China BPIC Surveying Instruments AG

Interim report H1 2014

Content

China BPIC Surveying Instruments AG

Financial Highlight

Income Statement (for the 6-month period 30 June 2014 and 30 June 2013)

In kEUR	6-month ended 30 June 2014	6-month ended 30 June 2013	+/- %
Revenue	3,156	3,344	*-5.6%*
Gross profit	1,722	1,921	*-10.4%*
EBITDA[1]	1,969	1,929	2.1%
Net profit	1,008	1,215	*-23.4%*
Gross profit margin[2]	*54.6%*	*57.4%*	*-2.8%*
EBITDA margin[2]	*62.4%*	*57.7%*	*4.7%*
Net profit margin[2]	*31.9%*	*36.3%*	*-4.4%*
Earnings per share (basic)	*0.20*	*0.24*	*-16.7%*

1 EBIDTA refers to earnings before interests, depreciation and taxes, and is calculated using profit from operation minus depreciation.

2 Gross profit margin, EBITDA margin and net profit margin are calculated using related margins figures above divided by total revenue figure above.

Balance Sheet (as of 30 June 2014 and 2013)

In kEUR	30 June 2014	30 June 2013	+/- %
Assets			
Non-current	9,305	5,994	*55.2%*
Current	7,203	7,112	*1.3%*
Total assets	**16,508**	**13,106**	***26.0%***
Equity and liabilities			
Capital and reserves	8,239	6,189	*33.1%*
Current liabilities	8,269	6,917	*19.5%*
Total equity and liabilities	**16,508**	**13,106**	***26.0%***

Letter to the Shareholders

Dear Shareholders,

The first half of fiscal year 2014 saw a challenging economic environment in China as the growth of the world's second largest economy has slowed down since the end of 2012. Construction industry in China was somehow affected as well.

Under these situations, the financial results from the first six-month of 2014 is not up to our satisfaction. However, during these six months, we have increased our production capacity and product range. After the commercial operation of our new semi-automatic assembly lines in June 2014, we expect there would be an increase in both outputs and sales in the second-half of 2014. A few new products are in the pipeline, and in fact, we have already launched our new products to some of our direct distributors in China in small scale. Our production facilities are well equipped and ready for mass production of our new products. We expect our new products to achieve a higher sales in the second-half of 2014.

Our management has also well prepared for the challenging period ahead of us in 2014. Facing with stiff competition couple with slow economy in China, we have to expand our product range as well as distribution channel to further enhance the profitability and market shares of the Group. In addition, we are proud to announce that we have recently, through partnering with the Research and Development Center at the Ministry of Railways, successfully developed a device, Railway-Tunneling Gauge, which is used for high-speed railway inspection. This is a proof of our technology capability as well as marking an expansion of our products' application into a new field of high-speed railway.

We still remained optimistic that we can further leverage on our advanced R&D capability to explore value-creating business opportunities to our shareholders.

Group Structure

The existing group structure of BPIC remained unchanged from our last published Annual Report for the year ended 31 December 2013. The existing group structure of BPIC was formed on 31 July 2012 by way of a contribution in kind, when the transfer of the entire share capital in China BPIC Surveying Instruments Company Limited (**"BPIC HK"**) into BPIC AG took legal effect. BPIC HK is an intermediate holding company for the Group's operating entity Beijing Precise Instruments Company Limited (**"BPIC PRC"**) and Boxin Dingsheng Software Technology (Beijing) Limited (**"Boxin Dingsheng"**), which are both located in the PRC. The operating business of the Group is carried out by BPIC PRC and Boxin Dingsheng.

Key financial figures

- Revenue for 6-month period ended 30 June 2014 reported at kEUR3,156 as compared to kEUR3,344 million for 30 June 2013.
- Gross profit decreased by 10.4% to kEUR1,722 with a gross profit margin of 54.6% comparable to 6-month period ended 30 June 2013 of kEUR1,921 or 57.4%.
- Profit before tax, interest and depreciation increased by 2.1% to kEUR 1,969 with EBITDA margin of 62.4%

Revenue

Sales in first half of fiscal year 2014 decreased marginally to EUR 3.16 million (2013 1H: EUR 3.34 million)as compared to prior year corresponding 6-month results primarily attributed to a minor decrease in output quantity caused by some temporary production suspensions to fine-tune the production workflow of its assembly lines. We remained strong focus expanding our distribution network and our product range in order to achieve a better result in the second-half of 2014.

kEUR	**6-month ended 30 June 2014**	**6-month ended 30 June 2013**	**+/- %**
Branded Product Business	2,576	2,834	*-10.0%*
ODM Business	580	510	*13.7%*
Total	**3,156**	**3,344**	***-5.6%***

Sales for branded products during the period of review:

Products	**6-month ended 30 June 2014 Units**	**6-month ended 30 June 2013 Units**	**Average price Per unit (EUR)**
Electronic Theodolite (DT-2)	2,310	2,672	310 – 330
Electronic Theodolite (DT-5)	90	78	290 – 300
Laser Electronic Theodolite	1,982	1,227	320 – 335
Electronic Total Station	997	1,235	1,100 – 1,150
Construction Cross-Line Laser (VH21)	936	1,107	60 – 75
Construction Cross-Line Laser (VH41)	825	1,013	80 – 100
Total	**7,140**	**7,332**	

Electronic Theodolite, Laser Electronic Theodolite and Electronic Total Station remained as our core products for both of the periods, which comprised more than 80% of the total revenue from Branded Product Business.

ODM business for 30 June 2014 and 2013 mainly comprised design and manufacture surveying instruments under customers' brand name and sales of software.

Cost of sales

Cost of sales comprises cost of purchased service for ODM business, core components cost, labor costs for personnel employed in production, depreciation of property, plant and equipment used for production purposes, operating lease expenses etc.

Even though sales had decreased marginally, cost of sales for six-month period ended 30 June 2014 remained consistent with the corresponding 6-month period in prior year. This is solely due to higher depreciation charges from the additions of new equipment during the last 12 months.

Gross profit margin analysis

The gross profit margin decreased marginally by 2.8% for 6-month period ended 30 June 2014 of 54.6% (2013 : 57.4%) primarily due to higher depreciation charged for the additions of fixed assets.

Sales and distribution expenses

Selling and distribution expenses are mainly transportation expenses for the delivery of goods to regional dealers. All BPIC products were sold in batch directly to distributors, who subsequently re-sold them to end customers e.g. private and governmental surveying, construction and engineering companies. This enabled BPIC to keep its costs of distribution low even though the Group's sales increased dramatically. This approach has also contributed to BPIC's low marketing and sales expenses, as BPIC did not incur costs for its own distributors.

Administrative expenses

The administrative expenses largely consist of administration staff salaries, rental expenses of the administrative office, utilities etc. The administrative expenses remained consistent for both periods.

Income taxes

For the 6-month period ended 30 June 2014 and 2013, the income taxes reflected an effective tax rate of 35.5% and 29.5% respectively. The higher effective tax rate for both periods was attributed to the effects of preferential tax rates and non-deductible expenses.

Balance sheets ended 30 June 2014 and 2013

Non-current assets

We continued to invest in our machineries to cater for the high demand of our products. In the first six months of 2013, we have purchased kEUR 804 of machineries, including one semi-auto assembly line, renovation of the factory, models for new products and new equipment, in order to improve our production efficiency.

Current assets

Inventories

	30 June 2014 kEUR	30 June 2013 kEUR
Raw materials	1,381	419
Finished goods	141	413
	1,522	**832**

Inventories comprise raw materials and finished goods. The increase from kEUR 832 as at 30 June 2013 to kEUR 1,522 as at 30 June 2014 was primarily due to bulk purchased of raw materials for new semi-automatic assembly line as we foresee a higher sales orders in the second half of the year.

Trade and other receivables

	30 June 2014 kEUR	30 June 2013 kEUR
Trade receivables	3,106	2,547
Amount due from a related party	-	682
Deposit and other receivables	1,478	2,101
	4,584	**5,330**

Trade and other receivables decreased by kEUR 746 to kEUR 4,584 as at 30 June 2014 compared to corresponding 6-month period in prior year of kEUR 5,330. The decrease was primarily attributed to capitalize deposits paid for acquisition of fixed assets and collections of amount due from a related party. The decrease was partially offset by increased in trade receivables by kEUR 559, the amount due from our distributors. Management is closely monitoring the amount outstanding and as at the date of this report, management do not foresee any doubtful debts.

Equity

Capital and reserves for both periods stood at kEUR 8,239 and kEUR 6,189. Higher reserves in the period ended 30 June 2014 was largely driven by profit generated in the last 12 months.

Current liabilities

Trade and other payables

	30 June 2014 kEUR	30 June 2013 kEUR
Trade payables	121	657
Other payables	4,618	3,328
Amount due to holding company	-	310
	4,739	**4,295**

Total trade and other payables increased by kEUR 444 from kEUR 4,295 as of 30 June 2013 to kEUR 4,739 as of 30 June 2014 was mainly due to increase in accruals for sales and income taxes to be paid by kEUR 427 (30 June 2014 kEUR 3,755; 30 June 2013 kEUR 3,328). All taxes have been fully computed and accrued based on the applicable tax rate pursuant to the relevant tax laws and regulations in the PRC.

Working capital

BPIC is closely monitoring its working capital at all times to ensure a sufficient cash flow to operate its business and to settle all liabilities as and when they fall due. As at the balance sheet date, BPIC had no bank borrowings. All operating cash outflows and capital expenditures are financed by funds generated by BPIC's operating activities.

Cash Flow and Capital Resources

	6-month ended 30 June 2014 kEUR	6-month ended 30 June 2013 kEUR
Cash flows from operating activities	906	1,449
Cash flow used in investing activities	(237)	(820)
Net increase in cash and cash equivalents	**669**	**629**
Cash and cash equivalents at the beginning of the period	435	225
Effect of foreign exchange changes	(7)	96
Cash and cash equivalents at the end of period	**1,097**	**950**

Net cash from operating activities

Net cash from operating activities for the 6-month period ended 30 June 2014 was lower than the corresponding period by kEUR 543 (37.5%). The decrease was mainly attributable to bulk purchases of raw materials.

Net cash used in investing activities

Net cash used in investing activities comprised purchases of production equipment and model equipment for business expansion and new products of kEUR 237 and kEUR 820 for both 6-month period ended 30 June 2014 and 2013.
Net cash generated from financing activities

There was no financing activity incurred in the first-half of both financial year 2014 and 2013.

Outlook

In view of the slowdown in Chinese market in first half of the year, we remain confident to achieve a slightly better operating profit compared to last year given that launching of new products and better sales effort should contribute to higher revenues to the Group. Government is recently implementing policies to stimulate Chinese property market (i.e. losing controls on household purchase property and interests rate discount for housing loans), we foresee these plans can stimulate the property market moving forward. All construction-related industries would benefit from these supporting policies.

In addition, our R&D team have recently, through partnering with the Research and Development Center at the Ministry of Railways, successfully developed a device, Railway-Tunneling Gauge, which is used for high-speed railway inspection. This is a proof of our technology capability as well as marking an expansion of our products' application into a new field of high-speed railway. This will enhance the publicity of our brand name as well as proving the quality of our R&D team.

In summary, we expect that next 6-month will be a challenging period for. Nevertheless, we remain confident to achieve a slightly better operating profit compared to last year given that launching of new products and better sales effort should contribute to higher revenues to the Group. Contrary please note that these expectations are subject to uncertainty even if currently we do not have any information as to any contrary development. The future perspective of China BPIC Surveying Instruments AG highly depends on the economic development in China, but also on the ability to develop, produce and distribute qualitative and affordable surveying instruments.

The second half in general is better than the first half as the Chinese Lunar New Year festival took place in January/February. On the overall, with all the efforts we have made, we are optimistic about the future ahead and we believe what we have done has paved the way for sustainable development for our company and enable us to grow towards being one of the leading PRC surveying instruments manufacturers.

We appreciate the support that we have received from you, our Shareholders, in the first half of 2014. We will continue to grow BPIC Group with our best effort and generate maximum returns to the Company and Shareholders.

Sincerely yours,

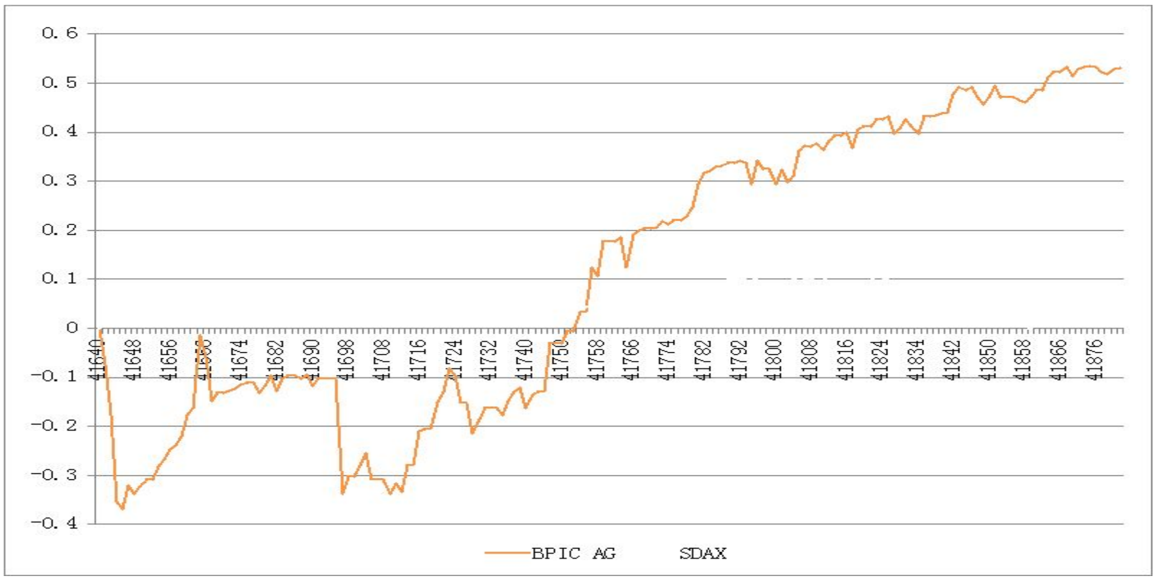
Wei XIE
Managing Director of China BPIC Surveying Instruments AG

The Share

Development of Share Price

BPIC AG's share price development did not reflect its goof interim result in the first half of FY 2014. On 2nd January 2014, the first trading day of the current financial period, the BPIC AG's share started with a closing price of EUR 3.25 on Xetra. The stock reached its high of EUR 5.22 on 22 August 2014. The share price took a downturn and touched its lowest of EUR 2.151 on 7 January 2014 during the period. BPIC AG was not aware of any specific reason leading to the drop in share price recently.

Relative Share Price Development in %
1 January 2014 to 31 August 2014



Basic Data

ISIN / WKN /Ticker	DE000A1PG508 / A1PG50 / CSY
Trading Sector	Industrial
Commencement of Trading	20 November 2012
Share Capital	EUR 5,154,646
Designated Sponsor	VEM Aktienbank AG
Market Capitalization as of 30 August 2014	EUR 26,845,396

Condensed Consolidated Financial Statements For the period ended 30 June 2014 and 2013

Condensed Consolidated Financial Statements

Condensed Half-year Consolidated Statement of Comprehensive Income

	Six months ended 30 June 2014 kEUR	Six months ended 30 June 2013 kEUR
Revenue	**3,156**	**3,344**
Cost of sales	(1,434)	(1,423)
Gross profit	**1,722**	**1,921**
Other operating income	59	17
Selling and distribution expenses	(3)	(3)
Administrative expenses	(213)	(211)
Profit before income tax	**1,565**	**1,724**
Income tax expense	(557)	(509)
Profit for the period, attributable to owners of the parent	**1,008**	**1,215**
Other comprehensive income:		
Currency translation differences	(76)	199
Total comprehensive income for the period, attributable to owners of the parent	**932**	**1,414**
Earnings per share		
Basic	**0.20**	**0.24**
Diluted	**0.20**	**0.24**

Condensed Half-Year Consolidated Statement of Financial Position

	30 June 2014 kEUR	30 June 2013 kEUR
ASSETS		
Non-current assets		
Plant and equipment	6,356	5,994
Intangible assets	706	-
Construction-in-progress	2,238	-
Deferred income tax assets	5	-
Total non-current assets	**9,305**	**5,994**
Current assets		
Inventories	1,522	832
Trade and other receivables	4,584	5,330
Cash and cash equivalents	1,097	950
Total current assets	**7,203**	**7,112**
Total Assets	**16,508**	**13,106**
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	5,155	5,155
Capital reserves	119	119
Foreign exchange difference	76	389
Chinese statutory reserves	34	30
Retained earnings	2,855	496
Total equity	**8,239**	**6,189**
Current liabilities		
Trade and other payables	4,739	4,295
Current tax liabilities	3,530	2,622
Total current liabilities	**8,269**	**6,917**
Total equity and liabilities	**16,508**	**13,106**

Condensed Half-Year Consolidated Statement Of Cash Flows

	Unaudited **6-month ended 30 June 2014** **EUR'000**	**Unaudited** **6-month ended 30 June 2013** **EUR'000**
Cash flows from operating activities		
Profit for the period before taxation	1,565	1,724
Adjustments for:		
Depreciation of plant and equipment	404	205
Operating profit before working capital changes	**1,969**	**1,929**
(Increase)/Decrease in inventories	(1,076)	(475)
Increase in trade and other receivables	(318)	(690)
Increase in trade and other payables	329	710
Cash generated from operations	904	1,474
Income tax paid	2	(25)
Net cash from operating activities	**906**	**1,449**
Cash flows from investing activities		
Purchase of plant and equipment	(237)	(820)
Net cash used in investing activities	**(237)**	**(820)**
Net increase in cash and cash equivalents	669	629
Cash and cash equivalents at the beginning of the period	435	225
Effect of foreign exchange changes	(7)	96
Cash and cash equivalents at the end of period	**1,097**	**950**

Condensed Consolidated Statement of Changes In Equity

in kEUR	Share capital AG	Capital Re-serves	Chinese statutory reserves	Retained earnings*	Currency translation reserve (other comprehen-sive income)	Total equity
Balance as of 1 January 2013	**5,155**	**119**	**30**	**(719)**	**190**	**4,775**
Total comprehensive income *	0	0	0	1,215	199	1,414
Balance as of 30 June 2013	**5,155**	**119**	**30**	**496**	**389**	**6,189**
Total comprehensive income *	0	0	0	1,355	(237)	1,118
Transfer to statutory reserve	0	0	4	(4)	0	0
Balance as of 31 December 2013/ 1January 2014	**5,155**	**119**	**34**	**1,847**	**152**	**7,307**
Total comprehensive income	0	0	0	1,008	(76)	932
Balance as of 30 June 2014	**5,155**	**119**	**34**	**2,855**	**76**	**8,239**

Selected Notes to the Condensed Half-Year Consolidated Financial Statements

1. Background and Basis of Preparation

1.1 The Company

Formation, business name, registered office, financial year and shares of the Company

China BPIC Surveying Instruments AG ("the Company" or “BPIC AG”) is the parent company of the BPIC Group and was formed by means of a notarial deed of incorporation, dated 18 July 2012. The Company is registered as a German listed stock corporation under the registration number HRB 123952 at the local court in Hamburg. The legal domicile of the Company is located at Schopenstehl 22, 3rd floor, 20095 Hamburg, Germany. The principal place of business of the Group is located in Room 313, Unit 2, Building 3, ZhuJiangmoer International, ChangPing District, Beijing, China ("PRC"). The Company's financial year is the calendar year (1 January to 31 December).

BPIC AG’s shares are traded on the Entry Standard, a segment of the non-regulated market (Freiverkehr) of the Frankfurt Stock Exchange.

Business of the BPIC Group

The BPIC Group is principally engaged in designing, manufacturing and selling surveying instruments under its own “BPIC” brand. Surveying instruments are mainly used to capture, edit, model, analyze and visually present spatial information (e.g. distance, angles, coordinates, image etc.). Spatial information tells us where we are, defines the properties we own, describes, maps and monitors the world, its infrastructure and its resources. Spatial information can also be used in building and monitoring of infrastructure such as roads, bridges, railways, tunnels and dams. The highly-precise surveying instruments of BPIC are produced in its own production plant in Changping District, Beijing, PRC. BPIC has been operating as a surveying instruments manufacturer since 2003. Benefiting from its competitive cost advantages over its peers, BPIC is able to pursue an aggressive pricing strategy on its products which enables it to hold a special position in the Chinese and overseas surveying instrument market.

Group structure

The operational business of the BPIC Group is carried out by individual operating subsidiaries, being limited liability companies formed under the laws of the PRC. The following subsidiaries are under either direct or indirect control of China BPIC Surveying Instruments AG and accordingly consolidated:

Name of company	Owner-ship	Country of incorporation	Type of legal entity	Particulars of issued and paid-up capital	Principal activities
China BPIC Surveying Instruments Company Limited	100%	Hong Kong	Limited liability company	Registered capital of HKD1,000	Investment holding
Beijing Precise Instruments Company Limited	100%	PRC	Limited liability company	Registered capital of RMB500,000	Manufacturing and distribution of surveying instruments equipment
Boxin Dingsheng Software Technology (Beijing) Limited	100%	PRC	Limited liability company	Registered capital of RMB100,000	Research and development of software and sales of software

BPIC HK is an intermediate holding company for the Group's operating entity Beijing Precise Instruments Company Limited ("BPIC PRC") and Boxin Dingsheng Software Technology (Beijing) Limited ("Boxin Dingsheng") and holds all the shares of BPIC PRC, which also holds all shares of Boxin Dingsheng. China BPIC Surveying Instruments AG also holds 100% of the shares in China BPIC Surveying Instruments Company Limited. ("BPIC HK").

Dividends to be paid by the Chinese subsidiaries generally have to be approved by Chinese government bodies. In addition, dividends are only payable if Chinese statutory reserves satisfy the relating legal requirements. Cash transfers from China require a formal approval from the State Administration of Foreign Exchange ("SAFE").

1.2 Basis of preparation of the consolidated financial statements

The Consolidated Financial Statements of the BPIC Group for the reporting period ending 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) and as issued by the International Accounting Standards Board (IASB), London, United Kingdom, and the interpretations of the International Financial Reporting Standards Interpretations Committee (IFRSIC), in so far as these have been adopted by the European Union (EU) in effect at the closing date. Sec. 315a Para. 1 of the German Commercial Code has been considered.

The Consolidated Financial Statements of BPIC Group are drawn up in Euros. Amounts are stated in thousands of Euros (€ thousand or k€) except where otherwise indicated. Because the calculations of the individual items included are based on the full figures, rounding differences may occur where amounts are shown in thousands of Euros. The financial statements of the individual consolidated companies are prepared as of the closing date for the Group financial statements.

The Consolidated Financial Statements for the reporting period ended 31 December 2013 (including comparative information relating to the accounting year 2012) were approved and authorized for issue by the Management Board as at 3 September 2014. They were approved by the Supervisory Board on its meeting as at 3 September 2014.

The consolidated financial statements were generally prepared using the historical cost convention. The balance sheet is divided into non-current and current assets and liabilities in accordance with IAS 1. Assets and liabilities which are due within one year are classified as current. In accordance with IAS 12, deferred tax assets/deferred tax liabilities are presented as non-current assets or liabilities. The consolidated statement of comprehensive income was prepared using the cost of sales method. The items presented are disclosed and explained separately in the notes.

The significant accounting policies and measurement bases that have been applied in the preparation of these Consolidated Financial Statements as of 30 June 2014 are summarised below.

With the exception of the changes in the accounting policies as set out below, the Consolidated Financial Statements have been prepared in accordance with the accounting policies adopted in the Consolidated Financial Statements for the period ended 30 June 2014.

An overview of new standards, amendments and interpretations applicable for the first time in the 2013 financial year is given in **Note 1.3**.

1.3 Standards, Interpretations and Amendments to Standards applicable for the first time in the 2013 financial year

The Group has applied the following standards and interpretations of the IASB as well as its changes or revisions for the first time in the 2013 reporting period:

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for first time Adopters
IAS 12 (Amendments)	Deferred tax: Recovery of Underlying Assets
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
IAS 19 (Amendments)	Employee benefits
IFRS 1 (Amendments)	Government Loans
IFRS 13	Fair Value Measurement
IFRIC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
IFRS 7 (Amendments)	Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements to IFRSs 2009–2011 cycle	

No material effect arose on the consolidated statement of financial position, consolidated statement of cash flows or consolidated statement of comprehensive income of the BPIC Group.

1.4 Published but not yet applied Standards, Interpretations and Amendments

At the time of preparation of the Group consolidated financial statements, the following standards and interpretations of the IASB as well as their changes and revisions had either not been endorsed by the European Union or were not compulsorily applicable in the 2013 financial year, and were therefore not applied by the BPIC Group:

Standard	Text	First time application in the EU
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in other entities	1 January 2014
IAS 27	Separate Financial Statements	1 January 2014
IAS 28	Investments in Associates and Joint Ventures	1 January 2014
IAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
IAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
IAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
Transition Guidance	Amendments to IFRS 10, IFRS 11 and IFRS 12	1 January 2014

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities	1 January 2014
IFRS 9	Financial Instruments and Subsequent Amendments (Amendments to IFRS 9 and IFRS 7)	yet to be determined
IAS 19 (Amendments) Defined Benefit Plans	Employee Contributions	yet to be determined
IFRS 14	Regulatory Deferral Accounts	yet to be determined
IFRIC 21	Levies	yet to be determined
Annual Improvements to IFRSs 2010 – 2011 cycle		yet to be determined
Annual Improvements to IFRSs 2011 – 2013 Cycle		yet to be determined

The aforementioned standards and interpretations are to be applied in the Consolidated Financial Statements of the BPIC Group from the 2014 financial year or later. Aside from additional or modified disclosure requirements BPIC Group currently expects from the first-time application of these standards, interpretations and amendments only marginal effect on the consolidated financial statements.

1.5 Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiary undertakings drawn up to 30 June 2014. Subsidiaries are all entities over which the parent company has the power to control the financial and operating policies. All subsidiaries have an annual reporting date of 31 December.

Consistent accounting and valuation policies are applied for like transactions and events in similar circumstances. The inter-group business relations correspond to the third party comparison, if not stated otherwise.

All inter-group balances, transactions, income and expenses, including provisional results from inter-group transactions are fully eliminated. Insofar as allowances for the shares of subsidiaries included or inter-Group receivables were recognized in single-entity financial statements, these are reversed in the course of consolidation. Subsidiaries are fully consolidated from the date of acquisition or foundation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

1.6 Functional and presentation currency

a) Functional currency

The functional currency for all of the Group's companies is Renminbi (RMB). Sales and major costs of providing goods and ongoing services, including most of the operating expenses are stated and invoiced almost exclusively in RMB.

b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currency of the combined entities and are recorded, on initial recognition, in the functional currency at the approximate exchange rates current as at their respective transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange applicable as of the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the date of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when their respective fair values are determined.

Exchange differences arising from the settlement of monetary items or on translating monetary items at the balance sheet date are recognized in the Statement of Comprehensive Income except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries. These are recognized initially without effect on profit and loss in the statement of other comprehensive income and as a separate component of equity (foreign currency translation reserve) in the consolidated balance sheet. Only on disposal of the subsidiary are they recognized in the consolidated Statement of Comprehensive Income.

c) Foreign currency translation

The presentation currency of the Group is Euro as the parent company is a German Stock Corporation listed in Germany. The results and statements of financial position of the combined entities are translated from Renminbi (or HKD), the functional currency of all entities of the Group, into Euro as follows:

Development of exchange rates (1 €/ foreign currency rate)		Average rate		Ending rate	
	ISO-Code	30/6/2014	30/06/2013	30/6/2014	30/6/2013
Chinese Yuan or RMB	CNY	8,4531	8.2034	8.4962	8.0515
Hong Kong-Dollar	HKD	10.6270	10.1937	10.6044	10.1937

Assets and liabilities for each balance sheet are presented at the closing rate ruling as of the balance sheet date. Income and expenses are translated at annual average exchange rates, which are approximations to the exchange rates as of the date of transactions.

All resulting exchange differences are recognized without effect on profit and loss in other comprehensive income in the currency translation reserve, a separate component of equity.

1.7 Significant accounting estimates and judgments

The preparation of financial statements in accordance with the IFRSs as adopted by the EU requires management to exercise judgment in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period.

The following estimates which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are disclosed below:

a) Allowance for trade receivables

Trade receivables are recorded at the invoiced amount and given their short duration do not bear interest. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing accounts receivables.

Management uses judgment to determine the allowance for doubtful receivables, which are supported by the historical write-off credit history of the customers and repayment records.

The Group reviews its allowance for doubtful receivables at least monthly. Account balances are charged against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

In some cases allowances for trade receivables are recognized using allowance accounts. Whether a default risk is recognized via an allowance account or directly by writing off the receivable depends on the estimated probability of default and the extent to which this estimate is considered reliable.

The carrying amount of allowance for doubtful receivables was k€ 32 (2012: k€ 0).

b) Amortization and Depreciation of intangible assets, property, plant and equipment

The cost of software and equipment used for the manufacturing process is amortized or depreciated on a straight-line basis over its estimated useful life. The management estimates the useful life of the software to be between 3 and 6 years and of the equipment to be between 3 and 10 years, according to life expectations in comparable industries. As changes in the expected level of usage and technological developments could affect the economic useful life and the residual value of these assets, future amortization charges could be revised.

Although these estimates are based on management's best knowledge of current events and actions, differences between the actual results and estimates cannot be excluded.

c) Provision for warranty

The Group generally offers two year warranties for its products. Management estimates the related costs based on historical claims information. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from these estimates.

1.8 Intangible assets

a) Software

Acquired software and licences are capitalised on the basis of cost incurred to acquire and bring it to the intended condition of use, as well as other costs relating to this. Direct expenditure, which can enhance or extend the performance of the software or licences and which can be measured reliably, is recognized as a capital improvement and added to the original cost of the software or licences. Costs associated with maintaining the software are recognized as expense as incurred.

Software and licences are stated at cost less accumulated amortisation and any impairment losses. The costs are amortised using a straight line method over its estimated useful life of three to ten years. Amortisation has been charged to cost of sales and administrative / other expenses.

b) Research and development costs

Research costs, if any, are expensed in the period in which they incur. Development costs are only capitalized if all the cumulative recognition criteria listed in IAS 38 are fulfilled, if the research phase can be clearly distinguished from the development phase and if the costs arising can be directly allocated to the individual project phases. No development costs were capitalized as per IAS 38 because the relevant criteria were not met. In particular, it is impossible to distinguish clearly between research and development activities due to countless interdependencies (circular process).

All intangible assets have a definite useful life.

1.9 Property, plant and equipment

Property, plant and equipment are recorded at cost, less accumulated depreciation and impairment losses if any.

Depreciation is charged to write off the costs of the assets over their estimated useful lives, using the straight-line method, as follows:

Plant and Machinery		10 years
Computer and office equipment		3-5 years
Furniture and fixtures		5 years

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The gain or loss arising from the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

1.10 Impairment of non-financial assets

At each reporting date, the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or an annual impairment test for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses recognized for an asset other than goodwill may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss is recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in previous years. Reversal of an impairment loss is recognized in the consolidated statement of comprehensive income. After such a reversal, the depreciation charge is adjusted for future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

1.11 Inventories

Inventories are valued at the lower of acquisition and production costs or the net realizable value as follows:

Raw materials		Purchase cost on a weighted average basis
Finished goods and work-in-process		Costs of direct materials and labor and a proportion of manufacture overheads based on normal operating capacity but excluding borrowing costs

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated selling costs.

Financial assets and financial liabilities are measured subsequently as described below:

a) Financial assets

Financial assets are classified into different categories determining their subsequent measurement. The Group holds only financial assets of the category loans and receivables (including cash and cash equivalents).

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade receivables and most other receivables and amounts due from related parties fall into this category of financial instruments. All loans and receivables are subject to review for impairment at least at each reporting date. When there is any objective evidence that a financial asset or a group of financial assets is impaired, the amount of the loss is determined and written off. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other available features of shared credit risk characteristics.

b) Financial Liabilities

The Group`s financial liabilities include trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method. Gains are recognized in the statement of comprehensive income when it is evident that payment will not be necessary.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of comprehensive income are included within "finance cost" or "finance income".

1.12 Trade and other receivables

Trade and other receivables do not bear interest. They are recognized at the original amount less an allowance for any uncollectible amounts. The allowance for doubtful receivables is the Group`s best estimate of the amount of probable credit losses in the Group`s existing accounts receivable. Management uses judgment to determine the allowance for doubtful receivables which is supported by historical repayment records of the customers.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank deposits with a maturity of up to three months and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant rise of changes in value. These are carried at their nominal amount.

For the purpose of providing security on the issue of bank acceptance bills BPIC Group is required to deposit cash into restricted accounts with its bankers. The restrictions on bank deposits are normally removed on settlement of the underlying bank acceptance bills.

1.14 Capital and Reserves

Share capital represents the nominal value of shares that have been issued by China BPIC Surveying Instruments AG.

The management board is authorized to increase the share capital of the Company with the consent of the supervisory board until 17 July 2017 once or several times by up to € 2,577,323 by the issue of up to 2,577,323 new nil par value bearer shares for cash or non-cash consideration. With the approval of the supervisory board, the management board is also authorized, under certain circumstances, to exclude the pre-emption rights of the existing shareholders. Until as at 31 December 2013, the company has not used the authorized share capital so that the authorized share capital amounted to EUR 2,577,323 as at 31 December 2013.

Capital reserves include any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares have been deducted from capital reserve, net of any related income tax benefits.

Chinese statutory reserves arise from the requirement under PRC law for one subsidiary to transfer 10% of the annual net profit as reported in their PRC statutory financial statements to the statutory reserve in each year, unless this reserve has reached 50% of the company´s registered capital. This statutory reserve can be used for loss compensation or for a capital increase as long as the reserve does not fall below 25% of the paid-in capital.

1.15 Provisions

Provisions are recognized when the Group has a present obligation (legal or factual) where, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only to the extent the reimbursement is virtually certain.

If the provisions are long term, they are discounted using a current pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost. As at 30 June 2014 all provisions are classified as current as they are due to reach maturity within a year.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate of the obligation. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

1.16 Operating lease

Where the Group makes use of assets under operating leases, payments made under the leases are recognized in the income statement on a straight-line basis over the term of the lease.

1.17 Revenue recognition

Revenue is generally recognized to the extent that it is probable that economic benefits will flow to the Group and can be reliably measured. All intra-group transactions are excluded from the revenue of the consolidated group.

a) Sales of goods

Revenue from sale of goods is recognized upon the transfer of significant risk and rewards of ownership to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods. Sale of goods represents the invoiced amount of delivered goods net of discounts, returns and value added tax.

b) Sales of service

Sales of services (i.e. processing services under ODM businesses) are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

1.18 Pension scheme

The Group participates in national pension schemes as defined by the laws of the respective judicial area. Contributions to national pension schemes are recognized as an expense in the period in which the related service is performed.

1.19 Taxation

Income tax for the financial year comprises current and deferred tax. Income tax is recognized in the Statement of Comprehensive Income except for the extent that relates to items recognized directly in equity. None of these have been accounted for directly in equity as at balance sheet date or in the previous year.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax assets and liabilities are generally accounted for all taxable temporary differences to the extent they are recognizable.

Deferred tax assets and liabilities, if any, are measured at the tax rates that are expected to be applicable in the year the asset is realized or the liability is settled. Deferred tax assets and liabilities, are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to income taxes levied by the same tax authority.

The carrying amount of deferred tax assets is revised at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

1.20 Earnings per Share

Earnings per share for 30 June 2014 amounted to € 0.20 (30 June 2013: € 0.24). The basis for the calculation is the profit after tax attributable to the owners of BPIC AG (the legal parent) as the numerator. The earnings per share are determined on the basis of the weighted average of the outstanding common stock. The number of outstanding shares used for basic earnings per share for the six months period ended 30 June 2014 and 2013 amounted to 5,154,646 shares. Basic and diluted earnings per share are the same.

in k€		30 June 2014		30 June 2013
Calculation of earnings per share				
Result attributable to owners of the parent		1,007,568		1,215,740
Average number of shares		5,154,646		5,154,646
Basic and diluted earnings per share		0.20		0.24

2. Segment Reporting

2.1 Segment information

Operating segments are identified on the basis of the internal reporting which is regularly reviewed by the chief operating decision maker. The operating business is reported separately according to the nature of the products, with each representing a strategic business unit. The segments are managed on the basis of gross return on sales as well as by orders received and the order backlog.

a) Business segment

The Group's operating businesses are organized into two business segments:

- Branded Products: The Branded product business is selling and distributing own branded products, which comprised Electronic Theodolite (2 models), Laser Electronic Theodolite, Electronic Total Station and Construction Cross-Line Laser (2 models).

- ODM Products: ODM business represents designing and manufacturing services of components related to surveying instruments and software to other surveying instruments companies in accordance with their specifications and requirements

b) Geographical business

The Group's contract partners and customers are all based in the People's Republic of China ("PRC") and all of its services to date have been provided in the PRC. In addition nearly all identifiable assets of the Group are located in the PRC. Therefore all revenues from external customers are attributed to the PRC.

c) Allocation basis

Revenue and cost of sales are directly attributable to the segments. The figures presented for the Group's reportable segment are reconciled to the Group's key financial figures as presented in the consolidated financial statements.

The following table presents revenue and results information regarding the Group's business segments for the financial period ended 30 June 2014. All revenues in the total amount of k€ 3,156 (30 June 2013: k€ 3,344) are from external customers.

2.2 Segments

	•Branded Product Business		•ODM Business		Group	
in k€	30/6/2014	30/6/2013	30/6/2014	30/6/2014	30/6/2014	30/6/2013
Revenues	2,576	2,834	580	510	3,156	3,344
Cost of sales	(1,176)	(1,152)	(258)	(271)	(1,434)	(1,423)
Total gross profit from reportable segments	**1,400**	**1,682**	**322**	**239**	**1,722**	**1,921**
Gross profit margin (%)	54.3%	59.4%	55.6%	46.8%	54.6%	57.4%
Segment assets	**16,329**	**12,865**	**50**	**98**	**16,379**	**12,963**
Unallocated assets	-	-	-	-	129	143
Group assets	**16,329**	**12,865**	**50**	**98**	**16,508**	**13,106**

3. EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the balance sheet date up to the date of this report.

Financial calendar

30 September 2014	Interim Financial Report 2014
Mid of November 2014	Annual General Meeting

Imprint

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