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

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "Board") of directors (the "Director(s)") 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 2018 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		6 months ended 30 June		
		2018	**2017**	**Change**
	Notes	*US$'000*	*US$'000*	*%*
Revenue	3	83,340	79,537	4.8
Cost of sales		(57,145)	(54,257)	5.3
Gross profit		26,195	25,280	3.6
Other income, gains and losses		351	525	(33.1)
Selling and distribution expenses		(10,172)	(10,640)	(4.4)
Administrative expenses		(14,541)	(13,860)	4.9
Research and development costs		(2,296)	(1,472)	56.0
Finance costs	4	(791)	(739)	7.0
Loss before taxation	5	(1,254)	(906)	38.4
Taxation	6	(52)	(14)	271.4
Loss for the period		(1,306)	(920)	42.0

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

	Note	6 months ended 30 June 2018	2017	Change
	Note	*US$'000*	*US$'000*	*%*
Other comprehensive income (expense)				
Item that will not be reclassified to profit or loss:				
- Recognition of actuarial loss on defined benefit plan		-	(702)	n/a
Item that may be reclassified subsequently to profit or loss:				
- exchange differences arising on translation of foreign operations		273	(980)	n/a
Other comprehensive income (expense) for the period		273	(1,682)	n/a
Total comprehensive expense for the period		(1,033)	(2,602)	(60.3)
(Loss) profit for the period attributable to:				
Owners of the Company		(1,374)	(818)	68.0
Non-controlling interests		68	(102)	n/a
		(1,306)	(920)	42.0
Total comprehensive (expense) income for the period attributable to:				
Owners of the Company		(1,099)	(2,499)	(56.0)
Non-controlling interests		66	(103)	n/a
		(1,033)	(2,602)	(60.3)
Loss per share:	8			
- Basic (US cents)		(0.50)	(0.30)	
- Diluted (US cents)		(0.49)	(0.30)	

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**At 30 June 2018** *US$'000*	**At 31 December 2017** *US$'000*
Non-current assets			
Property, plant and equipment	9	11,385	10,123
Goodwill		1,347	1,347
Other intangible assets		4,022	4,362
Deposits paid for acquisition of property, plant and equipment		-	910
Equity instruments at fair value through other comprehensive income		450	-
Other assets		494	944
Deferred tax assets		16	16
		17,714	17,702
Current assets			
Inventories		61,850	44,649
Trade and other receivables	10	68,215	88,698
Tax recoverable		248	366
Bank balances and cash		7,467	14,438
		137,780	148,151
Current liabilities			
Trade and other payables	11	22,586	32,066
Contract liabilities- customer's deposits		11,325	7,551
Tax payable		2,745	2,774
Bank borrowings – due within one year		32,277	34,076
Bank overdrafts		1,770	2,783
		70,703	79,250
NET CURRENT ASSETS		67,077	68,901
TOTAL ASSETS LESS CURRENT LIABILITIES		84,791	86,603
Non-current liabilities			
Bank borrowings - due after one year		3,266	3,150
Retirement benefit plan liabilities		1,177	1,192
Deferred tax liabilities		134	146
		4,577	4,488
NET ASSETS		80,214	82,115
Capital and reserves			
Share Capital	12	13,772	13,772
Reserves		67,611	69,578
Equity attributable to owners of the Company		81,383	83,350
Non-controlling interests		(1,169)	(1,235)
TOTAL EQUITY		80,214	82,115

NOTES TO 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.

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

The 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 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 Group satisfies a performance obligation

Under IFRS 15, the 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 Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the 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 Group's right to consideration in exchange for goods or services that the 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 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 Group's obligation to transfer goods or services to a customer for which the 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 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 Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the 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 Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

In the current period, the 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 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 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 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 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 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, gains and losses" line item in profit or loss.

The directors of the Company reviewed and assessed the 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 Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The 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 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 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 Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the 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 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 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 Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the 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 Group in accordance with the contract and all the cash flows that the 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 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 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 deted in Note 2.2.2.

2.2.2 Summary of effects arising from initial application of IFRS 9

The 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$887,000 has been recognised against retained earnings. The additional loss allowance is charged against the respective asset.

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

(a)

	Trade receivables and other receivables
	US$'000
At 31 December 2017 (Audited) – IAS 39	88,698
Amounts remeasured through opening retained earnings	(887)
At 1 January 2018 (Unaudited)	87,811

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**
	US$'000	*US$'000*	*US$'000*
	(Audited)		(Restated)
Trade and other receivables	88,698	(887)	87,811
Retained earnings	(50,701)	887	(49,814)

(b) Available-for-sale investments

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale, of which US$450,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, US$450,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which US$450,000 related to unquoted equity investments previously measured at cost less impairment under IAS 39. No fair value gains/losses relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and FVTOCI reserve as at 1 January 2018.

3 Revenue and segment information

	6 months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Sale of analytical instruments, life science equipment and laboratory instruments	83,340	79,537

Operating segments

In prior year, there were two reportable and operating segments, namely (i) Distribution segment, and (ii) Manufacturing segment. During the current period, in view of the continuing significance of the operation of the segments, the management revised the organisation of segments that are used to allocate resources and assess performance, and considered to change its analysis based on nature and geographical location of the segment, being an enterprise engaged in design and manufacture and sales of analytical and laboratory instruments and life science equipment in a single segment. It is currently the basis used for the purpose of allocating resources and assessing their performance, and also the basis of organisation of the Group for managing the business operations.

Therefore, the operation of the Group constitutes one single reportable segment in the current period.

Geographical information

The Group operates principally in the People's Republic of China ("PRC"), Hong Kong, Macau, Singapore, France, Switzerland and the United Kingdom.

(a) Revenue from external customers

	6 months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
PRC (including Hong Kong & Macau)	53,985	55,949
Asia (other than PRC)	6,193	5,807
Europe	17,238	13,542
Others(1)	5,924	4,239
Total	83,340	79,537

(b) Non-current assets (excluding other assets, equity instruments at fair value through other comprehensive income and deferred tax assets)

	30 June	31 Dec
	2018	**2017**
	US$'000	*US$'000*
PRC (including Hong Kong & Macau)	5,660	7,367
Europe	10,050	9,520
The United States of America	1,038	955
Others(2)	6	16
Total	16,754	17,858

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.

4 Finance costs

	6 months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Interest on bank borrowings and bank overdrafts	791	739

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 intangible assets	535	595
Depreciation of property, plant and equipment	602	446
Net foreign exchange loss (gain)	72	(193)
Interest income	(7)	(12)

6 Taxation

	6 months ended 30 June	
	2018	**2018**
	US$'000	*US$'000*
Current tax:		
PRC Enterprise Income Tax	42	32
Others	16	14
	58	46
Deferred taxation	(6)	(32)
	52	14

The income tax expenses for the 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 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 2017.

The Board did not recommend or declare any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

8 Loss per share

The calculation of the basic and diluted loss per share attributable to the owners of the Company for the six months ended 30 June 2018 is based on the following data:

	6 months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Loss for the period attributable to the owners of the Company	(1,374)	(818)
	Number of shares '000	
Number of ordinary shares for the purpose of basic loss per share	275,437	275,437
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	3,287	692
Weighted average number of ordinary shares for the purpose of diluted loss per share	278,724	276,129

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

9 Additions to property, plant and equipment

During the period, the Group spent approximately US$1,474,000 (six months ended 30 June 2017: US$622,000) on acquisition of property, plant and equipment.

10 Trade and other receivables

	30 June 2018	**31 December 2017**
	US$'000	*US$'000*
Trade receivables	57,035	77,635
Bills receivables	221	463
Trade bills receivables discounted with recourse	422	3,488
	57,678	81,586
Prepayments	4,241	2,115
Other receivables	6,296	4,997
	68,215	88,698

The Group allows credit period of 30 to 90 days to its trade customers. 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 June 2018	**31 December 2017**
	US$'000	*US$'000*
Less than 90 days	31,780	58,430
91 to 120 days	7,072	12,894
121 to 365 days	12,312	3,301
1 to 2 years	5,725	5,756
Over 2 years	789	1,205
	57,678	81,586

11 Trade and other payables

	30 June 2018	31 December 2017
	US$'000	*US$'000*
Trade payables	11,963	19,981
Accruals	7,326	4,069
Other payables	3,297	8,016
	22,586	32,066

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 2018	31 December 2017
	US$'000	*US$'000*
Less than 60 days	9,916	17,880
61 to 180 days	1,708	1,709
181 to 365 days	81	86
Over 365 days	258	306
	11,963	19,981

12 Share capital

	Number of ordinary shares of US$0.05 each	*US$'000*
Authorised	800,000,000	40,000
Issued and fully-paid:		
At 1 January 2018 and 30 June 2018	275,437,000	13,772

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

13 Contingent liabilities

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

BUSINESS REVIEW

For the six months ended 30 June 2018 ("HY2018"), Group revenue increased by US$3.8 million or 4.8% to US$83.3 million from US$79.5 million for the corresponding period of last year ("HY2017"). Despite the decrease in revenue in the PRC market by US$2.0 million, revenue in Europe and Others (including USA, Africa and Australia) increased by US$3.7 million and US$1.7 million respectively.

The Group recorded attributable loss of US$1.3 million in HY2018 compared to loss of US$0.9 million in HY2017 mainly due to the increase in research and development costs by US$0.8 million in HY2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Statement of Comprehensive Income

Revenue

Revenue in HY2018 increased by 4.8% to US$83.3 million from US$79.5 million in HY2017, mainly attributable to the increase in sales in European markets by US$3.7 million.

Cost of sales

Cost of sales in HY2018 increased by 5.3% to US$57.1 million from US$54.3 million in HY2017. The increase was attributable to expansion of revenue as well as the increase in materials costs.

Gross profit and gross profit margin

The gross profit margin in HY2018 was 31.4% compared to 31.8% in HY2017.

Other income, gains and losses

Other operating income in HY2018 decreased by 33.1% to US$0.4 million, as mainly due to a foreign exchange gain of US$0.2 million recorded in HY2017.

Selling and distribution expenses

In HY2018, distribution costs decreased by 4.4% to US$10.2 million, due to the depreciation of RMB during the period.

Administrative expenses

Administrative expenses in HY2018 increased by 4.9% to US$14.5 million mainly due to increase manpower costs attributed to business expansions in Europe.

Finance costs

Finance costs in HY2018 increased by 7.0% to US$0.1 million due to the higher average interest rate for the period.

Statement of Financial Position

Inventories

Inventories increased by US$17.2 million from US$44.6 million as at 31 December 2017 to US$61.9 million as at 30 June 2018, mainly due to the higher overall level of inventories held to meet the expected demand in the second half of the year.

Trade and other receivables

Trade and other receivables decreased by US$20.5 million from US$88.7 million as at 31 December 2017 to US$68.2 million as at 30 June 2018. This was in line with the seasonal pattern in our business where a higher portion of sales were realized in the second half of the year.

Trade and other payables

Trade and other payables decreased by US$5.7 million from US$39.6 million as at 31 December 2017 to US$33.9 million as at 30 June 2018 due to change in procurement mix.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, the Group's net current assets stood at US$67.1 million (31 December 2017: US$68.9 million), of which the cash and bank balances were US$7.5 million (31 December 2017: US$14.4 million). The Group's current ratio was 1.9 (31 December 2017: 1.9).

Total bank borrowings as at 30 June 2018 were US$37.3 million (31 December 2017: US$40.0 million). The Group's gearing ratio as at 30 June 2018 was 45.8% (31 December 2017: 48.7%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralized financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with 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.

CONDITIONAL AGREEMENTS IN RELATION TO THE SALE AND PURCHASE OF SHARES OF THE COMPANY (THE "SHARES")

References are made to the announcements of the Company dated 23 May 2017, 23 June 2017, 21 July 2017, 21 August 2017, 28 August 2017, 28 September 2017, 27 October 2017, 20 November 2017, 30 November 2017, 29 December 2017, 16 January 2018, 26 January 2018, 31 January 2018, 26 February 2018, 26 March 2018, 24 April 2018, 25 April 2018, 15 May 2018, 15 June 2018, 22 June 2018, 3, July 2018, 9 July 2018, 17 July 2018 and 1 August 2018 (the "Announcements") and the circular of the Company dated 29 June 2018 (the "Circular") in relation to the conditional agreements in relation to the sale and purchase of the Shares.

As disclosed in the Circular, the Board was informed by Mr. Lo Yat Keung, the president, an executive Director and the controlling shareholder of the Company, Mr. Chan Wai Shing, an executive Director and Mr. Guo Bing that on 18 April 2018, (i) Mr. Lo Yat Keung and Mr. Chan Wai Shing entered into the conditional sale and purchase agreement with Baodi International Investment Company Ltd (the "Purchaser"), as the purchaser and Yunnan Energy Investment (H K) Co. Limited, as the guarantor relating to the sale of an aggregate of 122,176,500 Shares (representing approximately 44.4% of the issued share capital of the Company as at the date hereof); and (ii) Mr. Guo Bing entered into the conditional sale and purchase agreement with the Purchaser relating to the sale of an aggregate of 47,364,648 Shares (representing approximately 17.2% of the issued share capital of the Company as at the date hereof). For details, please refer to the Announcements and the Circular.

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

PROSPECTS (A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months)

The ongoing US-China trade tensions will have an adverse impact on the costs of products purchased from USA for the PRC customers. Further devaluation of RMB is expected to adversely affect the product sales and margins of our products.

As a significant portion of our purchases is denominated in Japanese Yen, further appreciation of the Japanese Yen against RMB would erode the gross margins and profitability of the business.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2018, there were 883 (31 December 2017: 865) 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.

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

During the six months ended 30 June 2018, 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 2018, 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 2018, except for a deviation from Code Provision A.2.1 of the Hong Kong Code which is explained below.

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 2018, 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.

AUDIT OR REVIEW OF THE FINANCIAL RESULTS

The interim results of the Group for the six months ended 30 June 2018 have not been audited or reviewed by the auditors of the Company.

FORECAST STATEMENT

No forecast statement has been previously disclosed to shareholders.

DISCLOSURE ON THE WEBSITES OF THE EXCHANGES AND THE COMPANY

This announcement 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, 6 August 2018

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

**For identification purpose only*