



Techcomp (Holdings) Limited

天美(控股)有限公司*

(Incorporated in Bermuda with limited liability)

Hong Kong Stock Code: 1298

Singapore Stock Code: T43



Scaling Up for Greater Capacity

INTERIM REPORT 2017

*for identification purposes only

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CORPORATE INFORMATION

Board of Directors

Lo Yat Keung
(President & Executive Director)

Chan Wai Shing
(Vice President & Executive Director)

Christopher James O' Connor
(Executive Director)

Ho Yew Yuen
(Independent Non-executive Director)

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

Teng Cheong Kwee
(Independent Non-executive Director)

Audit Committee

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

Nomination Committee

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

Remuneration Committee

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

Joint Company Secretaries

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

Bermuda Resident Representative and Assistant Secretary

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

Registered Office

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

Head office and principal place of business in Hong Kong

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

Singapore Share Transfer Agent

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

Hong Kong Branch Share Registrar and Transfer Office

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

Auditors

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

Hong Kong Legal Adviser

Stephenson Harwood
18th floor, United Centre
95 Queensway
Hong Kong

Listing Information

The Stock Exchange of Hong Kong Limited
Stock Code: 1298
Singapore Exchange Securities Limited
Stock Code: T43

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of Techcomp (Holdings) Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2017 (“HY2017”).

(I) BUSINESS REVIEW

For the HY2017, revenue of the Group for the distribution business increased by 3.5% to US\$47.7 million from US\$46.1 million for corresponding period last year (“HY2016”) mainly due to the increased sales in the PRC. Group revenue for the manufacturing business increased marginally to US\$31.8 million in HY2017 from US\$31.7 million in HY2016. However, gross margin of distribution and manufacturing businesses were adversely affected by the appreciation of Japanese Yen, change in product mix and higher manufacturing costs.

The Group recorded attributable loss of US\$0.8 million in HY2017 compared to profits of US\$0.2 million in HY2016.

(II) FINANCIAL REVIEW

Statement of Comprehensive Income

Revenue

Revenue in HY2017 increased by 2.2% to US\$79.5 million from US\$77.8 million in HY2016, mainly attributable to the increase in sales in PRC and European markets, which was partially offset by the decrease in other Asian markets.

Cost of sales

Cost of sales in HY2017 increased by 6.2% to US\$54.3 million from US\$51.1 million in HY2016. The increase was attributable to expansion of revenue as well as the increase in materials costs.

Gross profit and gross profit margin

Gross profit in HY2017 decreased by 5.4% to US\$25.3 million from US\$26.7 million in HY2016 due to the increase in materials costs and the change in product mix. The gross profit margin in HY2017 was 31.8% compared to 34.3% in HY2016.

Other income, gains and losses

Other operating income in HY2017 increased by 14.1% to US\$0.5 million.

Selling and distribution expenses

In HY2017, selling and distribution expenses increased by 8.5% to US\$10.6 million, due to the expansion of sales force for gas chromatograph business and generally salesmen increase.

Administrative expenses

Administrative expenses in HY2017 decreased by 8.5% to US\$15.3 million mainly due to the consolidation of manufacturing facilities in our gas chromatograph business.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (continued)

Finance costs

Finance costs in HY2017 increased by 9.6% to US\$0.7 million due to the higher average borrowing level for the period.

Statement of Financial Position

Inventories

Inventories increased by US\$15.6 million from US\$41.1 million as at 31 December 2016 to US\$56.7 million as at 30 June 2017, mainly due to the higher level of inventories of raw materials and finished goods held to meet the expected increase in the manufacturing and distribution businesses in the second half of the year.

Trade and other receivables

Trade and other receivables decreased by US\$20.0 million from US\$92.2 million as at 31 December 2016 to US\$72.2 million as at 30 June 2017. This was in line with the seasonal pattern in our business where a higher portion of sales were traditionally realized in the second half of the year.

Trade and other payables

Trade and other payables decreased by US\$7.5 million from US\$38.8 million as at 31 December 2016 to US\$31.3 million as at 30 June 2017.

PLEDGE OF ASSETS

During HY2017, the Group has pledged its leasehold buildings with an aggregate carrying value of approximately US\$4.5 million (2016: US\$4.4 million) to a bank to secure the banking facilities granted to the Group.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2017, the Group's net current assets stood at US\$65.4 million (31 December 2016: US\$68.5 million), of which the bank balances and cash were US\$12.3 million (31 December 2016: US\$16.6 million). The Group's current ratio was 1.9 (31 December 2016: 1.8).

Total bank borrowings as at 30 June 2017 were US\$44.9 million (31 December 2016: US\$42.6 million). The Group's gearing ratio as at 30 June 2017 was 57.5% (31 December 2016: 53.1%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralized financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with banks to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

MANAGEMENT DISCUSSION AND ANALYSIS

(III) PROSPECTS

Consistent with the seasonal trend experiences in the past, the Group expects its business activities to increase in the second half of the year.

Management expects modest sales growth in the PRC as the demand for scientific equipment is expected to grow in tandem with increase in investments in research and development, food safety and environmental industries. The other Asian markets like India and Indonesia are envisaged to remain stable. While the European market remains challenging, the demand for the Group's products is expected to be stable.

As a significant portion of our purchases is denominated in Japanese Yen, further appreciation of the Japanese Yen would erode on the gross margins and profitability of the Group's distribution business.

(IV) DISCLOSURE OF INTERESTS

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the movements in the issued share capital of the Company and share option schemes during the period are set out in Notes 12 and 13 respectively to the condensed consolidated financial statements.

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

The following are participants who received 5% or more of the total number of ordinary share options available under the 2004 Share Option Scheme or under the 2011 Share Option Scheme:

Name of participant	Options granted during the period	Aggregate options granted since commencement of Scheme to end of the financial period	Aggregate options exercised since commencement of Scheme to end of the financial period	Aggregate options cancelled/ lapsed since commencement of Scheme to end of the financial period	Aggregate options outstanding as at end of the financial period
Chan Wai Shing (Note 1)	–	2,500,000	–	–	2,500,000
Christopher James O'Connor (Note 1)	–	700,000	–	–	700,000
Xu Guoping	–	2,500,000	–	–	2,500,000

Note:

1. Mr. Chan Wai Shing and Mr. Christopher James O'Connor are the only directors of the Company participating in 2004 Share Option Scheme and the 2011 Share Option Scheme respectively.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) DISCLOSURE OF INTERESTS (continued)

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long position

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

Name of Director	At 31 December 2016			At 30 June 2017		
	Number of shares	Number of shares	Approximate percentage of the issued share capital of the Company	Number of shares	Number of shares	Approximate percentage of the issued share capital of the Company
	Directly beneficially owned	Through spouse		Directly beneficially owned	Through spouse	
Lo Yat Keung	104,956,500	7,500,000 (Note1)	40.83	104,956,500	7,500,000 (Note1)	40.83
Chan Wai Shing	9,720,000	–	3.53	9,720,000	–	3.53
Ho Yew Yuen	300,000	–	0.11	300,000	–	0.11

Note:

- These 7,500,000 shares are held in the name of Ms. Yung Yat, the spouse of Mr. Lo Yat Keung.

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

Name of Director	At 30 June 2017
	Number of Shares to be issued upon full exercise of the Share Options
Chan Wai Shing	2,500,000
Christopher James O'Connor	700,000

Save as disclosed above, as at 30 June 2017, none of the Directors and Chief Executive had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) DISCLOSURE OF INTERESTS (continued)

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

As at 30 June 2017, so far as known to the Directors or chief executive of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' and Chief Executives Interests and short positions Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Interest in shares of the Company (Long position)

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

Name	Capacity and nature of interests	At 31 December 2016				At 30 June 2017			
		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
		Number of Shares held	Approximate percentage of the issued share capital of the Company	Number of Shares held	Approximate percentage of the issued share capital of the Company	Number of Shares held	Approximate percentage of the issued share capital of the Company	Number of Shares held	Approximate percentage of the issued share capital of the Company
Kabouter Management, LLC	Investment manager	–	–	27,185,352 (Note 1)	9.87	–	–	27,185,352 (Note 1)	9.87
KCH Investment Company Limited	Beneficial owner	47,364,648	17.20	–	–	47,364,648	17.20	–	–
Guo Bing	Controlled corporation	–	–	47,364,648 (Note 2)	17.20	–	–	47,364,648 (Note 2)	17.20
Zhang Li	Interest of spouse	–	–	47,364,648 (Note 2)	17.20	–	–	47,364,648 (Note 2)	17.20
Yung Yat	Beneficial owner	7,500,000	2.72	–	–	7,500,000	2.72	–	–
	Interest of spouse	–	–	104,956,500 (Note 3)	38.11	–	–	104,956,500 (Note 3)	38.11

Notes:

- Kabouter Management LLC notified the Company that it has a deemed interest in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, all of which are managed and controlled by Kabouter Management LLC and all those shares are held through HKSCC Nominees Limited. As at 30 June 2017, (i) Kabouter Fund II, LLC was interested in 10,042,089 shares, (ii) Kabouter Fund I (QP), LLC was interested in 13,026,141 shares, and (iii) Kabouter Fund III LLC was interested in 4,117,122 shares. By virtue of the SFO, Kabouter Management LLC is deemed to be interested in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, totalling 27,185,352 shares.
- KCH Investment Company Limited is wholly-owned by Mr. Guo Bing and Ms. Zhang Li is the spouse of Mr. Guo Bing. By virtue of the SFO, Mr. Guo Bing and Ms. Zhang Li are deemed to be interested in the shares held by KCH Investment Company Limited.
- These shares were held in the name of Mr. Lo Yat Keung, the spouse of Ms. Yung Yat.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) DISCLOSURE OF INTERESTS (continued)

Interest in shares of the Company (Long position) (continued)

(a) *Ordinary shares of US\$0.05 each of the Company (“Shares”) (continued)*

Other than as disclosed above, as at 30 June 2017, the Directors were not aware of any other persons (other than the Directors) who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

(V) SUPPLEMENTARY INFORMATION

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

During the six months ended 30 June 2017, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s listed securities on the SEHK or the SGX-ST.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2017, including the review of the accounting principles and practices adopted by the Group, and has also discussed auditing, internal control and financial reporting matters. The Audit Committee has no disagreement with the accounting principles, treatments and practices adopted by the Group.

CORPORATE GOVERNANCE

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

In the opinion of the Board, the Company has complied with the applicable code provisions of the Hong Kong Code throughout the six months ended 30 June 2017, except for a deviation from Code Provision A.2.1 of the Hong Kong Code which is explained below.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) SUPPLEMENTARY INFORMATION (continued)

CORPORATE GOVERNANCE (continued)

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board confirms, having made specific enquiries with all Directors that during the six months ended 30 June 2017, all members of the Board have complied with the required standards of the Model Code for Securities Transactions by Directors of Listed Issuer as set out in Appendix 10 of the Listing Rules.

POSSIBLE DISPOSAL OF SHARES OF THE COMPANY

As disclosed in the Company's announcement dated 23 May 2017, the Board was informed by Mr. Lo Yat Keung, the president, executive director and the controlling shareholder of the Company (the "Controlling Shareholder") that a memorandum of understanding (the "MOU") was entered into between the Controlling Shareholder as possible vendor and an independent third party as possible purchaser (the "Possible Purchaser") on 22 May 2017 in respect of the possible disposal of the shares of the Company, representing approximately 40.8% of the issued share capital of the Company, held by the Controlling Shareholder and his spouse to the Possible Purchaser (the "Possible Disposal"). The Possible Disposal may involve a reorganization of the Company, which may be implemented by way of distribution or disposal of certain assets of the Company.

As of the date of this report, other than the MOU (not legally binding on the parties thereto, save for customary provisions) and the related escrow agreement, no formal or legally binding agreement has been entered into between the Controlling Shareholder and the Possible Purchaser in respect of the Possible Disposal. Further details in relation to the Possible Disposal are set out in the Company's announcements dated 23 May 2017, 23 June 2017, 21 July 2017, 21 August 2017 and 28 August 2017.

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

MANAGEMENT DISCUSSION AND ANALYSIS

(V) SUPPLEMENTARY INFORMATION (continued)

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2017, there were 869 (31 December 2016: 864) employees in the Group. Staff remuneration packages are determined after consideration of market conditions and performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

DISCLOSURE ON THE WEBSITES OF THE EXCHANGES AND THE COMPANY

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

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

Hong Kong, 22 September 2017

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

FINANCIAL STATEMENTS

RESULTS

The Board is pleased to announce the unaudited consolidated interim results of the Group for the six months ended 30 June 2017 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		6 months ended 30 June	
		2017	2016
	Notes	US\$'000	US\$'000
Revenue	3	79,537	77,810
Cost of sales		(54,257)	(51,081)
Gross profit		25,280	26,729
Other income, gains and losses		525	460
Selling and distribution expenses		(10,640)	(9,806)
Administrative expenses		(15,332)	(16,754)
Finance costs	4	(739)	(674)
Loss before taxation	5	(906)	(45)
Taxation	6	(14)	(45)
Loss for the period		(920)	(90)

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

		6 months ended 30 June	
		2017	2016
	Notes	US\$'000	US\$'000
Other comprehensive expense			
<i>Item that will not be reclassified to profit or loss:</i>			
- Recognition of actuarial loss on defined benefit plan		(702)	—
<i>Item that may be reclassified subsequently to profit or loss:</i>			
- exchange differences arising on translation of foreign operations		(980)	(344)
Other comprehensive expense for the period		(1,682)	(344)
Total comprehensive expense for the period		(2,602)	(434)
(Loss) profit for the period attributable to:			
Owners of the Company		(818)	176
Non-controlling interests		(102)	(266)
		(920)	(90)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(2,499)	(165)
Non-controlling interests		(103)	(269)
		(2,602)	(434)
(Loss) earnings per share (US cents)	8		
- Basic		(0.30)	0.06
- Diluted		(0.30)	0.06

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2017 <i>US\$'000</i>	At 31 December 2016 <i>US\$'000</i>
Non-current assets			
Property, plant and equipment	9	10,348	9,735
Goodwill		2,471	2,471
Other intangible assets		4,235	4,186
Deposits paid for acquisition of property, plant and equipment		804	804
Other assets		944	944
Deferred tax assets		15	15
		18,817	18,155
Current assets			
Inventories		56,659	41,117
Trade and other receivables	10	72,249	92,224
Tax recoverable		220	140
Bank balances and cash		12,301	16,612
		141,429	150,093
Current liabilities			
Trade and other payables	11	31,348	38,779
Liabilities for trade bills discounted with recourse		1,979	3,677
Tax payable		2,463	2,332
Bank borrowings and overdrafts - due within one year		40,213	36,804
		76,003	81,592

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 June 2017	At 31 December 2016
		<i>US\$'000</i>	<i>US\$'000</i>
NET CURRENT ASSETS		65,426	68,501
TOTAL ASSETS LESS CURRENT LIABILITIES		84,243	86,656
Non-current liabilities			
Bank borrowings - due after one year		4,728	5,826
Retirement benefit plan liabilities		1,192	446
Deferred tax liabilities		108	141
		6,028	6,413
		78,215	80,243
Capital and reserves			
Share Capital	12	13,772	13,772
Reserves		65,438	67,364
Equity attributable to owners of the Company		79,210	81,136
Non-controlling interests		(995)	(893)
TOTAL EQUITY		78,215	80,243

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Operating activities		
Loss before taxation	(906)	(45)
Adjustments for:		
Depreciation of properties, plant and equipment	446	450
Amortisation of intangible assets	595	516
Interest income	(12)	(20)
Finance costs	739	674
Allowance for doubtful debts	25	–
(Gain), loss on disposal of property, plant and equipment	(50)	5
Share-based payment expenses	29	30
Operating cash flows before movements in working capital	866	1,610
Decrease in trade and other receivables	20,399	14,058
Increase in inventories	(16,017)	(16,350)
Decrease in trade and other payables	(6,871)	(215)
Decrease in trade bills discounted with recourse	(1,699)	(122)
Cash used in operations	(3,322)	(1,019)
PRC Enterprises Income Tax paid	–	(194)
Tax refund in other jurisdictions	11	–
Net cash used in operating activities	(3,311)	(1,213)
Investing activities		
Purchase of properties, plant and equipment	(622)	(27)
Product development costs paid	(1,472)	(813)
Interest received	12	20
Net cash used in investing activities	(2,082)	(820)

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Financing activities		
Proceeds from bank borrowings	38,734	34,400
Repayment of bank borrowings	(36,486)	(36,349)
Dividends paid	–	(989)
Interest paid	(739)	(674)
Net cash from (used in) financing activities	1,509	(3,612)
Net decrease in cash and cash equivalents	(3,884)	(5,645)
Cash and cash equivalents at beginning of the period	15,849	15,278
Effect of foreign exchange rate changes	(490)	(371)
Cash and cash equivalents at end of the period	11,475	9,262
Cash and cash equivalents comprised:		
Cash and bank balances	12,301	10,580
Bank overdrafts	(826)	(1,318)
	11,475	9,262

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										Non-controlling interests	Total
	Share capital	Share premium	Contributed surplus	Merger reserve ^(a)	Translation reserve	Legal reserve ^(b)	Capital reserve ^(c)	Share option reserve	Equity reserve	Retained earnings	Total	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
Balance as at 1 January 2017	13,772	18,385	394	(4,112)	(36)	535	3,003	1,596	(2,490)	50,089	81,136	80,243
Total comprehensive expense for the period:												
Loss for the period	-	-	-	-	-	-	-	-	-	(818)	(818)	(920)
Other comprehensive expense	-	-	-	-	(980)	-	-	-	-	(702)	(1,682)	(1,682)
Gain on de-registration of a subsidiary	-	-	-	-	(980)	-	-	-	-	(1,520)	(2,500)	(2,602)
Share-based payment expenses	-	-	-	-	-	-	-	-	-	545	545	545
	-	-	-	-	-	-	-	29	-	-	29	29
At 30 June 2017	13,772	18,385	394	(4,112)	(1,016)	535	3,003	1,625	(2,490)	49,114	79,210	78,215

Notes:

- Merger reserve represents the difference between the combined share capital of the entities in the merged group and the capital of the Company arising from a restructuring exercise undertaken in 2004.
- The legal reserves is non-distributable and represents reserve fund and enterprise expansion fund of a subsidiary in the People's Republic of China ("PRC") that can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.
- 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.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Notes:

(b) The legal reserves is non-distributable and represents reserve fund and enterprise expansion fund of a subsidiary in the People's Republic of China ("PRC") that can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.

(c) Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.

(d) Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

The Company (Registration No. 34778) was incorporated in Bermuda on January 26, 2004 under The Companies Act 1981 of Bermuda (the “Bermuda Companies Act”) as an exempted company with limited liability and with its registered office at Canon’s Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business at 6th Floor, Mita Center, 552-556, Castle Peak Road, Kwai Chung, Kowloon, Hong Kong. Its ultimate controlling shareholder is Mr. Lo Yat Keung who is the chief executive of the Company. The Company is listed on both the Main Board of Singapore Exchange Securities Trading Limited (“SGX-ST”) and on the Main Board of the Stock Exchange of Hong Kong Limited (“SEHK”) since 12 July 2004 and 21 December 2011 respectively.

The Company is an investment holding company. The principal activities of the Group are the design, manufacture and distribution, of analytical and laboratory instruments and life science equipment.

2 Basis of preparation and principal accounting policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) that are effective for the current period:

- | | |
|------------------------|--|
| • Amendments to IAS 7 | Disclosure initiative |
| • Amendments to IAS 12 | Recognition of deferred tax assets for unrealised losses |
| • Amendments to IFRSs | Annual Improvements to IFRS Standards 2014-2016 Cycle |

The application of these amendments to the IFRSs in the current interim period has had no material impact on amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Revenue and segment information

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

Principal activities of each reportable segment are as follows:

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

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

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

Segment revenue and results

	Distribution	Manufacturing	Total
	US\$'000	US\$'000	US\$'000
Period ended 30 June 2017			
REVENUE	47,771	31,766	79,537
RESULTS			
Segment result	28	(934)	(906)
Income tax expenses			(14)
Loss for the period			(920)
Period ended 30 June 2016			
REVENUE	46,073	31,737	77,810
RESULTS			
Segment result	355	(400)	(45)
Income tax expenses			(45)
Loss for the period			(90)

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Revenue and segment information (continued)

Segment assets and liabilities

	Distribution	Manufacturing	Total
	<i>US\$'000</i>	<i>US\$'000</i>	<i>US\$'000</i>

At 30 June 2017

ASSETS

Segment assets	99,676	59,390	159,066
Unallocated assets			1,180
Consolidated total assets			160,246

LIABILITIES

Segment liabilities	60,810	18,649	79,459
Unallocated liabilities			2,572
Consolidated total liabilities			82,031

Other segment information

Capital expenditure	99	523	622
Depreciation and amortisation	62	979	1,041
Finance costs	724	15	739
Interest income	(7)	(5)	(12)

At 30 June 2016

ASSETS

Segment assets	94,994	57,008	152,002
Unallocated assets			1,154
Consolidated total assets			153,156

LIABILITIES

Segment liabilities	52,095	16,516	68,611
Unallocated liabilities			1,980
Consolidated total liabilities			70,591

Other segment information

Capital expenditure	20	7	27
Depreciation and amortisation	65	901	966
Finance costs	608	66	674
Interest income	(15)	(5)	(20)

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Revenue and segment information (continued)

Geographical information

The Group operates principally in the PRC, Hong Kong, Macau, Singapore, France, Switzerland and the United Kingdom.

(a) Revenue from external customers

	6 months ended 30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
PRC (including Hong Kong & Macau)	55,949	55,646
Asia (other than PRC)	5,807	6,224
Europe	13,542	11,801
Others ⁽¹⁾	4,239	4,139
Total	79,537	77,810

(b) Non-current assets (excluding other assets and deferred tax assets)

	30 June	31 December
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
PRC (including Hong Kong & Macau)	7,367	7,501
Europe	9,520	8,501
The United States of America	955	1,179
Others ⁽²⁾	16	15
Total	17,858	17,196

Notes:

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Finance costs

	6 months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Interest on bank borrowings and overdrafts	739	674

5 Loss before taxation

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

	6 months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Amortisation of intangible assets (included in administrative expenses)	595	516
Depreciation of property, plant and equipment	446	450
Net foreign exchange gain	(193)	(268)
Interest income	(12)	(20)

6 Taxation

	6 months ended 30 June	
	2017	2016
	US\$'000	US\$'000
Current tax:		
Hong Kong Profits Tax	–	10
PRC Enterprise Income Tax	32	30
Others	14	7
	46	47
Deferred tax	(32)	(2)
	14	45

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6 Taxation (continued)

Hong Kong and Singapore income taxes are calculated at 16.5% and 17% of the estimated assessable profits for the period respectively.

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%.

7 Dividends

The Board did not recommend the payment of any final dividend for the year ended 31 December 2016.

The Board did not recommend or declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

8 (Loss) earnings per share

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company for the six months ended 30 June 2017 is based on the following data:

	6 months ended 30 June	
	2017	2016
	<i>US\$'000</i>	<i>US\$'000</i>
(Loss) profit for the period attributable to the owners of the Company	(818)	176
	Number of shares	
	<i>'000</i>	
Number of ordinary shares for the purpose of basic (loss) earnings per share	275,437	275,437
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	692	888
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	276,129	276,325

The calculation of diluted (loss) earnings per share takes into account on the effects of employee share options outstanding at the end of the reporting period.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Property, plant and equipment

During the period, the Group spent approximately US\$622,000 (six months ended 30 June 2016: US\$27,000) on acquisition of property, plant and equipment.

10 Trade and other receivables

	30 June 2017	31 December 2016
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables and bills receivables	63,962	86,530
Less: Allowance for doubtful debts	(3,008)	(3,661)
	60,954	82,869
Trade bills receivables discounted with recourse	1,979	3,677
Prepayments	4,202	1,874
Other receivables	5,114	3,804
	72,249	92,224

The Group allows credit period of 30 to 90 days to its trade customers. The aging of trade receivables and bills receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June 2017	31 December 2016
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 90 days	35,722	63,685
91 to 120 days	8,765	10,622
121 to 365 days	9,354	2,648
1 year to 2 years	5,875	3,628
Over 2 years	1,238	2,286
	60,954	82,869

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Trade and other payables

	30 June 2017	31 December 2016
	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	14,924	20,338
Accruals	8,004	4,591
Customer deposits	5,813	8,213
Other payables	2,607	5,637
	31,348	38,779

The Group normally receives credit terms of 30 to 75 days from its suppliers. The aging of trade payables, presented based on the invoice date at the end of the reporting period, is as follows:

	30 June 2017	31 December 2016
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 60 days	10,971	17,961
61 to 180 days	2,815	1,697
181 to 365 days	631	397
Over 365 days	507	283
	14,924	20,338

12 Share capital

	Number of ordinary shares of US\$0.05 each	<i>US\$'000</i>
Authorised	800,000,000	40,000
Issued and fully-paid :		
At 31 December 2016 and 30 June 2017	275,437,000	13,772

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share-based payment

Equity-settled share option scheme

The Company has two share option schemes, the details of which are as follows:

2004 Share Option Scheme

On 28 May 2004, the Company adopted a share option scheme (the “2004 Share Option Scheme”). The purpose of the 2004 Share Option Scheme was to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivating them to optimize their performance efficiency for the benefit of the Company.

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

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

The number of Shares comprised in any option to be offered to a participant of the 2004 Share Option Scheme shall be determined at the absolute discretion of the Remuneration Committee of the Company. The maximum entitlement of any offeree, in accordance with and during the operation of the 2004 Share Option Scheme, shall not exceed 20% in aggregate of the total number of Shares which have been issued and may be issued by the Company under the 2004 Share Option Scheme.

The Company granted a total of 21,835,000 options under the 2004 Share Option Scheme, of which options to subscribe for 8,062,000 ordinary Shares of US\$0.05 each have been exercised. The number of outstanding share options under the 2004 Share Option Scheme as at 30 June 2017 was 13,773,000 Shares (31 December 2016: 13,773,000 Shares), representing approximately 5.00% (31 December 2016: 5.00%) of the issued share capital of the Company as at 30 June 2017.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share-based payment (continued)

Share option (continued)

Pursuant to the 2004 Share Option Scheme, 30% of the options shall be vested on the first anniversary of the date of grant. The remaining 70% of the options shall be vested on the third anniversary of the date of grant. Upon acceptance of the option, the grantee shall pay S\$1.00 to the Company by way of consideration for the grant of the option.

When the 2004 Share Option Scheme was adopted on 28 May 2004, it was to be in force up to a maximum period of 10 years from the adoption date. No further option has been granted under the 2004 Share Option Scheme upon the listing of the Company on The Stock Exchange of Hong Kong Limited (the “SEHK”) on 21 December 2011 and the 2004 Share Option Scheme was subsequently superseded by the 2011 Share Option Scheme (as defined below). As such, the total number of securities available for issue under the 2004 Share Option Scheme remains at 13,773,000 Shares, representing approximately 5.00% of the issued share capital of the Company as at 30 June 2017 .

2011 Share Option Scheme

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

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

The 2011 Share Option Scheme shall be in force up to a maximum period of 10 years from the date on which the 2011 Share Option Scheme was adopted (i.e. 9 June 2011) and may be continued beyond the stipulated period with the approval of shareholders by way of ordinary resolution in a general meeting and of such relevant authorities which may then be required.

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share-based payment (continued)

2011 Share Option Scheme (continued)

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

The number of Shares comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The total number of Shares issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue under the 2011 Share Option Scheme.

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

On 22 January 2015, the Company granted a total of 2,000,000 options under its 2011 Share Option Scheme for a total of 2,000,000 new ordinary shares of US\$0.05 each in the capital of the Company at the exercise price of HK\$2.00 per Share, of which options to subscribe for 300,000 Shares were cancelled on 23 January 2015 and options to subscribe for 1,700,000 Shares remained outstanding representing approximately 0.62% of the issued share capital of the Company as at 30 June 2017.

Pursuant to the 2011 Share Option Scheme, among the options granted on 22 January 2015, the first tranche of the options (30% of the share options) is exercisable from 22 January 2018 to 22 January 2025, the second tranche of the options (30% of the share options) is exercisable from 22 January 2019 to 22 January 2025, and the third tranche of the options (40% of the share options) is exercisable from 22 January 2020 to 22 January 2025. Upon acceptance of the option, the grantee shall pay S\$1.00 to the Company by way of consideration for the grant of the option.

As of 30 Jun 2017, the total number of securities available for issue under the 2011 Share Option Scheme was 22,950,000 Shares, being the refreshed mandate limit of 23,250,000 Shares less the cancelled options of 300,000 Shares, representing approximately 8.33% of the issued share capital of the Company as at 30 June 2017.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share-based payment (continued)

Particulars of the share options granted under the share option schemes are as follows:

	Grant date	Expiry date	Exercisable period	Share options granted at initial date ('000)	Exercise price	Fair value at grant date	Outstanding share options at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding share options at 30 June 2017 (Note 2)
2004 Share Option Scheme											
Director											
Chan Wai Shing	11/1/2010	10/1/2020	11 Jan 2011 to 10 Jan 2020 (Note 1)	10,500	\$80.23	\$80.16 ^{(1) (2)}	1,800,000	-	-	-	1,800,000
	6/1/2011	5/1/2021	6 Jan 2012 to 5 Jan 2021 (Note 1)	6,800	\$80.42	\$80.19 ⁽¹⁾ & \$80.18 ⁽²⁾	700,000	-	-	-	700,000
							2,500,000	-	-	-	2,500,000
Employees											
Other employees											
	15/4/2008	14/4/2018	15 Apr 2009 to 14 Apr 2018	825	\$80.26	\$80.14 ⁽¹⁾ & \$80.11 ⁽²⁾	135,000	-	-	-	135,000
	2/3/2009	1/3/2019	2 Mar 2010 to 1 Mar 2019 (Note 1)	3,855	\$80.16	\$80.11 ⁽¹⁾ & \$80.10 ⁽²⁾	1,270,500	-	-	-	1,270,500
	22/5/2009	21/5/2019	22 May 2010 to 21 May 2019 (Note 1)	150	\$80.16	\$80.11 ⁽¹⁾ & \$80.10 ⁽²⁾	150,000	-	-	-	150,000
	11/1/2010	10/1/2020	11 Jan 2011 to 10 Jan 2020 (Note 1)	10,500	\$80.23	\$80.16 ^{(1) (2)}	3,642,500	-	-	-	3,642,500
	6/1/2011	5/1/2021	6 Jan 2012 to 5 Jan 2021 (Note 1)	6,800	\$80.42	\$80.19 ⁽¹⁾ & \$80.18 ⁽²⁾	6,075,000	-	-	-	6,075,000
							11,273,000	-	-	-	11,273,000

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share-based payment (continued)

Particulars of the share options granted under the share option schemes are as follows: (continued)

2011 Share Option Scheme												
Director												
	Grant date	Expiry date	Exercisable period	Share options granted at initial date ('000)	Exercise price	Fair value at grant date	Outstanding share options at 1 January 2017	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	Outstanding share options at 30 June 2017 (Note 2)	
Christopher James O'Connor	22/1/2015	22/1/2025	22 Jan 2018 to 22 Jan 2025	2,000	HK\$2.00	HK\$1.90 ⁽¹⁾⁽²⁾	700,000	-	-	-	700,000	
Other employees	22/1/2015	22/1/2025	22 Jan 2018 to 22 Jan 2025	2,000	HK\$2.00	HK\$1.90 ⁽¹⁾⁽²⁾	1,000,000	-	-	-	1,000,000	
							1,700,000	-	-	-	1,700,000	
Total							15,473,000	-	-	-	15,473,000	

(1) Senior management

(2) General management

Note:

- 30% of the options vested on the first anniversary of the date of grant. The remaining 70% of the options vested on the third anniversary of the date of grant.
- During the period ended 30 June 2017, no share options were granted, exercised, cancelled or lapsed under the 2004 Share Option Scheme and the 2011 Share Option Scheme.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Contingent liabilities

As at 30 June 2017 and 31 December 2016, the Group had no material contingent liabilities.

15 Capital commitments

As at 30 June 2017 and 31 December 2016, the Group did not have any significant capital commitments.

16 Related party transactions

The Group did not entered into any significant transactions with related parties during the period.