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

Towards Sustainability

Interim Report 2018

*for identification purposes only

CONTENTS

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

(I) 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.

(II) FINANCIAL REVIEW

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 in manpower costs attributed to business expansions in Europe.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

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.

(II) FINANCIAL REVIEW (CONTINUED)

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, 1 August 2018, 14 August 2018 and 21 August 2018 (the "Announcements") and the circulars of the Company dated 29 June 2018 and 21 August 2018 (the "Circulars") in relation to the conditional agreements in relation to the sale and purchase of the Shares.

As disclosed in the Circulars, 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 17 April 2018); 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 17 April 2018) (collectively, the "Sale and Purchase"). Completion of the Sale and Purchase (the "Completion") took place on 14 August 2018. Immediately after the Completion and as at 17 August 2018, the Purchaser and the parties acting in concert with it was interested in a total of 169,541,148 Shares, representing approximately 61.5% of the issued share capital of the Company as at 17 August 2018. As a result of the Completion, the Purchaser is required to make (i) the unconditional mandatory cash general offer to acquire all the Share(s) in issue, other than those Shares already owned or agreed to be acquired by the Purchaser and parties acting in concert with it under Rule 26.1 of the Hong Kong Code on Takeovers and Merger (the "Takeovers Code"), and (ii) the unconditional mandatory cash general offer on behalf of the Purchaser to cancel all the outstanding share options of the Company (the "Share Option") under Rule 13.5 of the Takeovers Code. Further, Circle Brown Limited would make, pursuant to the Takeovers Code, the unconditional mandatory cash general offer to acquire all the issued shares of Techcomp Instrument Limited (other than those owned or agreed to be acquired by Circle Brown Limited and parties acting in concert with it). For details, please refer to the Announcements and the Circulars.

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.

(III) PROSPECTS

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.

(IV) DISCLOSURE OF INTERESTS

SHARE CAPITAL AND SHARE OPTIONS SCHEMES

Details of the movements in the issued share capital of the Company and share options 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 Share Options available except as disclosed below.

The following are participants who received 5% or more of the total number of Share Options available under the 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 the Share Option Schemes.

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

(IV) DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 June 2018, the interests of the Directors and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, the Laws of Hong Kong) (the "SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"), were as follows:

Long position

Name	Capacity	Nature of interests	Number of shares held	Number of underlying shares held under equity derivatives	Total number of shares interested	Percentage of the total issued share capital (Approximate %)
Lo Yat Keung[1&4]	Beneficial Owner	Beneficial Interest	104,956,500	–	112,456,500	40.83
	Interest of his spouse	Deemed Interest	7,500,000	–		
Chan Wai Shing[2&4]	Beneficial Owner	Beneficial Interest	9,720,000	2,500,000	12,220,000	4.44
Ho Yew Yuen	Beneficial Owner	Beneficial Interest	300,000	–	300,000	0.11
Christopher James O'Connor[3]	Beneficial Owner	Beneficial Interest	–	700,000	700,000	0.25

Notes:

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

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

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

4. Immediately after the Completion and as at 17 August 2018, Mr. Lo Yat Keung (and his spouse) and Mr. Chan Wai Shing ceased to hold an aggregate of 122,176,500 Shares, and the Purchaser and the parties acting in concert with it was interested in a total of 169,541,148 Shares.

(IV) DISCLOSURE OF INTERESTS (CONTINUED)

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

Save as disclosed above, as at 30 June 2018, 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.

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

As at 30 June 2018, so far as known to the Directors of the Company, the following persons (other than the Directors whose interests are disclosed in the section headed "Directors' Interests in Shares and Underlying Shares and Debentures" above) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long position in Shares

		Direct Interest		Deemed Interest	
Name	Capacity and nature of interests	Number of Shares held	Approximate percentage of the issued share capital of the Company	Number of Shares held	Approximate percentage of the issued share capital of the Company
Yung Yat [1&4]	Beneficial owner	7,500,000	2.72%	–	–
	Interest of spouse	–	–	104,956,500	38.11%
KCH Investment Company Limited [2&4]	Beneficial owner	47,364,648	17.20%	–	–
Guo Bing [2&4]	Controlled corporation	–	–	47,364,648	17.20%
Zhang Li [2&4]	Interest of spouse	–	–	47,364,648	17.20%
Kabouter Management, LLC [3]	Investment Manager	–	–	24,667,427	8.96%

(IV) DISCLOSURE OF INTERESTS (CONTINUED)

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

Notes:

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

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

3. Kabouter Management LLC notified the Company that it has a deemed interest in the shares held by Kabouter Fund II, LLC, Kabouter Fund I (QP), LLC and Kabouter Fund III LLC, all of which are managed and controlled by Kabouter Management LLC and all those shares are held through HKSCC Nominees Limited. As at 31 December 2017, (i) Kabouter Fund II, LLC was interested in 8,504,164 shares, (ii) Kabouter Fund I (QP), LLC was interested in 12,277,141 shares, and (iii) Kabouter Fund III LLC was interested in 3,886,122 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 24,667,427 shares.

4. Immediately after the Completion and as at 17 August 2018, Mr. Guo Bing, KCH Investment Company Limited and Ms. Zhang Li ceased to be interested in 47,364,648 Shares, and the Purchaser and the parties acting in concert with it was interested in a total of 169,541,148 Shares.

Save as disclosed above, as at 30 June 2018, 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 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.

(V) SUPPLEMENTARY INFORMATION (CONTINUED)

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.

HONG KONG MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

The Board confirms, having made specific enquiries with all Directors that during the 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.

(V) SUPPLEMENTARY INFORMATION (CONTINUED)

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.

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, 31 August 2018

As at the date of this announcement, 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 (the "Board") of directors (the "Director(s)") of Techcomp (Holdings) Limited (the "Company") is pleased to announce the unaudited 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	
	Notes	**2018**	**2017**
		US$'000	*US$'000*
Revenue	3	83,340	79,537
Cost of sales		(57,145)	(54,257)
Gross profit		26,195	25,280
Other income, gains and losses		351	525
Selling and distribution expenses		(10,172)	(10,640)
Administrative expenses		(14,541)	(13,860)
Research and development costs		(2,296)	(1,472)
Finance costs	4	(791)	(739)
Loss before taxation	5	(1,254)	(906)
Taxation	6	(52)	(14)
Loss for the period		(1,306)	(920)

FINANCIAL STATEMENTS

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

	Notes	6 months ended 30 June 2018	2017
		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)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		273	(980)
Other comprehensive income (expense) for the period		273	(1,682)
Total comprehensive expense for the period		(1,033)	(2,602)
Loss for the period attributable to:			
Owners of the Company		(1,374)	(818)
Non-controlling interests		68	(102)
		(1,306)	(920)
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(1,099)	(2,499)
Non-controlling interests		66	(103)
		(1,033)	(2,602)
Loss per share:			
Basic (US cents)	8	(0.50)	(0.30)
Diluted (US cents)	8	(0.49)	(0.30)

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	At 30 June 2018	At 31 December 2017
		US$'000	*US$'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 – customers' 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

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	At 30 June 2018	At 31 December 2017
		US$'000	*US$'000*
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 plans		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

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus	Merger reserve[(a)]	Translation reserve	Legal reserve[(b)]	Capital reserve[(c)]	Share options reserve	Equity reserve[(d)]	Retained earnings	Sub-total	Non-controlling interests	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At 1 January 2018 (audited)	13,772	18,385	394	(4,112)	1,507	535	3,003	1,655	(2,490)	50,701	83,350	(1,235)	82,115
Opening Adjustment (see note 2)	–	–	–	–	–	–	–	–	–	(887)	(887)	–	(887)
At 1 January 2018 (restated)	13,772	18,385	394	(4,112)	1,507	535	3,003	1,655	(2,490)	49,814	82,463	(1,235)	81,228
(Loss) profit for the period	–	–	–	–	–	–	–	–	–	(1,374)	(1,374)	68	(1,306)
Other comprehensive income (expense) for the period	–	–	–	–	275	–	–	–	–	–	275	(2)	273
Total comprehensive income (expense) for the period	–	–	–	–	275	–	–	–	–	(1,374)	(1,099)	66	(1,033)
Share-based payment expenses	–	–	–	–	–	–	–	19	–	–	19	–	19
Lapse of share options *(Note 13)*	–	–	–	–	–	–	–	(8)	–	8	–	–	–
At 30 June 2018	13,772	18,385	394	(4,112)	1,782	535	3,003	1,666	(2,490)	48,448	81,383	(1,169)	80,214

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company												
	Share capital	Share premium	Contributed surplus	Merger reserve[(a)]	Translation reserve	Legal reserve[(b)]	Capital reserve[(c)]	Share option reserve	Equity reserve[(d)]	Retained earnings	Sub-total	Non-controlling interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At 1 January 2017	13,772	18,385	394	(4,112)	(36)	535	3,003	1,596	(2,490)	50,089	81,136	(893)	80,243
Loss for the period	–	–	–	–	–	–	–	–	–	(818)	(818)	(102)	(920)
Other comprehensive expense for the period	–	–	–	–	(980)	–	–	–	–	(702)	(1,682)	–	(1,682)
Total comprehensive expense for the period	–	–	–	–	(980)	–	–	–	–	(1,520)	(2,500)	(102)	(2,602)
Share-based payment expenses	–	–	–	–	–	–	–	29	–	–	29	–	29
Gain on de-registration of a subsidiary	–	–	–	–	–	–	–	–	–	545	545	–	545
At 30 June 2017	13,772	18,385	394	(4,112)	(1,016)	535	3,003	1,625	(2,490)	49,114	79,210	(995)	78,215

Notes:

(a) Merger reserve represents the difference between the combined share capital of the entities in the merged group and the capital of the Company arising from a restructuring exercise undertaken in 2004.

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

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

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

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 June	
	2018	**2017**
	US$'000	*US$'000*
Net cash used in operating activities	(1,737)	(1,612)
Investing activities		
Payment of product development costs	(2,296)	(1,472)
Acquisition of property, plant and equipment	(564)	(622)
Interest received	7	12
Net cash used in investing activities	(2,853)	(2,082)
Financing activities		
Repayments of bank borrowings	(32,079)	(36,486)
Net proceeds from loans related to trade bills discounted with recourse	(3,066)	(1,699)
Interest paid	(791)	(739)
Bank borrowings raised	33,582	38,734
Net cash used in financing activities	(2,354)	(190)
Net decrease in cash and cash equivalents	(6,944)	(3,884)
Cash and cash equivalents at beginning of the period	11,655	15,849
Effect of foreign exchange rate changes	986	(490)
Cash and cash equivalents at end of the period	5,697	11,475
Represented by:		
Bank balances and cash	7,467	12,301
Bank overdrafts	(1,770)	(826)
	5,697	11,475

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company (Registration No. 34778) was incorporated in Bermuda on 26 January 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

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

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.

The directors of the Company 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 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

Classification and measurement of financial assets (continued)

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" 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

***Impairment under ECL model* (continued)**

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;

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

Significant increase in credit risk (continued)

- 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

Measurement and recognition of ECL (continued)

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 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 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.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

(a) Impairment under ECL model (continued)

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

	Trade 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

(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 investments, 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 investment revaluation reserve as at 1 January 2018.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

2.2.2 Summary of effects arising from initial application of IFRS 9 (continued)

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
Equity investments are for value through after comprehensive income	–	450	450
other assets	944	(450)	494
Retained earnings	(50,701)	887	(49,814)

3. REVENUE AND SEGMENT INFORMATION

Revenue

	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

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 instruments, life science equipment and laboratory instruments 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 PRC (including Hong Kong and Macau) (country of domicile), Asia (other than the PRC) and Europe.

a) The 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)	53,985	55,949
Asia (other than the PRC)	6,193	5,807
Europe	17,238	13,542
Others (1)	5,924	4,239
Total	83,340	79,537

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

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical information (continued)

b) The 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 June 2018	31 December 2017
	US$'000	*US$'000*
PRC (including Hong Kong and Macau)	5,660	6,411
Europe	10,050	9,358
United States of America	1,038	960
Others (2)	6	13
Total	16,754	16,742

(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 Group for both periods.

4. FINANCE COSTS

	6 months ended 30 June	
	2018	2017
	US$'000	*US$'000*
Interest on bank borrowings and 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 other 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	**2017**
	US$'000	*US$'000*
Current taxation:		
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 both periods, respectively. No provision for Hong Kong Profits Tax and Singapore Corporate Income Tax are made as the Group does not have any assessable profits arising from Hong Kong and Singapore for both periods.

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% for both periods.

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

7. DIVIDENDS

The Board did not recommend the payment of any final dividend for the year ended 31 December 2017.

The Board does 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 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 for the purpose of basic loss per share	(1,374)	(818)

	Number of shares	
	'000	*'000*
Weighted average 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

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 (note a)	4,241	2,115
Other receivables (note b)	6,296	4,997
	68,215	88,698

The 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 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 (note)	3,297	8,016
	22,586	32,066

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 (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
	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 paid up:		
At 1 January 2017, 31 December 2017 and 30 June 2018	275,437,000	13,772

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

13. SHARE-BASED PAYMENT

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

2004 Share Option Scheme

On 28 May 2004, the Company adopted a share option scheme (the "2004 Share Option Scheme") for a maximum period of 10 years from the adoption date. The purpose of the 2004 Share Option Scheme was to provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivating them to optimise their performance efficiency for the benefit of the Company. The 2004 Share Option Scheme was amended on 17 July 2018, details of which were disclosed in the circular of the Company dated 29 June 2018, and the poll results announcement of the Company dated 17 July 2018.

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

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

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

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

13. SHARE-BASED PAYMENT (CONTINUED)

2004 Share Option Scheme (continued)

The 2004 Share Option Scheme was subsequently superseded by the 2011 Share Option Scheme (as defined below), and as such, the total number of Shares available for issue upon exercise of all outstanding options under the 2004 Share Option Scheme as at 30 June 2018 remains 13,638,000 Shares (31 December 2017: 13,773,000 Shares), representing approximately 4.95% of the issued share capital of the Company as at 31 December 2017, 28 March 2018 (i.e. the date of the annual report for the year ended 31 December 2017) and 30 June 2018 respectively.

Save for 135,000 share options that were expired on 14 April 2018, during the year ended 31 December 2017 and the period from 1 January 2018 to 30 June 2018, no share options were granted, exercised and cancelled under the 2004 Share Option Scheme.

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. The 2011 Share Option Scheme was amended on 17 July 2018, details of which were disclosed in the circular of the Company dated 29 June 2018 and the poll results announcement of the Company dated 17 July 2018.

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

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

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

13. SHARE-BASED PAYMENT (CONTINUED)

2011 Share Option Scheme (continued)

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

The number of Shares comprised in any option to be offered to a participant in the 2011 Share Option Scheme shall be determined at the absolute discretion of the remuneration committee of the Company. The total number of Shares issued and to be issued upon exercise of the options granted to such participant (including exercised, cancelled and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue under the 2011 Share Option Scheme. Upon acceptance of the option, the grantee shall pay S$1.00 to the Company by way of consideration for the grant of the option.

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

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

During the year ended 31 December 2017 and the period from 1 January 2018 to 30 June 2018, no share options were granted, exercised, cancelled or lapsed under the 2011 Share Option Scheme.

As at 30 June 2018, the total number of Shares available for issue upon exercise of all outstanding options under the 2011 Share Option Scheme was 22,950,000 Shares, representing approximately 8.33% of the issued share capital of the Company as at 31 December 2017, 28 March 2018 (i.e. the date of the annual report for the year ended 31 December 2017) and 30 June 2018 respectively.

13. SHARE-BASED PAYMENT (CONTINUED)

2011 Share Option Scheme (continued)

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

	Grant date	Expiry date	Exercisable period	Exercise price[5]	Fair value at grant date	As at 31 December 2017	Lapsed during the period	As at 30 June 2018
2004 Share Option Scheme Director								
Chan Wai Shing	11/01/2010	10/01/2020	11/01/2011 - 10/01/2020[3]	S$0.23	S$0.16[1][2]	1,800,000	–	1,800,000
	06/01/2011	05/01/2021	06/01/2012 - 05/01/2021[3]	S$0.42	S$0.19[1] & S$0.18[2]	700,000	–	700,000
						2,500,000	–	2,500,000
Employees	15/04/2008	14/04/2018	15/04/2009 - 14/04/2018[3]	S$0.26	S$0.14[1] & S$0.11[2]	135,000[4]	(135,000)	–
	02/03/2009	01/03/2019	02/03/2010 - 01/03/2019[3]	S$0.16	S$0.11[1] & S$0.10[2]	1,270,500	–	1,270,500
	22/05/2009	21/05/2019	22/05/2010 - 21/05/2019[3]	S$0.16	S$0.11[1] & S$0.10[2]	150,000	–	150,000
	11/01/2010	10/01/2020	11/01/2011 - 10/01/2020[3]	S$0.23	S$0.16[1][2]	3,642,500	–	3,642,500
	06/01/2011	05/01/2021	06/01/2012 - 05/01/2021[3]	S$0.42	S$0.19[1] & S$0.18[2]	6,075,000	–	6,075,000
						11,273,000	(135,000)	11,138,000
						13,773,000	(135,000)	13,638,000

13. SHARE-BASED PAYMENT (CONTINUED)

2011 Share Option Scheme (continued)

	Grant date	Expiry date	Exercisable period	Exercise price[5]	Fair value at grant date	As at 31 December 2017	Lapsed during the period	As at 30 June 2018
2011 Share Option Scheme Director								
Christopher James O'Connor	22/01/2015	22/01/2025	22/01/2018 - 22/01/2025	HK$2.00	HK$1.90	700,000	–	700,000
Employees	22/01/2015	22/01/2025	22/01/2018 - 22/01/2025	HK$2.00	HK$1.90	1,000,000	–	1,000,000
						1,700,000	–	1,700,000
Total						15,473,000	(135,000)	15,338,000
Exercisable as at 31 December 2017 and 30 June 2018						13,773,000		15,338,000

13. SHARE-BASED PAYMENT (CONTINUED)

2011 Share Option Scheme (continued)

Notes:

(1) Senior management

(2) General management

(3) 30% of the options vested on the first anniversary of the date of grant. The remaining 70% of the options vested on the third anniversary of the date of grant.

(4) These options were expired on 14 April 2018.

(5) The exercise prices applicable to the Share Options were adjusted. For details, please refer to the Circulars.

The Group recognised total expenses of US$19,000 (31 December 2017: US$59,000) related to equity-settled share based payment during period ended 30 June 2018.

The weighted average exercise price at the end of the period is S$0.32 (31 December 2017: S$0.32).

The options outstanding at the end of the year have a weighted average remaining contractual life of approximately 2.4 years (31 December 2017: 2.9 years).

Share award scheme

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

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

During the year ended 31 December 2017 and the period from 1 January 2018 to 30 June 2018, no shares of the Company were acquired by the trustee and no shares were granted.

14. CONTINGENT LIABILITIES

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

15. CAPITAL COMMITMENTS

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

16. RELATED PARTIES TRANSACTIONS

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