



天美

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

Interim Report 2013

LEADING DYNAMIC SOLUTIONS



* for identification purpose only

CONTENTS

	Page
Corporate Information	1
Management Discussion and Analysis	2
Financial Statements	
Condensed Consolidated Statement of Comprehensive Income.....	11
Condensed Consolidated Statements of Financial Position.....	13
Condensed Consolidated Statement of Cash Flows.....	14
Condensed Consolidated Statement of Changes in Equity	17
Notes to the Condensed Consolidated Financial Statements.....	18

CORPORATE INFORMATION

Board of Directors

Lo Yat Keung
(President & Executive Director)

Chan Wai Shing
(Vice President & Executive Director)

Xu Guoping
(Executive Director)

Ho Yew Yuen
(Independent Non-executive Director)

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

Teng Cheong Kwee
(Independent Non-executive Director)

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

Audit Committee

Ho Yew Yuen
(Chairman)

Seah Kok Khong, Manfred

Teng Cheong Kwee

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 Service Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Auditors

Deloitte & Touche LLP
Public Accountants and Certified Public
Accountants
6 Shenton Way Tower Two
#32-00
Singapore 068809

Partner-in-charge

Mr. Chua How Kiat
(Appointed with effect from the financial
year ended December 31, 2010)

Hong Kong Legal Adviser

Lister Lo Lui & Choy
(In association with Edwards Wildman
Palmer)
Room 2703
27th Floor, The Center
99 Queen's Road Central
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 2013 (“HY2013”), our revenue for distribution business decreased 4.7% to US\$43.7 million from US\$45.8 million for the six months ended 2012 (“HY2012”) mainly due to the decrease in revenue in PRC. Despite the decrease in revenue for distribution business in HY2013, the segment results from distribution business increased 18.8% to US\$0.9 million due to improved gross margin for the period benefited from the depreciation of Japanese Yen as significant portion of distribution products are imported from Japan.

Our manufacturing business increased 12.3% to US\$25.2 million for the six months ended 30 June 2013 from US\$22.4 million for the six months ended 30 June 2012 mainly attributable to the consolidation of newly acquired subsidiaries in Europe during the period. However, the segment results from manufacturing business incurred a loss of US\$0.2 million in HY2013 compared to a profit of US\$0.3 million in HY2012 mainly due to the increased loss contribution from the non-wholly owned subsidiaries namely Techcomp Jingke Scientific Instruments (Shanghai) Co. Ltd and IXRF Systems Inc.

The profit attributable to the owners of the Company was US\$1.2 million for HY2013, representing an increase of 7.1% as compared with US\$1.1 million in HY2012. This was mainly attributable to the improved performance of the distribution business.

(II) FINANCIAL REVIEW

Revenue

Revenue in the three months ended 30 June 2013 (“2Q2013”) decreased by 3.7% to US\$39.7 million from US\$41.2 million in the three months ended 30 June 2012 (“2Q2012”) mainly due to the less orders received for the Japanese distribution products in last quarter of 2012 due to the tense Sino-Japan relations. The sales of our products in PRC decreased by US\$1.6 million (2.9%) from US\$54.1 million in HY2012 to US\$52.5 million in HY2013. However, the consolidation of newly acquired subsidiaries in Europe during the period has expanded revenue in HY2013 by 0.9% to US\$68.8 million from US\$68.2 million in HY2012.

Cost of sales

Cost of sales in HY2013 decreased by 4.8% to US\$45.8 million from US\$48.1 million in HY2012 whereas that in 2Q2013 decreased by 12.1% to US\$25.7 million from US\$29.3 million in 2Q2012. The decrease was mainly attributable to the improved gross margins in both distribution and manufacturing business.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

Gross profit and gross profit margin

Gross profit in HY2013 increased by 14.5% to US\$23.1 million from US\$20.1 million in HY2012 resulting from the improved gross margins in both distribution and manufacturing business. The overall gross profit margin achieved in HY2013 increased by 4.0 percentage points to 33.5% compared with 29.5% in HY2012. The increase was primarily due to the depreciation of the Japanese Yen which decreased the cost of the products sold and the increased sales mix of higher margin products in the manufacturing segment.

Other operating income (expenses)

Other operating income in HY2013 amounted to US\$1.3 million compared to net expenses of US\$0.1 million in HY2012 as there was net foreign exchange gain of US\$1.1 million in HY2013 whereas a net foreign exchange loss of US\$0.3 million was incurred in HY2012.

Distribution costs

Distribution costs in 2Q2013 increased by 44.4% to US\$5.6 million whereas that in HY2013 increased 29.0% to US\$9.8 million, due to the consolidation of new acquired subsidiaries during the period as well as the increase in sales and marketing activities during the period.

Administrative expenses

Administrative expenses in HY2013 increased by 19.8% to US\$12.9 million mainly attributable to consolidation of new acquired subsidiaries during the period.

Finance costs

Finance costs in HY2013 increased by 36.0% to US\$0.9 million, mainly due to higher average balances of bank borrowings and interest rates during the period.

Profit before income tax

Profit before income tax decreased by US\$0.2 million from US\$0.9 million in HY2012 to US\$0.7 million in HY2013 due to the increases in operating costs during the period.

Income tax expenses

Income tax expenses decreased by US\$18,000 from US\$48,000 in HY2012 to US\$30,000 in HY2013 mainly attributable to the decrease in profit for the period.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

Profit for the period

In view of the above, profit for the period decreased by US\$0.3 million from US\$0.9 million in HY2012 to US\$0.6 million in HY2013. However, the profit for the period attributable to the owners of the Company increased by US\$0.1 million from US\$1.1 million in HY2012 to US\$1.2 million in HY2013 resulting from the increase in credit from the non-controlling interests by US\$0.3 million in HY2013.

Properties, plant and equipment

Properties, plant and equipment comprise leasehold properties, machinery and equipment, furniture and fixtures and motor vehicles. The balance decreased by US\$0.1 million from US\$13.2 million as at 31 December 2012 to US\$13.1 million as at 30 June 2013.

Intangible assets

Intangible assets comprise development costs incurred for the manufacture of analytical instruments and payments made to acquire technical know-how. The development costs and technical know-how have finite useful lives and are amortised on a straight line basis over their estimated useful lives. The balance decreased by US\$0.2 million from US\$5.0 million as at 31 December 2012 to US\$4.8 million as at 30 June 2013.

Inventories

The inventories increased by US\$8.1 million from US\$32.1 million as at 31 December 2012 to US\$40.2 million as at 30 June 2013, due mainly to the higher level of inventory of raw materials and finished goods held to meet the expected increase in manufacturing and distribution activities.

Trade and other receivables

The trade and other receivables decreased by US\$9.5 million from US\$68.7 million as at 31 December 2012 to US\$59.2 million as at 30 June 2013 was in line with the seasonal pattern in our business where higher portion of sales were realized in second half of the year, particularly in the last quarter of the year.

Trade and other payables

The trade and other payables increased by US\$1.0 million from US\$23.0 million as at 31 December 2012 to US\$24.0 million as at 30 June 2013 mainly due to the increase in customer deposits and other payables by US\$4.1 million which was partially offset by the decrease in trade payables by US\$3.5 million in HY2013.

MANAGEMENT DISCUSSION AND ANALYSIS

(II) FINANCIAL REVIEW (CONTINUED)

Cash and bank balances

Cash and bank balances decreased by US\$4.4 million from US\$17.0 million as at 31 December 2012 to US\$12.6 million as at 30 June 2013 mainly due to the net cash outflow from investing and financing activities of US\$5.7 million and US\$7.7 million respectively, which was partially offset by the net cash inflow from operating activities of US\$8.3 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2013, the Group's net current assets stood at US\$58.1 million (31 December 2012: US\$61.4 million), of which the cash and bank balances were US\$12.6 million (31 December 2012: US\$17.0 million). The Group's current ratio was 2.0 (31 December 2012: 2.0).

Total bank borrowings were US\$41.2 million (31 December 2012: US\$47.1 million). The Group's gearing ratio as at 30 June 2013 was 61.5% (31 December 2012: 72.2%), which is calculated based on the Group's total interest-bearing debts over the total equity. The Group adopts centralized financing and treasury policies in order to ensure that group financing is managed efficiently. The Group also regularly monitors its liquidity requirements, its compliance with lending covenants and its relationship with bankers to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

(III) PROSPECTS

Similar to previous years, the management expects the seasonal trend of a stronger second half of the year to continue. The Group expects growth in demand for its products from the PRC to be the key growth driver for its business unless the Sino-Japan relations deteriorate. The management believes the sales outlook for its products in the emerging Asian markets such as India and Indonesia to remain stable. In spite of the weak market sentiment in Europe, the Group expects improvement and positive development in these markets arising from the Group's marketing activities and contribution from its newly acquired subsidiaries.

As a significant portion of the Group's distribution products are purchased in Japanese Yen, any depreciation or appreciation of Japanese Yen will improve or impair the gross margins of the Group's distribution business.

That notwithstanding, the Group will continue to integrate the R&D, sourcing and manufacturing functions in Europe and PRC in order to achieve cost savings and operational synergy for its manufacturing operations.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) DISCLOSURE OF INTERESTS

SHARE CAPITAL AND SHARE OPTION SCHEMES

Details of the movements in the issued share capital of the Company and share options scheme during the period are set out in note 12 and 13 to the consolidated financial statements.

The following are participants who received 5% or more of the total number of ordinary share options available under the Schemes:

Name of participant	Options granted during the period	Aggregate options granted since commencement to Scheme to end of the financial period	Aggregate options exercised since commencement to Scheme to end of the financial period	Aggregate options cancelled/lapsed since commencement to Scheme to end of the financial period	Aggregate options outstanding as at end of the financial period
Chan Wai Shing*	–	2,500,000	–	–	2,500,000
Xu Guoping*	–	2,500,000	–	–	2,500,000
Sin Sheung Nam, Gilbert	–	2,020,000	–	–	2,020,000

* Chan Wai Shing and Xu Guoping are the only directors of the Company participating Share Option Scheme.

There are no options granted to any of the Company's controlling shareholders or their associates (as defined in the Listing Manual of SGX-ST (the "Listing Manual").

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

At 30 June 2013, 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 ("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, were as follows:

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) DISCLOSURE OF INTERESTS (CONTINUED)

Long position

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

Name of Director	At 30 June 2013		Approximate percentage of the issued share the Company
	Directly owned	Through spouse	
Lo Yat Keung	104,956,500	7,500,000*	48.37
Chan Wai Shing	9,720,000	–	4.18
Xu Guoping	9,870,000	–	4.25
Ho Yew Yuen	300,000	–	0.13

* Held in the name of his spouse, Yung Yat.

(b) *Share options of the Company (“Share Options”)*

Name of Director	At 30 June 2013	
	Number of Shares to be issued subject to the options	
Chan Wai Shing	2,500,000	
Xu Guoping	2,500,000	

There are no options granted to any of the Company’s controlling shareholders or their associates (as defined in the Listing Manual of SGX–ST (“Listing Manual”).

Save as disclosed above, as at 30 June 2013, 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 for Securities Transactions by Directors of Listed Issuers.

MANAGEMENT DISCUSSION AND ANALYSIS

(IV) DISCLOSURE OF INTERESTS (CONTINUED)

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

As at 30 June 2013, so far as known to the Directors or chief executive of the Company, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows, other than the interests disclosed and short positions above in respect of certain Directors, the following shareholders had notified the Company of their relevant interests in the shares and underlying shares of the Company:

Interest in shares of the Company (Long position)

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

Name	Capacity and nature of interests	At 30 June 2013			
		Direct Interest		Deemed Interest	
		Number of issued Shares held	Approximate percentage of the issued share capital of the Company	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Kabouter Fund I QP LLC	Beneficial owner	13,979,829	6.01	–	–
Kabouter Management, LLC	Beneficial owner	–	–	28,700,000 ^[1]	12.34

- [1] Kabouter Management, LLC notified the Company that it is deemed interested in Shares, held through HKSCC Nominees Limited, owned by Kabouter Foud II (managed by Kabouter Management, LLC), Kabouter Found I (QP) (managed by Kabouter Management, LLC) and Kabouter Fund III (managed by Kabouter Management, LLC).

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2013.

(V) SUPPLEMENTARY INFORMATION

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

During the period, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities on the SEHK and SGX.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2013, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) SUPPLEMENTARY INFORMATION (CONTINUED)

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

The Company recognizes the importance of good corporate in 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 Singapore Code of Corporate Governance 2012 (the “Singapore Code”) and the Code on Corporate Governance Practices (the “Hong Kong Code”) formerly contained in Appendix 14 of the Rules Governing the Listing of Securities on the SEHK and the new addition of the Corporate Governance Code for the six months ended 30 June 2013.

In the opinion of the Directors, the Company has complied with the applicable code provisions of the Hong Kong Code throughout the period ended 30 June 2013, 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 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. In addition, three out of six directors are independent non-executive Directors, and that each of the three Board Committees is chaired by an independent director and comprises members who are all independent directors, the Board is of the view 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 the Company’s corporate governance practices are in line with those in the Code.

HONG KONG CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board of the Company confirms, having made specific enquiries with all directors that during the period ended 30 June 2013, 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 SEHK listing rules.

EMPLOYEES AND EMOLUMENT POLICY

As at 30 June 2013, there were 914 (31 December 2012: 879) employees in the Group. Staff remuneration packages are determined after consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) SUPPLEMENTARY INFORMATION (CONTINUED)

DISCLOSURE ON THE WEBSITE OF THE EXCHANGES

This announcement shall be published on the website of SGX, the SEHK and on the Company's website.

DISCLOSURE PURSUANT TO RULE 920(1)(a)(ii) SGX LISTING MANUAL

No mandate from shareholders has been obtained for IPTs.

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

FINANCIAL STATEMENTS

RESULTS

The board of directors (the “Board”) 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 2013 together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months ended 30 June	
		2013	2012
	<i>Note</i>	<i>US\$'000</i>	<i>US\$'000</i>
Revenue	3	68,834	68,232
Cost of sales		(45,766)	(48,087)
Gross profit		23,068	20,145
Other operating income (expenses)		1,226	(68)
Distribution costs		(9,788)	(7,588)
Administrative expenses		(12,892)	(10,762)
Share of results of an associate		(94)	(181)
Finance costs	5	(862)	(634)
Profit before income tax		658	912
Income tax expense	6	(30)	(48)
Profit for the period		628	864

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

	<i>Note</i>	6 months ended 30 June	
		2013 <i>US\$'000</i>	2012 <i>US\$'000</i>
Other comprehensive income			
– exchange differences arising on translation of foreign operations		973	(467)
– share of exchange reserve of an associate		3	–
Other comprehensive income (expense) for the period, net of tax		976	(467)
Total comprehensive income for the period		1,604	397
Profit for the period attributable to:			
Owners of the Company		1,207	1,127
Non–controlling interests		(579)	(263)
		628	864
Total comprehensive income attributable to:			
Owners of the Company		2,083	694
Non–controlling interests		(479)	(297)
		1,604	397
Earnings per share (US cents)			
	8		
– Basic		0.52	0.48
– Diluted		0.52	0.48

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2013 <i>US\$'000</i>	At 31 December 2012 <i>US\$'000</i>
Non-current assets			
Properties, plant and equipment	9	13,126	13,230
Goodwill		3,434	1,839
Intangible assets		4,758	5,003
Available-for-sale investments		944	534
Deferred tax asset		89	88
Interest in an associate		133	223
Total non-current assets		22,484	20,917
Current assets			
Inventories		40,186	32,125
Trade and other receivables	10	59,209	68,668
Income tax recoverable		97	161
Amount due from an associate		2,571	2,771
Cash and bank balances		12,623	17,015
Total current assets		114,686	120,740
Current liabilities			
Trade and other payables	11	24,016	23,012
Liabilities for trade bills discounted with recourse		3,653	5,015
Income tax payable		1,141	1,025
Bank borrowings and overdrafts		27,805	30,312
Total current liabilities		56,615	59,364
NET CURRENT ASSETS		58,071	61,376
TOTAL ASSETS LESS CURRENT LIABILITIES		80,555	82,293
Non-current liabilities			
Bank borrowings		13,409	16,796
Deferred tax liabilities		156	234
Total non-current liabilities		13,565	17,030
		66,990	65,263
Capital and reserves			
Share Capital	12	11,625	11,625
Reserves		52,985	50,779
Equity attributable to Owners of the Company		64,610	62,404
Non-controlling interests		2,380	2,859
		66,990	65,263

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months ended 30 June	
	2013	2012
	US\$'000	US\$'000
Operating activities		
Profit before income tax	658	912
Adjustments for:		
Depreciation of properties, plant and equipment	545	558
Amortisation of intangible assets	946	826
Interest income	(8)	(5)
Finance costs	862	634
Share of results of an associate	94	181
Share-based payment expenses	123	222
Reversal for doubtful debts	–	(44)
Gain on disposal of investments carried at fair value through profit or loss	–	(13)
Operating cash flows before movements in working capital	3,220	3,271
Trade and other receivables	12,718	5,625
Inventories	(5,001)	(7,906)
Trade and other payables	(1,516)	4,825
Trade bills discounted with recourse	(1,362)	(1,266)
Amount due from an associate	200	(2,606)
Cash generated from operations	8,259	1,943
PRC Enterprises Income Tax paid	(32)	(51)
Tax refund in other jurisdictions	64	60
Net cash from operating activities	8,291	1,952
Investing activities		
Acquisition of a subsidiary	(4,452)	(1,247)
Product development costs paid	(826)	(1,001)
Purchase of properties, plant and equipment	(58)	(187)
Purchase of available-for-sale investments	(410)	–
Interest received	8	5
Proceeds from disposal of investments carried at fair value through profit or loss	–	570
Acquisition of additional interest in subsidiaries	–	(2,646)
Net cash used in investing activities	(5,738)	(4,506)

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	6 months ended 30 June	
	2013	2012
	US\$'000	US\$'000
Financing activities		
Proceeds from bank borrowings	28,097	43,628
Repayment of bank borrowings	(34,960)	(38,512)
Interest paid	(862)	(634)
Dividends paid	–	(1,848)
Net cash (used in) from financing activities	(7,725)	2,634
Net (decrease) increase in cash and cash equivalents	(5,172)	80
Cash and cash equivalents at beginning of the period	15,930	7,298
Effect of foreign exchange rate changes	(189)	(424)
Cash and cash equivalents at end of the period	10,569	6,954
Cash and cash equivalents comprised:		
Cash and bank balances	12,623	10,084
Bank overdrafts	(2,054)	(3,130)
	10,569	6,954

Note:

In February 2013, the Group entered Sales and Purchase agreement for the acquisition of 100% of the issued capital of Edinburgh Instruments Limited and Precisa Ltd. for a total consideration of approximately GBP3,376,000 (US\$5,167,000). Edinburgh Instruments Limited and Precisa Ltd. were acquired so as to continue the expansion of the Group's manufacturing operation.

Consideration transferred

	6 months ended 30 June 2013
	US\$'000
Cash	5,167

Acquisition-related costs have been excluded from the consideration transferred. The costs were insignificant and have been recognised as an expense in the period within the administrative expenses in consolidated statement of comprehensive income.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Assets acquired and liabilities assumed at the date of acquisition

	6 months ended 30 June 2013
	<i>US\$'000</i>
Property, plant and equipment	222
Cash and bank balances	715
Trade and other receivables	2,446
Inventories	2,398
Trade and other payables	(2,208)
Net assets acquired and liabilities assumed	3,573

The fair values of the assets and liabilities acquired have been determined on a provisional basis, awaiting the completion of the identification of separable assets and valuation of the assets and liabilities.

Goodwill arising on acquisition

	6 months ended 30 June 2013
	<i>US\$'000</i>
Consideration transferred	5,167
Net assets acquired and liabilities assumed	(3,573)
Goodwill arising on acquisition of subsidiary	1,594

Goodwill of US\$1,594,000 was recognised in the acquisition as the purchase consideration exceeds fair value of the net assets acquired and liabilities assumed.

Net cash outflow on acquisition

	6 months ended 30 June 2013
	<i>US\$'000</i>
Cash consideration	5,167
Cash and bank balances acquired	(715)
Net assets outflow from acquisition of subsidiaries	4,452

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital US\$'000	Share premium US\$'000	Share contributed surplus US\$'000	Merger reserve(a) US\$'000	Currency translation reserve US\$'000	Legal reserve(b) US\$'000	Capital reserve(c) US\$'000	Equity reserve(d) US\$'000	Share Option reserve US\$'000	Retained Earnings US\$'000	Attributable to Owners		Non-controlling interests US\$'000	Total US\$'000
											Company US\$'000	of the US\$'000		
At 1 January 2013	11,625	8,099	394	(4,112)	3,269	488	3,003	(2,037)	1,759	39,916	62,404	2,859	65,263	
Total comprehensive income (expense) for the period	-	-	-	-	876	-	-	-	-	1,207	2,083	(479)	1,604	
Share-based payments expenses	-	-	-	-	-	-	-	-	123	-	123	-	123	
At 30 June 2013	11,625	8,099	394	(4,112)	4,145	488	3,003	(2,037)	1,882	41,123	64,610	2,380	66,990	
At 1 January 2012	11,625	8,099	394	(4,112)	3,867	274	3,003	(37)	1,325	38,784	63,222	2,764	65,986	
Total comprehensive (expense) income for the period	-	-	-	-	(433)	-	-	-	-	1,127	694	(297)	397	
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	283	
Acquisition of additional interest in subsidiaries	-	-	-	-	-	-	-	(2,298)	-	-	(2,298)	598	(1,700)	
Dividend paid	-	-	-	-	-	-	-	-	-	(1,848)	(1,848)	-	(1,848)	
Share-based payments expenses	-	-	-	-	-	-	-	-	222	-	222	-	222	
At 30 June 2012	11,625	8,099	394	(4,112)	3,434	274	3,003	(2,335)	1,547	38,063	59,992	3,348	63,340	

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) The legal reserves is non-distributable and represents reserve fund and enterprise expansion fund of a subsidiary in the People's Republic of China ("PRC") that can be used to offset prior years' losses or convert into capital, provided such conversion is approved by a resolution at a shareholders' meeting.
- (c) Capital reserve represents a transfer of retained earnings by a PRC subsidiary in 2004.
- (d) Equity reserve represents effects of changes in ownership interests in subsidiaries when there is no change in control.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

The Company was incorporated in Bermuda as an exempt company with limited liability under the Companies Act on 26 January 2004. The Company's registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. Its principal place of business in Hong Kong is located at 6th Floor, Mita Center, 552–566 Castle Peak Road, Kwai Chung, Kowloon, Hong Kong. The Company's shares have been listed on the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") and the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") since 12 July 2004 and 21 December 2011 respectively.

The Company is an investment holding company. The principal activities of the Group are 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, except for certain financial instruments, which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs"):

Amendments to IFRSs	Annual improvements to IFRSs 2009–2011 cycle
Amendments to IFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
IFRS 10	Consolidated financial statements
IFRS 11	Joint arrangements
IFRS 12	Disclosure of interests in other entities
IFRS 13	Fair value measurement
IAS 19 (Revised 2011)	Employee benefits
IAS 27 (Revised 2011)	Separate financial statements
IAS 28 (Revised 2011)	Investments in associates and joint ventures

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Basis of preparation and principal accounting policies (continued)

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

The Group has not early applied the following new and revised standards or amendments that have been issued but are not yet effective.

IFRS 9	Financial instruments ²
Amendments to IFRS 9 and IFRS 7	Mandatory effective date of IFRS 9 and transition disclosures ²
Amendments to IAS 10, IFRS 12 and IAS 27	Investment Entities ¹
Amendments to IAS 32	Offsetting financial assets and financial liabilities ¹

1 Effective for annual periods beginning on or after 1 January 2014.

2 Effective for annual periods beginning on or after 1 January 2015.

The Directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group.

3 Revenue and segment information

The Group is organised into two operating divisions – distribution and manufacturing. These are also the basis of whereby resources are being allocated and performance evaluated for management purpose.

Principal activities of each reportable segment are as follows:

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

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Revenue and segment information (continued)

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

Segment revenues and results

	Distribution <i>US\$'000</i>	Manufacturing <i>US\$'000</i>	Total <i>US\$'000</i>
Period ended 30 June, 2013			
REVENUE	43,675	25,159	68,834
RESULTS			
Segment result	940	(188)	752
Unallocated results			(94)
Profit before income tax			658
Income tax expenses			(30)
Profit for the period			628
Period ended 30 June, 2012			
REVENUE	45,830	22,402	68,232
RESULTS			
Segment result	791	289	1,080
Unallocated results			(168)
Profit before income tax			912
Income tax expenses			(48)
Profit for the period			864
Segment assets and liabilities			
At 30 June, 2013			
ASSETS			
Segment assets	79,473	53,863	133,336
Unallocated assets			3,834
Consolidated assets			137,170
LIABILITIES			
Segment liabilities	53,185	15,699	68,884
Unallocated liabilities			1,296
Consolidated total liabilities			70,180
Other segment information			
Capital expenditure	49	1,057	1,106
Depreciation and amortisation	125	1,366	1,491
Finance costs	837	25	862
Interest income	(5)	(3)	(8)

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Revenue and segment information (continued)

	Distribution <i>US\$'000</i>	Manufacturing <i>US\$'000</i>	Total <i>US\$'000</i>
At 30 June, 2012			
ASSETS			
Segment assets	77,933	52,727	130,660
Unallocated assets			4,448
Consolidated assets			135,108
LIABILITIES			
Segment liabilities	49,846	20,810	70,656
Unallocated liabilities			1,112
Consolidated total liabilities			71,768
Other segment information			
Capital expenditure	75	1,112	1,187
Depreciation and amortisation	113	1,271	1,384
Finance costs	614	20	634
Interest income	(2)	(3)	(5)

Geographical information

The Group operates principally in 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	
	2013 <i>US\$'000</i>	2012 <i>US\$'000</i>
PRC (including Hong Kong & Macau)	52,526	54,121
Asia (other than PRC)	4,590	5,087
Europe	10,444	7,726
Others ⁽¹⁾	1,274	1,298
Total	68,834	68,232

Notes:

(1) "Others" include the United States of America and Australia, etc.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Revenue and segment information (continued)

Geographical information (continued)

- (b) Non-current assets (excluding available-for-sale investments and deferred tax assets)

	At 30 June	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
PRC (including Hong Kong & Macau)	10,585	10,380
Europe	9,097	8,394
The United States of America	1,721	1,666
Others ⁽²⁾	48	60
Total	21,451	20,500

Notes:

- (2) "Others" include Singapore and India etc.

4 Profit for the period

Profit for the period has been arrived at after charging (crediting) the following:

	6 months ended 30 June	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Amortisation of intangible assets (included in administrative expenses)	946	826
Depreciation of properties, plant and equipment	545	558
Net foreign exchange (gain) loss	(1,084)	263
Interest income	(8)	(5)
Finance costs	862	634
Reversal for doubtful debts	–	(44)
Gain on disposal of investments carried at fair value through profit or loss	–	(13)

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Finance costs

	6 months ended 30 June	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Interest on bank overdrafts and loans		
– wholly repayable within 5 years	831	607
– not wholly repayable within 5 years	31	27
	<u>862</u>	<u>634</u>

6 Income tax expense

	6 months ended 30 June	
	2013	2012
	<i>US\$'000</i>	<i>US\$'000</i>
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	46	20
Others	64	28
	<u>110</u>	<u>48</u>
Deferred tax	(80)	–
Income tax expense for the period	<u>30</u>	<u>48</u>

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

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

PRC Enterprise Income Tax is calculated at the applicable tax rate at 25% in accordance with the relevant laws and regulations in the PRC.

7 Dividends

No dividend was declared and paid during the six months ended 30 June 2013. Final dividend of USD1,848,000 for the year ended 31 December 2011 was declared and paid during the six months ended 30 June 2012.

The Company did not recommend or declare any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 Earnings per share

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

	2013	2012
	US\$'000	US\$'000
Profit for the period attributable to owners of the Company	1,207	1,127

	Number of shares	
	'000	
Number of ordinary shares for the purpose of basic earnings per share	232,500	232,500
Add: Effect of dilutive potential ordinary shares relating to outstanding share options issued by the Company	1,478	3,375
Weighted average number of ordinary shares for the purpose of diluted earnings per share	233,978	235,875

The calculation of diluted earnings per share takes into account on the effects of employee share options granted up to the end of the reporting period.

9 Additions to properties, plant and equipment

During the period, the Group spent approximately US\$58,000 (31 Dec 2012: US\$503,000) on acquisition of properties, plant and equipment.

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Trade and other receivables

	30 June 2013	31 December 2012
	<i>US\$'000</i>	<i>US\$'000</i>
Trade receivables and bills receivables	50,728	59,487
Less: Allowance for doubtful debts	(1,981)	(2,129)
	48,747	57,358
Trade bills receivable discounted with recourse	3,653	5,015
Prepayments	2,703	2,482
Other receivables	4,106	3,813
	59,209	68,668

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

	30 June 2013	31 December 2012
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 90 days	27,765	37,032
91 to 120 days	2,577	4,035
121 to 365 days	12,613	10,904
1 year to 2 years	4,153	4,349
Over 2 years	1,639	1,038
	48,747	57,358

11 Trade and other payables

	30 June 2013	31 December 2012
	<i>US\$'000</i>	<i>US\$'000</i>
Trade payables	12,122	15,651
Accruals	2,713	2,320
Customer deposits	5,613	2,426
Other payables	3,568	2,615
	24,016	23,012

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Trade and other payables (continued)

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 2013	31 December 2012
	<i>US\$'000</i>	<i>US\$'000</i>
0 to 60 days	8,130	11,149
61 to 180 days	1,872	2,870
181 to 365 days	1,255	1,161
Over 365 days	865	471
	<u>12,122</u>	<u>15,651</u>

12 Share Capital

	Group and Company			
	30 June 2013	31 December 2012	30 June 2013	31 December 2012
	<i>Number of ordinary shares of US\$0.05 each</i>		<i>US\$'000</i>	<i>US\$'000</i>
Authorised:	800,000,000	800,000,000	40,000	40,000
Issued and paid up:				
At beginning and at end of the period	232,500,000	232,500,000	11,625	11,625

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share option

The Company has two share option schemes, as follows:

Share Option Scheme I

On 28 May 2004, the Company adopted the Share Option Scheme (the “2004 Share Option Scheme”). The purpose of the 2004 Share Option Scheme was a share incentive scheme and was established to recognize and acknowledge the contributions that the eligible participants have or may have made to the Company. The 2004 Share Option Scheme will provide the eligible participants with an opportunity to have a personal stake in the Company with a view to motivate the eligible participants to optimize their performance efficiency for the benefit of the Company. The 2004 Share Option Scheme is administered by the Remuneration Committee.

The number of outstanding share options under the 2004 Share Option Scheme as at 30 June 2013 is 21,835,000 (31 December 2012: 21,835,000). No further option will be granted under the 2004 Share Option Scheme upon the listing of the Company on the Stock Exchange on 21 December 2011.

Share Option Scheme II

On 9 June 2011, the Company adopted the share option scheme (the “2011 Share Option Scheme”). The purpose of the 2011 Share Option Scheme is 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 is administered by the Remuneration Committee.

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, 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 (whichever is higher).

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

FINANCIAL STATEMENTS

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Share option (continued)

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

No options have been granted under the 2011 Share Option Scheme since its adoption date.

14 Contingent liabilities

As at 30 June 2013 and 31 December 2012, the Group had no material contingent liabilities.

15 Capital commitments

As at 30 June 2013 and 31 December 2012, the Group did not have any significant capital commitment.

16 Related parties transactions

The Group entered into the following significant transactions with a related party during the period:

	Six months ended 30 June	
	2013	2012
	USD'000	USD'000
Sale of goods to an associate	815	2,872
Purchase of goods from an associate	3	4

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