



Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R

Second Quarter Financial Statement and Dividend Announcement

Financial period ended

31 December 2013

Statements of Financial Position

		Group			Company		
	Note	31 December 2013 \$'000	30 June 2013 \$'000	Var. %	30 December 2013 \$'000	30 June 2013 \$'000	Var. %
Non-current assets							
Property, plant and equipment	3	12,943	6,594	96	11	–	100
Intangible assets	4	37,082	35,901	3	–	–	–
Subsidiaries	5	–	–	–	89,802	89,810	–
Associates		7,869	7,889	–	4,868	4,868	–
Joint ventures		298	412	(28)	–	–	–
Financial assets		8,545	7,014	22	8,392	7,014	20
Trade and other receivables		1,025	3,253	(68)	–	–	–
Deferred tax assets		4,734	4,805	(1)	10	11	(9)
		<u>72,496</u>	<u>65,868</u>	10	<u>103,083</u>	<u>101,703</u>	1
Current assets							
Inventories		12,127	7,265	67	–	–	–
Project-in-progress		4,649	1,064	337	–	–	–
Trade and other receivables		38,447	32,936	17	248	223	11
Amounts due from related parties		515	819	(37)	7,783	8,002	(3)
Cash and cash equivalents	6	33,363	32,390	3	10,493	11,448	(8)
		<u>89,101</u>	<u>74,474</u>	20	<u>18,524</u>	<u>19,673</u>	(6)
Total assets		<u>161,597</u>	<u>140,342</u>	15	<u>121,607</u>	<u>121,376</u>	–
Equity attributable to Owners of the Company							
Share capital	7	88,773	88,773	–	88,773	88,773	–
Reserves		22,654	15,714	44	19,169	18,563	3
		<u>111,427</u>	<u>104,487</u>	7	<u>107,942</u>	<u>107,336</u>	1
Non-controlling interests							
		1,981	1,910	4	–	–	–
		<u>113,408</u>	<u>106,397</u>	7	<u>107,942</u>	<u>107,336</u>	1
Non-current liabilities							
Interest-bearing borrowings	8	1,157	904	28	–	–	–
Deferred tax liabilities		489	24	1,938	–	–	–
		<u>1,646</u>	<u>928</u>	77	<u>–</u>	<u>–</u>	–
Current liabilities							
Trade and other payables		32,376	27,384	18	697	932	(25)
Provisions		4,126	149	2,669	–	–	–
Amounts due to related parties		403	877	(54)	12,913	13,062	(1)
Interest-bearing borrowings	8	8,710	3,893	124	–	–	–
Redeemable convertible preference shares		78	78	–	–	–	–
Current tax payable		850	636	34	55	46	20
		<u>46,543</u>	<u>33,017</u>	41	<u>13,665</u>	<u>14,040</u>	(3)
Total liabilities		<u>48,189</u>	<u>33,945</u>	42	<u>13,665</u>	<u>14,040</u>	(3)
Total equity and liabilities		<u>161,597</u>	<u>140,342</u>	15	<u>121,607</u>	<u>121,376</u>	–

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	Var. %	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000	Var. %
Revenue	39,977	36,140	11	74,146	65,690	13
Cost of revenue	(30,975)	(28,427)	9	(56,439)	(50,497)	12
Gross profit	<u>9,002</u>	<u>7,713</u>	17	<u>17,707</u>	<u>15,193</u>	17
Other income	203	33	515	12,069	89	13,461
Distribution expenses	(2,805)	(3,041)	(8)	(5,971)	(6,049)	(1)
Administrative expenses	(4,017)	(3,546)	13	(7,695)	(6,958)	11
Research and development expenses	(1,059)	(339)	212	(1,774)	(898)	98
Other expenses	(11)	(31)	(65)	(6,320)	(322)	1,863
Results from operating activities	9 <u>1,313</u>	789	66	8,016	1,055	660
Finance income	62	118	(47)	135	218	(38)
Finance expenses	(90)	(66)	36	(139)	(114)	22
Net finance (expenses)/income	10 <u>(28)</u>	52	(154)	(4)	104	(104)
Share of results of associates (net of tax)	284	508	(44)	452	816	(45)
Share of results of joint ventures (net of tax)	(56)	4	(1,500)	(114)	(156)	(27)
Profit before income tax	1,513	1,353	12	8,350	1,819	359
Income tax expenses	11 <u>(275)</u>	(131)	110	(746)	(203)	267
Profit for the period	<u>1,238</u>	<u>1,222</u>	1	<u>7,604</u>	<u>1,616</u>	371
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Exchange differences on translation of financial statements of foreign operations	(115)	(859)	87	(860)	(2,499)	66
Exchange differences on monetary items forming part of net investments in foreign operations	45	(8)	663	(6)	(220)	97
Net change in fair value of available-for-sale financial assets, net of tax	318	783	(59)	1,378	486	184
Other comprehensive income for the period, net of income tax	<u>248</u>	<u>(84)</u>	395	<u>512</u>	<u>(2,233)</u>	123
Total comprehensive income for the period	<u>1,486</u>	<u>1,138</u>	31	<u>8,116</u>	<u>(617)</u>	1,415
Profit attributable to:						
Owners of the Company	1,236	1,184	4	7,525	1,519	395
Non-controlling interests	2	38	(95)	79	97	(19)
Profit for the period	<u>1,238</u>	<u>1,222</u>	1	<u>7,604</u>	<u>1,616</u>	371

The accompanying notes form an integral part of these financial statements.

Ellipsiz Ltd and its Subsidiaries
Second quarter results ended
31 December 2013

	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	Var. %	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000	Var. %
Total comprehensive income attributable to:						
Owners of the Company	1,479	1,099	35	8,045	(673)	1,295
Non-controlling interests	7	39	(82)	71	56	27
Total comprehensive income for the period	1,486	1,138	31	8,116	(617)	1,415
Earnings per share						
- Basic (cents)	0.22	0.21	5	1.36	0.27	404
- Diluted (cents)	0.22	0.21	5	1.36	0.27	404

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Exchange translation reserve \$'000	Accumulated profits \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
31 December 2012									
Balance as at 1 July 2012	88,773	(11,720)	1,370	2,393	(11,915)	32,592	101,493	1,756	103,249
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	335	335	59	394
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(1,598)	-	(1,598)	(42)	(1,640)
Exchange differences on monetary items forming part of net investments in foreign operations	-	-	-	-	(212)	-	(212)	-	(212)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	(297)	-	-	-	(297)	-	(297)
Total other comprehensive income	-	-	(297)	-	(1,810)	-	(2,107)	(42)	(2,149)
Total comprehensive income for the period	-	-	(297)	-	(1,810)	335	(1,772)	17	(1,755)
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Value of employee services received for issue of share options	-	-	-	75	-	-	75	-	75
Total contributions by and distributions to Owners	-	-	-	75	-	-	75	-	75
Total transactions with Owners	-	-	-	75	-	-	75	-	75
Balance as at 30 September 2012	88,773	(11,720)	1,073	2,468	(13,725)	32,927	99,796	1,773	101,569

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Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Exchange translation reserve \$'000	Accumulated profits \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
31 December 2012									
Balance as at 1 October 2012	88,773	(11,720)	1,073	2,468	(13,725)	32,927	99,796	1,773	101,569
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	1,184	1,184	38	1,222
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(860)	-	(860)	1	(859)
Exchange differences on monetary items forming part of net investments in foreign operations	-	-	-	-	(8)	-	(8)	-	(8)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	783	-	-	-	783	-	783
Total other comprehensive income	-	-	783	-	(868)	-	(85)	1	(84)
Total comprehensive income for the period	-	-	783	-	(868)	1,184	1,099	39	1,138
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Value of employee services received for issue of share options	-	-	-	13	-	-	13	-	13
Final dividend of 0.16 cents per share in respect of 2012	-	-	-	-	-	(884)	(884)	-	(884)
Total contributions by and distributions to Owners	-	-	-	13	-	(884)	(871)	-	(871)
Total transactions with Owners	-	-	-	13	-	(884)	(871)	-	(871)
Balance as at 31 December 2012	88,773	(11,720)	1,856	2,481	(14,593)	33,227	100,024	1,812	101,836

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Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Exchange translation reserve \$'000	Accumulated profits \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
31 December 2013									
Balance as at 1 July 2013	88,773	(11,720)	1,703	2,481	(13,225)	36,475	104,487	1,910	106,397
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	6,289	6,289	77	6,366
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(732)	-	(732)	(13)	(745)
Exchange differences on monetary items forming part of net investments in foreign operations	-	-	-	-	(51)	-	(51)	-	(51)
Net change in fair value of available-for-sale financial assets, net of tax	-	-	1,060	-	-	-	1,060	-	1,060
Total other comprehensive income	-	-	1,060	-	(783)	-	277	(13)	264
Total comprehensive income for the period	-	-	1,060	-	(783)	6,289	6,566	64	6,630
Balance as at 30 September 2013	88,773	(11,720)	2,763	2,481	(14,008)	42,764	111,053	1,974	113,027

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Consolidated Statement of Changes in Equity

Group	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Exchange translation reserve \$'000	Accumulated profits \$'000	Total attributable to Owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
31 December 2013									
Balance as at 1 October 2013	88,773	(11,720)	2,763	2,481	(14,008)	42,764	111,053	1,974	113,027
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	1,236	1,236	2	1,238
Other comprehensive income									
<i>Items that may be reclassified subsequently to profit or loss</i>									
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(120)	-	(120)	5	(115)
Exchange differences on monetary items forming part of net investments in foreign operations	-	-	-	-	45	-	45	-	45
Net change in fair value of available-for-sale financial assets, net of tax	-	-	318	-	-	-	318	-	318
Total other comprehensive income	-	-	318	-	(75)	-	243	5	248
Total comprehensive income for the period	-	-	318	-	(75)	1,236	1,479	7	1,486
Transactions with Owners, recorded directly in equity									
Contributions by and distributions to Owners									
Final dividend of 0.20 cents per share in respect of 2013	-	-	-	-	-	(1,105)	(1,105)	-	(1,105)
Total contributions by and distributions to Owners	-	-	-	-	-	(1,105)	(1,105)	-	(1,105)
Total transactions with Owners	-	-	-	-	-	(1,105)	(1,105)	-	(1,105)
Balance as at 31 December 2013	88,773	(11,720)	3,081	2,481	(14,083)	42,895	111,427	1,981	113,408

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Statement of Changes in Equity

Company	Share capital \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total Equity \$'000
31 December 2012					
Balance as at 1 July 2012	88,773	1,370	2,393	12,876	105,412
Total comprehensive income for the period					
Profit for the period	-	-	-	557	557
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets, net of tax	-	(297)	-	-	(297)
Total other comprehensive income	-	(297)	-	-	(297)
Total comprehensive income for the period	-	(297)	-	557	260
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Value of employee services received for issue of share options	-	-	75	-	75
Total contributions by and distributions to Owners	-	-	75	-	75
Total transactions with Owners	-	-	75	-	75
Balance as at 30 September 2012	88,773	1,073	2,468	13,433	105,747
Balance as at 1 October 2012	88,773	1,073	2,468	13,433	105,747
Total comprehensive income for the period					
Profit for the period	-	-	-	(93)	(93)
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets, net of tax	-	783	-	-	783
Total other comprehensive income	-	783	-	-	783
Total comprehensive income for the period	-	783	-	(93)	690
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Value of employee services received for issue of share options	-	-	13	-	13
Final dividend of 0.16 cents per share in respect of 2012	-	-	-	(884)	(884)
Total contributions by and distributions to Owners	-	-	13	(884)	(871)
Total transactions with Owners	-	-	13	(884)	(871)
Balance as at 31 December 2012	88,773	1,856	2,481	12,456	105,566

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

Company	Share capital \$'000	Fair value reserve \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total Equity \$'000
31 December 2013					
Balance as at 1 July 2013	88,773	1,703	2,481	14,379	107,336
Total comprehensive income for the period					
Profit for the period	-	-	-	176	176
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets, net of tax	-	1,060	-	-	1,060
Total other comprehensive income	-	1,060	-	-	1,060
Total comprehensive income for the period	-	1,060	-	176	1,236
Balance as at 30 September 2013	88,773	2,763	2,481	14,555	108,572
Balance as at 1 October 2013	88,773	2,763	2,481	14,555	108,572
Total comprehensive income for the period					
Profit for the period	-	-	-	157	157
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Net change in fair value of available-for-sale financial assets, net of tax	-	318	-	-	318
Total other comprehensive income	-	318	-	-	318
Total comprehensive income for the period	-	318	-	157	475
Transactions with Owners, recorded directly in equity					
Contributions by and distributions to Owners					
Final dividend of 0.20 cents per share in respect of 2013	-	-	-	(1,105)	(1,105)
Total contributions by and distributions to Owners	-	-	-	(1,105)	(1,105)
Total transactions with Owners	-	-	-	(1,105)	(1,105)
Balance as at 31 December 2013	88,773	3,081	2,481	13,607	107,942

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

Group	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
Operating Activities				
Profit for the period	1,238	1,222	7,604	1,616
Adjustments for:				
Allowance/(Reversal of allowance) for:				
- inventory obsolescence	15	(6)	79	(6)
- doubtful debts from trade and other receivables	(769)	-	(769)	38
Depreciation of property, plant and equipment	710	469	1,158	931
Interest income	(62)	(118)	(135)	(218)
Interest expense	90	66	139	114
Bad debts written off	-	-	7	-
Inventory written off	55	11	65	25
Property, plant and equipment written off	-	-	10	-
Gain on disposal of property, plant and equipment	(11)	(8)	(30)	(24)
Amortisation of intangible assets	164	112	329	225
Restructuring cost reversed	-	(45)	-	(45)
Reversal of retrenchment benefits	-	-	-	(12)
Acquisition-related costs	-	-	1,083	-
Post-acquisition integration and restructuring costs	-	-	5,214	-
Dividend income from other financial asset	-	-	(175)	-
Negative goodwill on business combination	-	-	(11,489)	-
Share-based payment expense	-	13	-	88
Share of results of associates and joint ventures (net of tax)	(228)	(512)	(338)	(660)
Income tax expense	275	131	746	203
Operating profit before working capital changes	1,477	1,335	3,498	2,275
Changes in working capital:				
Inventories	(448)	1,137	(1,295)	1,104
Project-in-progress	(1,887)	(980)	(3,877)	3,714
Amounts due from related parties (trade)	37	139	136	(104)
Amounts due to related parties (trade)	(95)	-	(446)	6
Trade and other receivables	1,298	(4,723)	2,793	(4,384)
Trade and other payables	(610)	4,396	377	972
Restructuring costs paid	-	(99)	-	(102)
Post-acquisition integration and restructuring costs	(1,232)	-	(1,232)	-
Released/(Placement) of pledged deposits with financial institutions	219	4	553	(3)
Cash (used in)/generated from operations	(1,241)	1,209	507	3,478
Interest received	62	118	135	218
Interest paid	(90)	(60)	(139)	(98)
Income tax paid	(306)	(197)	(254)	(283)
Cash flows (used in)/generated from operating activities	(1,575)	1,070	249	3,315
Investing Activities				
Purchase of property, plant and equipment ⁽¹⁾	(2,340)	(1,388)	(2,724)	(2,026)
Purchase of intangible assets	(15)	(205)	(18)	(507)
Proceeds from disposal of property, plant and equipment	114	15	138	154
Amounts due from related parties (non-trade)	209	-	168	8
Net cash inflow from acquisition of businesses	-	-	1,876	-
Acquisition-related costs paid	(293)	-	(970)	-
Dividend received from other financial asset	-	-	175	-
Cash flows used in investing activities	(2,325)	(1,578)	(1,355)	(2,371)

The accompanying notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
Financing Activities				
Interest paid	–	(6)	–	(16)
Drawdown of bank loans	3,583	3,286	11,887	6,583
Repayment of bank loans	(3,881)	(2,622)	(7,904)	(6,743)
Repayment of finance lease creditors	(42)	(11)	(55)	(28)
Amounts due to related parties (non-trade)	(4)	(59)	(28)	(39)
Dividend paid	(1,105)	(884)	(1,105)	(884)
Cash flow (used in)/generated from financing activities	(1,449)	(296)	2,795	(1,127)
Net (decrease)/increase in cash and cash equivalents	(5,349)	(804)	1,689	(183)
Cash and cash equivalents at beginning of period	37,444	30,727	30,744	30,579
Effect of exchange rate changes on balances in foreign currencies	175	(28)	(163)	(501)
Cash and cash equivalents at end of period	32,270	29,895	32,270	29,895
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⁽¹⁾ Property, plant and equipment amounting to \$200,000 (31 December 2012: Nil) were acquired through hire purchase arrangement and finance lease.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements

These notes form and integral part of the financial statements.

The announcement was authorised for issue by the directors on 12 February 2014.

1. Basis of Preparation

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as those used in the audited financial statements for the year ended 30 June 2013. In addition, the Group has adopted new/revised FRS and INT FRS that have become effective for the financial year beginning 1 July 2013 (see note 2).

The financial statements were not audited or reviewed by the auditors.

2. Changes in the Accounting Policies, Methods of Computation and Accounting Standards

From 1 July 2013, the Company and the Group have applied FRS 113 *Fair Value Measurement*. FRS 113 replaces the fair value measurement guidance contained in individual FRSs with a single source of fair value measurement guidance. FRS 113 does not change or extend the use of fair value accounting prescribed in the FRSs, but merely provides guidance on how it should be applied where its use is already required or permitted by other standards within FRSs. Under FRS 113, fair value is defined as an exit price. A comprehensive framework for measuring such fair values has been established in the standard. FRS 113 has also prescribed additional disclosure requirements for fair value measurements.

This adoption affects only the disclosures in the financial statements. There is no financial effect on the results, earnings per share and the financial position of the Company and the Group for the current and previous financial periods.

3. Property, Plant and Equipment

Group	Freehold land and building \$'000	Leasehold land and building \$'000	Leasehold improve- ments \$'000	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Assets under construct- ion \$'000	Total \$'000
31 December 2013										
Cost										
At 1 July 2013	–	2,006	2,961	507	798	4,230	148	29,801	1,665	42,116
Additions	1,485	–	3	7	48	136	–	1,178	67	2,924
Acquisition of businesses	1,473	–	157	142	15	8	–	3,144	–	4,939
Disposals/Written off	–	–	(69)	(23)	(23)	(47)	–	(610)	–	(772)
Reclassification	–	–	8	–	1	(19)	–	1,741	(1,731)	–
Translation difference on consolidation	(160)	(3)	1	(10)	4	(1)	1	(116)	(1)	(285)
At 31 December 2013	<u>2,798</u>	<u>2,003</u>	<u>3,061</u>	<u>623</u>	<u>843</u>	<u>4,307</u>	<u>149</u>	<u>35,138</u>	<u>–</u>	<u>48,922</u>
Accumulated depreciation and impairment losses										
At 1 July 2013	–	333	2,725	461	701	3,787	132	27,383	–	35,522
Depreciation charge for the period	29	21	88	26	17	138	5	834	–	1,158
Disposals/Written off	–	–	–	(23)	(22)	(44)	–	(565)	–	(654)
Reclassification	–	–	–	–	–	(10)	–	5	–	(5)
Translation difference on consolidation	(1)	(1)	–	(1)	3	(1)	1	(42)	–	(42)
At 31 December 2013	<u>28</u>	<u>353</u>	<u>2,813</u>	<u>463</u>	<u>699</u>	<u>3,870</u>	<u>138</u>	<u>27,615</u>	<u>–</u>	<u>35,979</u>
Carrying amount										
At 1 July 2013	–	1,673	236	46	97	443	16	2,418	1,665	6,594
At 31 December 2013	<u>2,770</u>	<u>1,650</u>	<u>248</u>	<u>160</u>	<u>1,44</u>	<u>437</u>	<u>11</u>	<u>7,523</u>	<u>–</u>	<u>12,943</u>

Company	Furniture and fittings \$'000	Office equipment \$'000	Computers \$'000	Total \$'000
31 December 2013				
Cost				
At 1 July 2013	62	34	68	164
Additions	–	–	12	12
31 December 2013	<u>62</u>	<u>34</u>	<u>80</u>	<u>176</u>
Accumulated depreciation				
At 1 July 2013	62	34	68	164
Depreciation charge for the period	–	–	1	1
At 31 December 2013	<u>62</u>	<u>34</u>	<u>69</u>	<u>165</u>
Carrying amount				
At 1 July 2013	–	–	–	–
At 31 December 2013	<u>–</u>	<u>–</u>	<u>11</u>	<u>11</u>

Leasehold land and building, plant and machinery and assets under construction of the Group with carrying amounts of \$1,494,000 (30 June 2013: \$Nil), \$748,000 (30 June 2013: Nil) and \$Nil (30 June 2013: \$762,000) respectively, have been pledged to banks as securities for certain bank loans (note 8).

The carrying amount of property, plant and equipment includes amounts totalling \$213,000 (30 June 2013: \$81,000) for the Group in respect of assets acquired under finance leases (note 8).

4. Intangible Assets

Group	Computer software \$'000	Technology licence \$'000	Intellectual property \$'000	Development expenditure \$'000	Goodwill \$'000	Total \$'000
31 December 2013						
Cost						
At 1 July 2013	644	1,972	6,102	3,989	27,423	40,130
Additions	5	–	13	–	–	18
Arising from acquisition of businesses	6	–	1,535	–	–	1,541
Translation difference on consolidation	(1)	(3)	(24)	(6)	(19)	(53)
At 31 December 2013	<u>654</u>	<u>1,969</u>	<u>7,626</u>	<u>3,983</u>	<u>27,404</u>	<u>41,636</u>
Accumulated amortisation and impairment losses						
At 1 July 2013	559	979	1,846	101	744	4,229
Amortisation for the period	22	51	157	99	–	329
Reclassification	–	(232)	232	–	–	–
Translation difference on consolidation	–	(2)	(2)	–	–	(4)
At 31 December 2013	<u>581</u>	<u>796</u>	<u>2,233</u>	<u>200</u>	<u>744</u>	<u>4,554</u>
Carrying amount						
At 1 July 2013	85	993	4,256	3,888	26,679	35,901
At 31 December 2013	<u>73</u>	<u>1,173</u>	<u>5,393</u>	<u>3,783</u>	<u>26,660</u>	<u>37,082</u>

Company	Computer software \$'000
31 December 2013	
Cost	
At 1 July 2013 and 31 December 2013	<u>21</u>
Accumulated amortisation and impairment losses	
At 1 July 2013 and 31 December 2013	<u>21</u>
Carrying amount	
At 1 July 2013 and 31 December 2013	<u>–</u>

5. Subsidiaries

On 25 June 2013, a wholly owned subsidiary of the Company, SV Probe Pte Ltd ("SV Probe") entered into a business transfer agreement with Tokyo Cathode Laboratory Co. Ltd ("TCL") to acquire (a) certain subsidiaries of TCL in Singapore, Taiwan, Guangzhou and Hong Kong, (b) certain probe card businesses, technologies, intellectual property rights and assets in Japan. This acquisition will allow the Group to expand its product offerings and improve its competitive position, particularly in Japan probe card market.

On 30 August 2013, the business transfer agreement was modified with

- the acquisition to:
 - a. include the purchase of 100% shares in one of TCL's subsidiaries in Japan instead of certain assets of that subsidiary;
 - b. replace the purchase of 100% shares in TCL's subsidiary in Guangzhou with the purchase of certain assets and business of the Guangzhou subsidiary; and
- the final aggregate cash purchase price for the acquisition was reduced to US\$2,855,000 (equivalent to S\$3,652,000), from the initial consideration of US\$3,500,000.

The purchase consideration was fully paid on 30 August 2013.

Other than the transfer of business and certain assets of the Guangzhou subsidiary, the closing for the acquisition was completed on 30 August 2013. Pending some documentation requirement locally, the transfer of assets from TCL Guangzhou subsidiary to SV Probe has been deferred and is expected to complete in third quarter of the financial year.

The fair value of identifiable assets acquired and liabilities assumed and effect of business acquisition were determined and disclosed below:

	Note	Group \$'000
Property, plant and equipment		4,939
Intangible assets		1,541
Financial assets		152
Inventories		3,711
Trade and other receivables		5,415
Tax recoverable		44
Cash and cash equivalents		5,528
Trade and other payables		(4,837)
Interest-bearing borrowings		(967)
Deferred tax liabilities		(385)
Net identifiable assets and liabilities acquired		15,141
Negative goodwill on business combination	9	(11,489)
Consideration satisfied in cash		3,652
Cash acquired from business combination		(5,528)
Net cash inflow		(1,876)

This fair value was determined provisionally by management to establish the goodwill arising from the business combination. As the Group has negotiated a bargain purchase price for the businesses and assets acquired, a negative goodwill of \$11,489,000 was estimated to have arisen from the acquisition.

Revenue generated from the acquired business for four months was \$8,604,000. As the newly acquired operations are integrated as part of the operations of SV Probe and its subsidiaries, it is not practical to determine the profit or loss generated in the financial period.

Acquisition-related costs

The Group incurred acquisition-related costs of S\$1,083,000 (note 9) relating to external legal and consultant fees, travelling expenses and due diligence costs. These expenses have been included in the other expenses in the Group's statement of profit or loss.

Post-acquisition integration and restructuring costs

The Group had provided in the period, integration and restructuring costs of approximately \$5,214,000 for the post-acquisition integration programme (note 9). The integration costs include costs projected to execute the approved programme that forms part of this acquisition project, to integrate and restructure offices, engineering teams and facilities of SV Probe and the newly acquired businesses.

6. Cash and Cash Equivalents

Note	Group		Company	
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	\$'000	\$'000	\$'000	\$'000
Cash at banks and in hand	31,599	25,187	10,493	5,932
Deposits with financial institutions	1,764	7,203	–	5,516
	33,363	32,390	10,493	11,448
Deposits held as securities by financial institutions	8	(1,093)		(1,646)
Cash and cash equivalents in the consolidated cash flow statement	32,270	30,744		

7. Share Capital

	Group and Company		Group and Company	
	31 December 2013		30 June 2013	
	No. of share	Share capital	No. of share	Share capital
	'000	\$'000	'000	\$'000
Fully paid ordinary shares, with no par value:				
Ordinary shares				
At 1 July 2013 and 1 July 2012	552,794	88,773	552,794	88,773
At 31 December 2013 and 30 June 2013	552,794	88,773	552,794	88,773

The Group had not acquired any treasury shares for the financial period ended 31 December 2013. There are no treasury shares held by the Group as at 30 June 2013 and 31 December 2013.

Options

At the reporting date, there were 19,700,000 (31 December 2012: 20,150,000) and 17,906,000 (31 December 2012: 18,350,000) outstanding options with exercise price of \$0.135 per share and \$0.14 per share respectively.

No options were exercised during the financial period.

8. Interest-Bearing Borrowings

Interest-bearing borrowings consist of the following:

	Group		Company	
	31 December	30 June	31 December	30 June
	2013	2013	2013	2013
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Secured bank loans	425	312	–	–
Unsecured bank loans	639	540	–	–
Obligations under hire purchase agreements and finance leases	93	52	–	–
	1,157	904	–	–
Current liabilities				
Secured bank loans	179	89	–	–
Unsecured bank loan	8,379	3,755	–	–
Obligations under hire purchase agreements and finance leases	152	49	–	–
	8,710	3,893	–	–

Maturity of liabilities (excluding finance lease liabilities)

	Group	
	31 December	30 June
	2013	2013
	\$'000	\$'000
Within 1 year	8,558	3,844
After 1 year but within 5 years	1,064	852
	9,622	4,696

The borrowings are secured on the following assets:

	Note	Group	
		31 December 2013 \$'000	30 June 2013 \$'000
Leasehold land and building	3	1,494	–
Plant and machinery	3	748	–
Assets under construction	3	–	762
Deposits with financial institutions	6	1,093	1,646
		3,335	2,408

Obligations under finance leases

Group	31 December 2013			30 June 2013		
	Principal \$'000	Interest \$'000	Total \$'000	Principal \$'000	Interest \$'000	Total \$'000
Repayable within 1 year	152	9	161	49	5	54
Repayable after 1 year but within 5 years	93	3	96	52	3	55
	245	12	257	101	8	109

9. Results from Operating Activities

Group	Note	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
		Other income			
Gain on disposal of property, plant and equipment		11	8	30	24
Negative goodwill on business combination	5	–	–	11,489	–
Dividend income from financial asset		–	–	175	–
Sundry income		277	25	303	65
Exchange (loss)/gain, net		(85)	–	72	–
		203	33	12,069	89
Other expenses					
(Reversal of allowance)/Allowance for doubtful debts from trade and other receivables		(769)	–	(769)	38
Allowance/(Reversal of allowance) for inventory obsolescence		15	(6)	79	(6)
Depreciation of property, plant and equipment	3	710	469	1,158	931
Amortisation of intangible assets	4	164	112	329	225
Bad debts written off		–	–	7	–
Inventory written off		55	11	65	25
Property, plant and equipment written off		–	–	10	–
Retrenchment benefits		–	–	–	(12)
Acquisition-related costs	5	–	–	1,083	–
Post-acquisition integration and restructuring costs	5	–	–	5,214	–
Share-based payment expense		–	13	–	88
Exchange loss, net		–	76	–	359

10. Net Finance (Expenses)/Income

Group	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
Finance income				
Income from from:				
- financial institutions	26	8	35	17
- third party	29	25	65	57
Interest income arising from the unwinding of discount implicit in the interest-free third party receivables	7	85	35	144
	<u>62</u>	<u>118</u>	<u>135</u>	<u>218</u>
Finance expenses				
Interest expenses to:				
- finance leases	(8)	(2)	(10)	(4)
- financial institutions	(82)	(63)	(129)	(108)
- non-controlling interest of a subsidiary	-	(1)	-	(2)
	<u>(90)</u>	<u>(66)</u>	<u>(139)</u>	<u>(114)</u>
Net finance (expenses)/income recognised in profit or loss	<u>(28)</u>	<u>52</u>	<u>(4)</u>	<u>104</u>

11. Income Tax Expenses

Group	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
Current tax expense				
- current year	262	132	556	321
- withholding tax	35	22	53	59
- (over)/under provision in prior year	(8)	15	(8)	(98)
	<u>289</u>	<u>169</u>	<u>601</u>	<u>282</u>
Deferred tax expense				
- origination and reversal of temporary differences	(9)	(29)	(30)	(68)
- utilisation of previously unrecognised deferred tax assets	-	(9)	-	(11)
- under/(over) provision in prior year	(5)	-	175	-
	<u>(14)</u>	<u>(38)</u>	<u>145</u>	<u>(79)</u>
Total income tax expenses	<u>275</u>	<u>131</u>	<u>746</u>	<u>203</u>

12. Earnings Per Share

Group	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
Basic earnings per share is based on: Profit for the period attributable to Owners of the Company	<u>1,236</u>	<u>1,184</u>	<u>7,525</u>	<u>1,519</u>
Weighted average number of: - shares outstanding during the period	<u>552,794</u>	<u>552,794</u>	<u>552,794</u>	<u>552,794</u>

For the purpose of calculating the diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive share options with the potential ordinary shares weighted for the year outstanding.

The effect of the exercise of share options on the weighted average number of ordinary shares is as follows:

Group	1 October 2013	1 October 2012	1 July 2013	1 July 2012
	to 31 December 2013 '000	to 31 December 2012 '000	to 31 December 2013 '000	to 31 December 2012 '000
Weighted average number of share issued, used in the calculation of diluted earnings per share	552,794	552,794	552,794	552,794

As at 31 December 2013, 37,606,000 (31 December 2012: 38,500,000) options were excluded from the diluted weighted average number of ordinary shares calculations as their effect would have been anti-dilutive.

13. Net Asset Value Per Share

	Group cents	Company cents
Net asset value per ordinary share based on issued share capital of the Company as at		
(a) 31 December 2013	20.16	19.53
(b) 30 June 2013	18.90	19.42

14. Dividend

Dividend declaration or recommended for the current financial period reported on or the corresponding period of the immediately preceding financial period is as follows:

	1 July 2013 to 31 December 2013	1 July 2012 to 31 December 2012
Name of dividend	Interim	Nil
Dividend type	Cash	Nil
Dividend rate	0.18 cents per ordinary share	Nil
Tax	Tax exempt (One-Tier)	Nil

Date payable

The interim dividend was approved by the Board of Directors. The dividend will be payable on 18 March 2014.

Book closure date

The book closure date is 25 February 2014, after 5.00 pm.

15. Significant Related Party Transactions

Significant transactions with related parties are as follows:

Group	1 October 2013 to 31 December 2013 \$'000	1 October 2012 to 31 December 2012 \$'000	1 July 2013 to 31 December 2013 \$'000	1 July 2012 to 31 December 2012 \$'000
Sales to:				
- a joint venture	-	46	-	89
- an associate	-	-	6	-
- other affiliates	-	38	30	252
Service income from an associate	-	59	-	59
Purchases from:				
- a joint venture	(32)	-	(74)	-
- an associate	(80)	-	(334)	-
Rental expenses paid to:				
- non-controlling interest of subsidiary	(17)	(13)	(33)	(25)
- a director	(31)	(20)	(62)	(52)
- other affiliate	(40)	-	(80)	-
Interest expense paid to non-controlling interest of subsidiary	-	(1)	-	(2)

16. Interested Person Transactions

There was no interested person transaction during the period and the corresponding period of the immediately preceding financial year that requires disclosure or shareholders' approval under chapter 9 of the Rules of the Listing Manual.

The Company does not have any general mandate from shareholders for interested person transaction.

17. Commitments

Lease Commitments

As at 31 December 2013, commitments of the Group for minimum lease payments under non-cancellable operating leases are as follows:

	Group	
	31 December 2013 \$'000	30 June 2013 \$'000
Receivable:		
Within 1 year	17	2
After 1 year but within 5 years	16	2
	33	4
Payable:		
Within 1 year	2,185	1,581
After 1 year but within 5 years	2,555	1,416
	4,740	2,997

Corporate guarantees

As at 31 December 2013, the Company provided corporate guarantees amounting to \$19,620,000 (30 June 2013: \$13,383,000) to banks for banking facilities of \$22,432,000 (30 June 2013: \$21,507,000) made available to its subsidiaries, of which the subsidiaries have utilised \$10,168,000 (30 June 2013: \$6,480,000).

18. Operating Segments

Reportable segments

Group	Distribution & Services solution		Probe Card solutions		Eliminations		Consolidated	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and Expense								
Total revenue from external customers	47,325	48,242	26,821	17,448	-	-	74,146	65,690
Inter-segment revenue	115	76	-	-	(115)	(76)	-	-
	<u>47,440</u>	<u>48,318</u>	<u>26,821</u>	<u>17,448</u>			<u>74,146</u>	<u>65,690</u>
Segment results	<u>1,119</u>	<u>553</u>	<u>6,569</u>	<u>564</u>			<u>7,688</u>	<u>1,117</u>
Unallocated segment							<u>328</u>	<u>(62)</u>
							8,016	1,055
Share of results of associates and joint ventures								
- allocated to reportable segment	276	294	176	517	-	-	452	811
- unallocated corporate and others							<u>(114)</u>	<u>(151)</u>
Profit before finance income/(expense) and income tax							8,354	1,715
Finance income							135	218
Finance expenses							(139)	(114)
Income tax expenses							(746)	(203)
Non-controlling interests							<u>(79)</u>	<u>(97)</u>
Profit for the period							<u>7,525</u>	<u>1,519</u>

Group	Distribution & Services solution		Probe Card solutions		Eliminations		Consolidated	
	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and Liabilities								
Segment assets	62,497	64,351	67,114	44,156	-	-	129,611	108,507
Investments in associates								
- allocated to reportable segments	2,688	2,545	5,181	5,344	-	-	7,869	7,889
Investments in joint ventures								
- allocated to reportable segments	283	283	-	-	-	-	283	283
- unallocated corporate and others							15	129
Tax receivables	35	144	18	-	-	-	53	144
Deferred tax assets	1,878	1,862	2,846	2,932	-	-	4,724	4,794
Unallocated corporate assets							<u>19,042</u>	<u>18,596</u>
Total assets							<u>161,597</u>	<u>140,342</u>
Segment liabilities	20,808	23,089	15,471	4,453	-	-	36,279	27,542
Interest-bearing borrowings	3,203	3,478	6,664	1,319	-	-	9,867	4,797
Income tax liabilities	564	460	720	154	-	-	1,284	614
Unallocated corporate liabilities							<u>759</u>	<u>992</u>
Total liabilities							<u>48,189</u>	<u>33,945</u>

Ellipsiz Ltd and its Subsidiaries
Second quarter results ended
31 December 2013

Group	Distribution & Services solution		Probe Card solutions		Eliminations		Consolidated	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure								
- allocated to reportable segments	81	402	2,849	2,130	-	-	2,930	2,532
- unallocated corporate expenses							12	1
							<u>2,942</u>	<u>2,533</u>
Other items								
Depreciation of property, plant and equipment								
- allocated to reportable segments	240	243	917	687	-	-	1,157	930
- unallocated corporate expenses							1	1
							<u>1,158</u>	<u>931</u>
Gain on disposal of property, plant and equipment								
- allocated to reportable segments	(2)	(16)	(28)	(8)	-	-	(30)	(24)
Amortisation of intangible assets								
- allocated to reportable segments	20	15	309	210	-	-	329	225
(Reversal of allowance)/Allowance for doubtful debts from trade and other receivables								
- allocated to reportable segments	-	-	(769)	38	-	-	(769)	38
(Reversal of allowance)/Allowance for inventory obsolescence								
- allocated to reportable segments	-	(12)	79	6	-	-	79	(6)
Bad debts written off								
- allocated to reportable segments	7	-	-	-	-	-	7	-
Inventory written off								
- allocated to reportable segments	41	-	24	25	-	-	65	25
Property, plant and equipment written off								
- allocated to reportable segments	-	-	10	-	-	-	10	-
Acquisition-related costs								
- allocated to reportable segments	-	-	1,083	-	-	-	1,083	-
Post-acquisition integration & restructuring costs								
- allocated to reportable segments	-	-	5,214	-	-	-	5,214	-
Negative goodwill on business combination								
- allocated to reportable segments	-	-	(11,489)	-	-	-	(11,489)	-

Geographical Segments

Group	Singapore		Other Asean Region		China and Taiwan		USA		Europe		Japan		Other Regions		Consolidated	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total revenue from external customers	30,037	31,978	10,246	7,832	18,093	13,655	7,763	8,863	2,605	1,744	4,110	56	1,292	1,562	74,146	65,690
	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013	31 December 2013	30 June 2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current segment assets	30,159	28,537	3,546	3,307	4,226	4,706	7,678	7,948	91	20	4,177	–	1,173	1,230	51,050	45,748
Investments in associates	–	–	2,688	2,545	–	–	–	–	–	–	5,181	5,344	–	–	7,869	7,889
Investments in joint ventures	216	216	67	67	15	129	–	–	–	–	–	–	–	298	412	
Investments in other financial assets	8,067	6,840	–	–	–	–	–	–	325	174	153	–	–	–	8,545	7,014
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	4,734	4,805
	38,442	35,593	6,301	5,919	4,241	4,835	7,678	7,948	416	194	9,511	5,344	1,193	1,230	72,496	65,868
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital expenditure	148	696	519	97	116	881	106	859	77	–	1,976	–	–	–	2,942	2,533

**CONFIRMATION BY THE BOARD
PURSUANT TO RULE 705(5) OF THE SGX-ST LISTING MANUAL**

We, Chong Fook Choy and Chan Wai Leong, being Non-Executive Chairman and Chief Executive Officer of Ellipsiz Ltd (the "Company"), do hereby confirm on behalf of the Board of Directors of the Company, that to the best of our knowledge, nothing has come to our attention which may render the interim financial statements of the Company and of the Group for the 2nd quarter results ended 31 December 2013 to be false or misleading in any material aspect.

On behalf of the Board of Directors



*Chong Fook Choy
Non-Executive Chairman*



*Chan Wai Leong
Chief Executive Officer*

Singapore
12 February 2014



**Ellipsiz Ltd and its Subsidiaries
Registration Number: 199408329R**

Second Quarter Financial Statements and Dividend Announcement

Financial period ended

31 December 2013

Review and Commentary

- (A) A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-
- (i) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors;
 - (ii) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on; and
 - (iii) any factors leading to material changes in contributions to turnover and earnings by the business or geographical segments.

The following discussion is based on and should be read in conjunction with, the consolidated financial statements of Ellipsiz Ltd and its subsidiaries (the Group), including the notes thereto.

Results of Operations

Revenue and gross profits

For the six months ended 31 December 2013 (1HFY2014), the Group had revenue of \$74.1 million, a growth of 13% when compared with the corresponding period of last financial year. Q2 consolidated revenue was an improvement of 11% from \$36.1 million in 2QFY2013 (3 months ended 31 December 2012) to \$40.0 million in 2QFY2014 (3 months ended 31 December 2013).

The growth in revenue was mainly contributed by the newly acquired business in our Probe Card solutions (PCS). Since the completion of the acquisition transaction on 30 August 2013, the business segment has recorded four-month revenue from this newly acquired business and thus led to the 54% increase in revenue for our PCS activities in 1HFY2014. Excluding the contribution from this newly acquired business, PCS had growth of approximately 4% from its original activities. The significant growth in revenue from Japan and Taiwan was from the newly acquired business.

Our Distribution and Services solutions (DSS) reported a marginal drop of 2% in revenue for 1HFY2014.

In line with the growth in revenue, gross profit attained in 1HFY2014 improved by 17% to \$17.7 million. Since the growth is from PCS that generally has higher gross profit margin than the average margin of the Group, the consolidated gross profit margin for 1HFY2014 improved by 1% to 24%.

Other income

Other income increased significantly from \$89K in 1HFY2013 to \$12.1 million in 1HFY2014. The recording of negative goodwill of \$11.5 million from its acquisition of businesses, dividend income of \$0.2 million from its financial investment and exchange gain of \$0.1 million were the key reasons for the increase in other income. Details of other income is disclosed in note 9 to the financial statements.

Operating expenses

Total operating expenses increased by 53% from \$14.2 million to \$21.8 million. Included in other expenses was acquisition cost of \$1.1 million and post-acquisition integration and restructuring costs of \$5.2 million relating to the acquisition of businesses. Excluding the one-time cost, operating expenses increased by 9%, mainly due to the additional expenses incurred by the newly acquired operations.

Net finance income / (expenses)

Due to the lower finance income and the increase in finance expenses by 22% in 1HFY2014, the Group had a net finance expenses of \$4,000 instead of finance income of \$104,000 a year ago.

Share of results of associates and joint ventures

The Group recorded profits of \$452,000 from share of results from associates and had share of losses of \$114,000 from its joint ventures for 1HFY2014.

Income taxes

In 1HFY2014, the Group recorded tax expense of \$0.7 million, mainly for the tax expense in the current financial period and an adjustment to the under provision of deferred tax expenses in prior year.

Net profit attributable to Owners of the Company

The Group had net profits after taxes and non-controlling interests of \$7.5 million for 1HFY2014, an improvement over 1HFY2013's profits of \$1.5 million. In 1HFY2014, the Group recorded one-time negative goodwill of \$11.5 million as well as post-acquisition integration and restructuring costs of \$5.2 million and acquisition cost of \$1.1 million. Excluding the one-time income and expenses, the Group had profit of \$2.3 million from its operating activities, an increase of 54% over 1HFY2013's profits.

Financial Conditions

Non-current assets

The non-current assets increased by 10% from \$65.9 million to \$72.5 million. Mainly attributing to the business acquisition during the period, property, plant and equipment and intangible assets increased by 96% and 3% respectively. A portion of trade and other receivables as at 30 June 2013 had been re-classified as current trade and other receivables as it becomes receivable within 12 months from 31 December 2013. This led to the 68% drop in non-current trade and other receivables. Due to the increase in market value of the financial assets during the quarter, the financial assets increased by 22% to \$8.5 million.

Current assets

Total current asset as at 31 December 2013 was \$89.1 million, an increase of 20% from \$74.5 million as at 30 June 2013. Project-in-progress increased by 337% as at 31 December 2013 due to the higher outstanding projects as at balance sheet date. Inventory increased resulting primarily from the acquisition of businesses from TCL, by 67% to \$12.1 million. Trade and other receivables increased by 17% as a result of the classification of certain non-current receivables to current mentioned earlier and the additions from the newly acquired businesses. Due to collection of intercompany balances, amount due from related parties decreased by 37%.

Current liabilities and non-current liabilities

Total liabilities as at 31 December 2013 stood at \$48.2 million, a 42% increase from \$33.9 million as at 30 June 2013. The higher interest-bearing borrowings and the additions arising from the acquisition to trade and other payables as well as provisions led to the increase in total liabilities.

Non-controlling interests

The increase in the non-controlling interests was due to the share of profits during the financial period.

Liquidity and Capital Reserves

The net cash inflow of the Group for financial period ended 31 December 2013 was \$1.7 million. This can be accounted by:

- (a) cash inflow of \$0.3 million for operating activities;
- (b) cash outflow of \$1.4 million for investing activities; and
- (c) cash inflow of \$2.8 million for financing activities.

The positive results in the period, partially offset by the net negative cash movement in working capital, led to the cash inflow from operating activities of \$0.3 million in 1HFY2014. The increases in project-in-progress and inventory were the main causes for the net negative cash movement in working capital.

Purchase of property, plant and equipment and payment of acquisition costs incurred, partially offset by the cash inflow from acquisition of businesses and dividend received from other financial asset, led to the net cash outflow of \$1.4 million from investing activities.

Net increase in interest-bearing borrowings, partially offset by the payment of dividend during the period, led to the net cash inflow from financing activities.

As at 31 December 2013, the Group's cash and cash equivalents position (including fixed deposits held as securities) was \$33.4 million.

(B) Where a forecast, a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

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

The Group's operating and performance prospects continued to be dependent on the macroeconomic conditions, market demand for electronics devices as well as capital spending at our customers. While the trend towards low cost solution exerts pressure on pricing, competition is expected to grow keener with the on-going industry-wide consolidation. Amidst the economic and structural challenges, we remained committed to pursue opportunities and leveraging on competitive offerings to sustain our growth and performance.