no liabilities or it is able to pay its debts as they fall due and the value of its assets equals or exceeds its liabilities), the directors of the company shall (a) make a declaration of solvency in the approved form stating that, in their opinion, the company is and will continue to be able to discharge, pay or provide for its debts as they fall due and the value of its assets equals or exceeds its liabilities, and (b) approve a liquidation plan specifying: (i) the reasons for the liquidation of the company, (ii) their estimate of the time required to

liquidate the company, (iii) whether the liquidator is authorised to carry on the business of the company if he determines that to do so would be necessary or in the best interests of the creditors or members of the company, (iv) the name and address of each individual to be appointed as liquidator and the remuneration proposed to be paid to each liquidator, and (v) whether the liquidator is required to send to all members a statement of account prepared or caused to be prepared by the liquidator in respect of his actions or transactions. In accordance with the memorandum and articles of association of the company, the directors and/or the members of the company will pass a resolution to appoint a voluntary liquidator and will give notice to the selected liquidator of his appointment. The liquidation of a company commences at the time at which the notice of the voluntary liquidator's appointment is filed. A resolution to appoint a voluntary liquidator is void and of no effect unless the voluntary liquidator files notice of his appointment on or before the fourteenth day following the date of the resolution.

Within 14 days of the date of his appointment, the voluntary liquidator is required to file a notice of his appointment in an approved form, a copy of the declaration of solvency made by the directors and a copy of the liquidation plan, with the Registrar. He is also required, within 30 days of the commencement of the liquidation, to advertise notice of his appointment in the manner prescribed.

With effect from the commencement of the voluntary liquidation of a company, the voluntary liquidator has custody and control of the assets of the company.

However, the right of a secured creditor to take possession of and realize or otherwise deal with assets of the company over which the creditor has a security interest will not be affected.

The directors of the company remain in office but they cease to have any powers, functions or duties other than those required or permitted under Part XII of BVI BC Act.

The directors, after the commencement of the voluntary liquidation, may authorize the liquidator to carry on the business of the company if the liquidator determines that to do so would be necessary or in the best interests of the creditors or members of the company where the liquidation plan does not give the liquidator such authorization, and exercise such powers as the liquidator, by written notice, may authorize them to exercise.

The members of a company may, by resolution, appoint an eligible individual as an additional voluntary liquidator to act jointly with the voluntary liquidator or voluntary liquidators already appointed.

BVI High Court may, at any time after the appointment of a voluntary liquidator, on application by a director, member or creditor of the company, make an order terminating the liquidation if it is satisfied that it would be just and equitable to do so. Where such an order is made, the company ceases to be in voluntary liquidation and the voluntary liquidator ceases to hold office with effect from the date of the order or such later date as may be specified in the order.

A voluntary liquidator shall, upon completion of a voluntary liquidation, file a statement that the liquidation has been completed and upon receiving the statement, the Registrar of Corporate Affairs shall strike the company off the Register of Companies and issue a certificate of dissolution in the approved form certifying that the company has been dissolved. The dissolution of the company is effective from the date of the issue of the certificate.

Immediately following the issue by the Registrar of Corporate Affairs of a certificate of dissolution, the person who, immediately prior to the dissolution, was the voluntary liquidator of the company shall cause to be published in the Gazette, a notice that the company has been struck off the Register of Companies and dissolved.

(ii) *Where the business company is insolvent*

If at any time the voluntary liquidator of a company in voluntary liquidation is of the opinion that the company is insolvent (that is to say, either the value of the company's liabilities exceeds, or will exceed, its assets or, the company is, or will be, unable to pay its debts as they fall due), he shall forthwith send a written notice to the Official Receiver in the approved form.

The voluntary liquidator shall then call a meeting of creditors of the company to be held within twenty one days of the date of the aforesaid notice to the Official Receiver. The said creditors meeting shall be treated as if it were the first meeting of the creditors of a company called under section 179 of BVI Insolvency Act by a liquidator appointed by the members of a company and, sections 179 and 180 of BVI Insolvency Act shall apply to the calling and holding of such a meeting.

Where a voluntary liquidator is not an eligible licensed insolvency practitioner with respect to the company, the Official Receiver may apply to BVI High Court ex parte for the appointment of himself or an eligible licensed insolvency practitioner as the liquidator of the company and the court may make the appointment subject to such conditions as it considers appropriate.

From the time that an appointed liquidator first becomes aware that the company is not, or will not be, able to pay its debts he shall conduct the liquidation as if he had been appointed liquidator under BVI Insolvency Act.

BVI Insolvency Act will apply to the liquidation of the company subject to such modifications as are appropriate and the liquidation of the company shall be deemed to have commenced on the date of the appointment of the voluntary liquidator.

(L) Reconstruction

There are statutory provisions which facilitate arrangements which involve a plan of arrangement being approved by a resolution of directors of the company and application being made to BVI High Court for approval of the proposed arrangement. Upon approval by the court, the directors of the company, if they are still desirous of executing the plan, shall confirm the plan of arrangement as approved by the court whether or not the court has directed any amendments to be made thereto and give notice to the persons whom the order of court requires notice to be given and submit the plan of arrangement to those persons for such approval, if any, as the court order requires.

After the plan of arrangement has been so approved, articles of arrangement shall be executed by the company. The articles of arrangement shall contain the plan of arrangement, the order of the court approving the plan of arrangement and the manner in which the plan of arrangement was approved (if approval was required by the order of the court). The articles of arrangement shall be filed with the Registrar of Corporate Affairs who shall register them. Upon registration of the articles of arrangement, the Registrar shall issue a certificate in the approved form certifying that the articles of arrangement have been registered.

An arrangement is effective on the date the articles of arrangement are registered by the Registrar of Corporate Affairs or on such date subsequent thereto, not exceeding 30 days, as is stated in the articles of arrangement.

(M) Compulsory Acquisition

Subject to the memorandum or articles of association of a company, members of the company holding 90% of the votes of the outstanding shares entitled to vote on a merger or consolidation, and members of the company holding 90% of the votes of the outstanding shares of each class of shares entitled to vote as a class, may give a written instruction to the company directing the company to redeem the shares held by the remaining members. Upon receipt of the written instruction, the company shall redeem the shares specified in the written instruction irrespective of whether or not the shares are by their terms redeemable. The company shall give written notice to each member whose shares are to be redeemed stating the redemption price and the manner in which the redemption is to be effected.

(N) Indemnification

Section 132 of BVI BC Act provides that subject to the memorandum or articles of association of a company, the company may indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the company, or (b) is or was, at the request of the company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, provided that the said person had acted honestly and in good faith and in what he believed to be in the best interests of the company and, in the case of criminal proceedings, the person had no reasonable cause to believe that his conduct was unlawful. Any indemnity given in breach of the foregoing proviso is void and of no effect.

Expenses, including legal fees, incurred by a director or a former director in defending any legal, administrative or investigative proceedings may be paid by the company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director or the former director, as the case may be, to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the company. In the case of a former director, the undertaking to be furnished by such former director may also include such other terms and conditions as the company deems appropriate.

A company may purchase and maintain insurance in relation to any person who is or was a director of the company, or who at the request of the company is or was serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the company has or would have had the power to indemnify the person against the liability under section 132 of BVI BC Act.

1. RESPONSIBILITY STATEMENT

This response document includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Privateco Offer and Privateco.

The sole Privateco Director, being Mr. Lo, accepts full responsibility for the accuracy of the information contained in this response document and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this response document have been arrived at after due and careful consideration and there are no other facts not contained in this response document, the omission of which would make any statement in this response document misleading.

2. SHARE CAPITAL

The authorised and issued shares of Privateco as at the Latest Practicable Date are as follows:

	US\$
<i>Authorised</i>	
300,000,000 Privateco Shares of US\$0.001 each as at the Latest Practicable Date	300,000
<hr/> <hr/>	<hr/> <hr/>
<i>Issued and fully paid or credited as fully paid up</i>	
50,000,000 Privateco Shares (after the 50,000 then existing shares of Privateco of par value US\$1.00 each being re-designated to 50,000,000 Privateco Shares of par value US\$0.001 each with effect on 15 May 2018)	50,000
225,437,000 Privateco Shares of par value US\$0.001 each allotted and issued on 14 August 2018	225,437
<hr/>	<hr/>
275,437,000 Privateco Shares of par value US\$0.001 each as at the Latest Practicable Date	275,437
<hr/> <hr/>	<hr/> <hr/>

All Privateco Shares in issue rank *pari passu* in all aspects with each other including all the rights of the Privateco Shareholders in respect of capital, dividends and voting.

Save for the 275,437,000 Privateco Shares in issue as at the Latest Practicable Date, the Privateco Group did not have any other Privateco Shares, or outstanding options, warrants, derivatives or other securities carrying rights of conversion into or exchange or subscription for the Privateco Shares.

Save for the allotment and issuance of 225,437,000 Privateco Shares on 14 August 2018 pursuant to the Group Reorganisation and the re-designation of the then existing 50,000 shares of Privateco of par value US\$1.00 each into 50,000,000 Privateco Shares of par value US\$0.001 with effect on 15 May 2018, Privateco has not issued any Privateco Shares since 31 December 2017, being the last financial year end date.

3. SHAREHOLDINGS AND DEALINGS

(a) Interest in Privateco

1. Interests of the Privateco Director in Privateco

As at the Latest Practicable Date, the shareholdings in Privateco in which Privateco Director was interested (as defined in Note 3 of paragraph 4 of Schedule 1 of the Takeovers Code) are as follows:

Name	Capacity/ Nature of interest	Number of Privateco Shares held/beneficially owned	Percentage of the issued shares of Privateco
Lo Yat Keung	Beneficial owner	104,956,500	38.11
	Interest of his spouse	7,500,000	2.72

Other than disclosed in this section, as at the Latest Practicable Date, none of the Privateco Director had any interests in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in Privateco.

II. Interests of Circle Brown, its directors, ultimate beneficial owner and parties acting in concert with Circle Brown in Privateco

As at the Latest Practicable Date, save for the Acceptance Shares, the shareholdings in Privateco in which Circle Brown, its directors, ultimate beneficial owner and parties acting in concert with Circle Brown were interested (as defined in Note 3 of paragraph 4 of Schedule 1 of the Takeovers Code) are as follows:

Name	Capacity/ Nature of interest	Number of Privateco Shares held/beneficially owned	Percentage of the issued shares of Privateco	Relationship with Circle Brown
Lo Yat Keung	Beneficial owner	104,956,500	38.11	A director and a beneficial owner of Circle Brown
	Interest of spouse	7,500,000	2.72	
Yung Yat	Beneficial owner	7,500,000	2.72	Spouse of Mr. Lo
	Interest of spouse	104,956,500	38.11	

Save as disclosed in this section and save for the Acceptance Shares, neither Circle Brown nor its directors, ultimate beneficial owner and parties acting in concert with it had any other interests in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in Privateco.

(b) Interest in Circle Brown

As at the Latest Practicable Date, Privateco did not have any interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Circle Brown and had not dealt for value in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Circle Brown during the Relevant Period.

At the Latest Practicable Date, the shareholdings in Circle Brown in which the sole Privateco Director or the sole director of Circle Brown was interested (as defined in Note 3 of paragraph 2 of Schedule II of the Takeovers Code) are as follows:

Name	Capacity/ Nature of interest	Number of shares held in Circle Brown	Percentage of the issued shares of Circle Brown
Lo Yat Keung	Beneficial owner	50,000	100

Other than disclosed in this section, as at the Latest Practicable Date, none of the Privateco Director had any other interest in the shares, warrants, options, derivatives and securities carrying conversion or subscription rights into shares of Circle Brown.

Dealings in securities of Privateco

During the Relevant Period, save for the Group Reorganisation and the Distribution in Specie, none of the Privateco Director had dealt for value in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares.

During the Relevant Period, save for the Distribution in Specie, under which an aggregate of 112,456,500 Privateco Shares were distributed to Mr. Lo and his spouse or their nominee, none of Circle Brown, its directors, ultimate beneficial owner or parties acting in concert with Circle Brown had dealt in the Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights in the Privateco Shares.

As at the Latest Practicable Date and during the Relevant Period, none of Circle Brown, its directors, ultimate beneficial owner and parties acting in concert with Circle Brown, have borrowed or lent any Privateco Shares or other securities of Privateco carrying voting rights, or convertible securities, warrants, options or derivatives of Privateco.

Furthermore, during the Relevant Period,

- (a) none of the subsidiaries of Privateco, person who is presumed to be acting in concert with Privateco by virtue of class (5) of the definition of acting in concert, pension funds of Privateco or its subsidiaries nor advisers to Privateco as specified in class (2) of the definition of associate under the Takeovers Code, including the Independent Financial Adviser, had any shareholdings or dealings in any Privateco Shares, warrants, options, derivatives and securities carrying conversion or subscription rights into the Privateco Shares; and
- (b) no fund managers connected with Privateco had any dealings in any Privateco Shares, warrants, options, derivatives or securities carrying conversion or subscription rights into the Privateco Shares.

Dealings in securities of Circle Brown

During the Relevant Period, none of Privateco nor Privateco Director nor the sole director of Circle Brown had dealt for value in any shares, convertible securities, warrants, options or derivatives of Circle Brown.

Additional Disclosure of Interests and Dealings

- (a) as at the Latest Practicable Date, save for the Distribution In Specie, no person had any arrangement of kind referred to in Note 8 to Rule 22 of the Takeovers Code with Privateco or with any person who is an associate of Privateco by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code;
- (b) no shares, convertible securities, warrants, options or derivatives of Privateco were managed on a discretionary basis by any fund managers connected with Privateco as at the Latest Practicable Date, and none of them had dealt in any shares, convertible securities, warrants, options or derivatives of Privateco during the Relevant Period;
- (c) as at the Latest Practicable Date, no Privateco Shares carrying voting rights or convertible securities, warrants, options or derivatives of Privateco had been borrowed or lent by any of the Privateco Director or by Privateco;
- (d) as at the Latest Practicable Date, no benefit was or would be given to the Privateco Director as compensation for loss of office in any members of the Privateco Group or otherwise in connection with the Privateco Offer;
- (e) as at the Latest Practicable Date, there was no agreement or arrangement between the Privateco Director and any other person which is conditional on or dependent upon the outcome of the Privateco Offer or otherwise connected with the Privateco Offer;
- (f) as at the Latest Practicable Date, save for the SPA I, there was no material contract entered into by Circle Brown or its beneficial owners in which the Privateco Director had material personal interest;
- (g) as at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) between Circle Brown, its ultimate beneficial owner or any person acting in concert with any of them and any director, recent director, shareholder or recent shareholder of Privateco which having any connection with or dependence upon the Privateco Offer; and
- (h) during the Relevant Period, save for Mr. Chan, Mr. Xu Guoping, Pemberton Asian Opportunities Fund and Mr. Dominic Pemberton, each of whom has provided the Irrevocable Undertaking, no Independent Privateco Shareholders had irrevocably committed themselves to accept or reject the Privateco Offer.

4. DIRECTOR'S SERVICE CONTRACTS

As at the Latest Practicable Date, there was no service contract with Privateco or any of its subsidiaries or associated companies in force for the Privateco Director which: (i) (including both continuous and fixed term contracts) has been entered into or amended during the Relevant Period; (ii) is a continuous contract with a notice period of 12 months or more; or (iii) is a fixed term contract with more than 12 months to run irrespective of the notice period.

5. MATERIAL CONTRACTS

The following contracts (not being a contract entered into in the ordinary course of business carried on or intended to be carried on by Privateco or any of its subsidiaries) have been entered into by members of the Privateco Group within the two years preceding 23 May 2017, being the date of commencement of the offer period (as defined in the Takeovers Code) and ending on the Latest Practicable Date and are or may be material:

- (a) the Supply Framework Agreement;
- (b) a deed of undertakings dated 19 June 2018 executed by Techcomp Limited ("**Techcomp (HK)**") and Mr. Lo in favour of the Remaining Group in relation to consenting the Remaining Group to source from the existing suppliers for the purpose of distribution in the PRC market in accordance with the exclusive distribution agreements entered into between the Privateco Group and the existing suppliers;
- (c) an agreement for the sale and purchase of shares relating to 10,000 shares of Silver Grand Holdings Limited ("**Silver Grand**"), representing all issued shares of Silver Grand, dated 18 July 2018 entered into between Privateco as purchaser and THL as vendor, for a consideration of 1 Privateco Share;
- (d) an agreement for the sale and purchase of shares relating to 10,000 shares of Glory Union Investments Limited ("**Glory Union**"), representing all issued shares of Glory Union, dated 18 July 2018 entered into between Privateco as purchaser and THL as vendor, for a consideration of 1 Privateco Share;
- (e) an agreement for the sale and purchase of shares relating to 10,000 shares of Graceful Sky Investments Limited ("**Graceful Sky**"), representing all issued shares of Graceful Sky, dated 18 July 2018 entered into between Privateco as purchaser and THL as vendor, for a consideration of 1 Privateco Share;
- (f) an agreement for the sale and purchase of shares relating to 10,000 shares of Sunny Time Investments Limited ("**Sunny Time**"), representing all issued shares of Sunny Time, dated 18 July 2018 entered into between Privateco as purchaser and THL as vendor, for a consideration of 1 Privateco Share;

- (g) an agreement for the sale and purchase of shares relating to 10,000,000 shares of Techcomp (HK), representing all issued shares of Techcomp (HK), dated 18 July 2018 entered into between Privateco as purchaser and Techcomp Scientific as vendor, for a consideration of 1 Privateco Share;
- (h) an agreement for the sale and purchase of shares relating to 100,000 shares of Bibby Scientific (Asia) Limited ("**Bibby Asia**"), representing all issued shares of Bibby Asia, dated 18 July 2018 entered into between Privateco as purchaser and Techcomp Scientific as vendor, for a consideration of 1 Privateco Share;
- (i) an agreement for the sale and purchase of 49,999 equity shares in Techcomp India Private Limited ("**Techcomp India**") dated 18 July 2018 entered into between Privateco as purchaser and Techcomp Scientific as vendor, for a consideration of INR100;
- (j) an agreement for the sale and purchase of shares relating to 10,000 shares of Dynamic (Asia) Limited ("**Dynamic (Asia)**"), representing all issued shares of Dynamic (Asia), dated 18 July 2018 entered into between Privateco as purchaser and Techcomp Scientific as vendor, for a consideration of 1 Privateco Share;
- (k) an agreement for the sale and purchase of shares relating to 81 shares of Richwell Hightech Systems Inc. ("**Richwell**"), representing the entire issued share capital of Richwell, dated 24 July 2018 entered into between the Privateco as purchaser and THL as vendor, for a consideration of 225,436,988 Privateco Shares;
- (l) an agreement for the sale and purchase of shares relating to 1 share of Regent Lite Pte. Ltd. ("**Regent Lite**"), representing the entire issued share capital of Regent Lite, dated 24 July 2018 entered into between Privateco as purchaser and THL as vendor, for a consideration of 1 Privateco Share;
- (m) an agreement for the sale and purchase of shares relating to 1 share of Techcomp (Europe) Limited ("**Techcomp Europe**"), representing entire issued share capital of Techcomp Europe, dated 24 July 2018 entered into between Privateco as purchaser and THL as vendor, for a consideration of 1 Privateco Share;
- (n) an agreement for the sale and purchase of shares relating to 300,000 shares of Techcomp (Singapore) Pte. Ltd. ("**Techcomp Singapore**"), representing the entire issued share capital of Techcomp Singapore, dated 24 July 2018 entered into between Privateco as purchaser and Techcomp Scientific as vendor, for a consideration of 1 Privateco Share; and

- (o) an agreement for the sale and purchase of shares relating to 1 share of Dynamic Scientific Limited (“**Dynamic Scientific**”), representing the entire issued share capital of Dynamic Scientific, dated 24 July 2018 entered into between Privateco as purchaser and Techcomp Scientific as vendor, for a consideration of 1 Privateco Share.

6. LITIGATION

As at the Latest Practicable Date, none of the members of the Privateco Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance is pending or threatened by or against any member of the Privateco Group.

7. QUALIFICATION AND CONSENT OF EXPERTS

The following is the qualification of the experts who have given opinion or advice contained in this response document:

Name	Qualification
Amasse Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
Appleby	Legal advisers as to BVI laws
Deloitte Touche Tohmatsu	Certified public accountants
BMI Appraisals Limited (“ BMI ”)	Independent property valuer

The above experts have given and have not withdrawn their respective written consents to the issue of this response document with the inclusion of their letters, advices, opinions, reports, recommendations and the references to their names in the form and context in which they appear.

As at the Latest Practicable Date, the above experts did not have any shareholding, direct or indirect, in any member of the Privateco Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Privateco Group, nor did they have any direct or indirect interest in any assets which had been, since 31 December 2017, being the date of the latest audited consolidated financial statements of Privateco were made up, acquired or disposed of by or leased to any member of the Privateco Group, or were proposed to be acquired or disposed of by or leased to any member of the Privateco Group.

8. MISCELLANEOUS

- (a) The registered office of Privateco is Jayla Place, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.
- (b) The principal place of business of Amasse Capital in Hong Kong is Room 1201, 12th Floor, Prosperous Building, 48-52 Des Voeux Road Central, Hong Kong.
- (c) The principal place of business of Appleby is 2206-19 Jardine House, 1 Connaught Place, Central, Hong Kong.
- (d) The English text of this response document shall prevail over its Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection: (i) during normal business hours from 9:00 a.m. to 5:00 p.m. at the office of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong on Business Days, and (ii) on the website of the SFC (www.sfc.hk), from the date of this response document up to and including the Closing Date:

- (a) the memorandum of association and articles of association of Privateco;
- (b) the letter from the Privateco Board, the text of which is set out on pages 9 to 14 of this response document;
- (c) the letter of advice from Amasse Capital, the text of which is set out on pages 15 to 31 of this response document;
- (d) the letter of advice from Appleby summarising certain aspects of the BVI company law to Privateco, the text of which is set out in Appendix IV to this response document;
- (e) a copy of the BVI Business Companies Act 2004 (as amend);
- (f) the accountant's report of the Privateco Group for the three years ended 31 December 2017, the text of which is set out in Appendix I-3 to I-52 of this response document;
- (g) the unaudited condensed consolidated financial statements of the Privateco Group for the six months ended 30 June 2018, the text of which is set out on pages I-53 to I-69 of this response document.
- (h) the unaudited pro forma financial information of the Privateco Group, the text of which is set out in Appendix II to this response document;

- (i) the valuation report for properties held by the Privateco Group from BMI, the text of which is set out in Appendix III to this response document;
- (j) the written consents of each of the experts as referred to in the section headed “Qualification and Consent of Experts” in this appendix;
- (k) the material contracts as referred to in the section headed “MATERIAL CONTRACTS” in this appendix; and
- (l) this response document.

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