

QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2014

PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3) RESULTS

1(a) – An income statement and statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

1(a)(i) Income Statement

	\$'000		Group		\$'000		% Change
	3rd quarter ended 30.09.14	3rd quarter ended 30.09.13	% Change	9 months ended 30.09.14	9 months ended 30.09.13	% Change	
<u>Continuing operations</u>							
Revenue	28,013	25,588	9%	85,372	63,965	33%	
Cost of sales	(22,073)	(17,055)	29%	(67,417)	(42,933)	57%	
Gross profit	5,940	8,533	(30%)	17,955	21,032	(15%)	
Other operating income	179	119	50%	290	633	(54%)	
Selling & Distribution expenses	(2,975)	(3,009)	(1%)	(9,537)	(8,053)	18%	
Administrative expenses	(2,853)	(2,720)	5%	(8,081)	(7,877)	3%	
Finance costs	(350)	(115)	204%	(995)	(424)	135%	
(Loss)/Profit from operations	(59)	2,808	N.M.	(368)	5,311	N.M.	
Share of results of associated companies	116	173	(33%)	262	48	446%	
Share of results of a joint venture	69	149	(54%)	398	360	11%	

Profit before taxation	126	3,130	(96%)	292	5,719	(95%)
Tax expense	(295)	(724)	(59%)	(1,229)	(1,516)	(19%)
(Loss)/Profit from continuing operations, net of tax	(169)	2,406	N.M.	(937)	4,203	N.M.
<u>Discontinued operations</u>						
Loss from discontinued operations, net of tax	(1,019)	(3,420)	(70%)	(1,565)	(4,324)	(64%)
Net loss for the period	(1,188)	(1,014)	17%	(2,502)	(121)	1,968%
Attributable to:						
Equity holders of the Company	(219)	(638)	(66%)	601	1,490	(60%)
Non-controlling interests	(969)	(376)	158%	(3,103)	(1,611)	93%
	(1,188)	(1,014)	17%	(2,502)	(121)	1,968%

A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediate preceding financial year.

	3rd quarter ended 30.09.14	3rd quarter ended 30.09.13	% Change	9 months ended 30.09.14	9 months ended 30.09.13	% Change
Net loss for the period	(1,188)	(1,014)	17%	(2,502)	(121)	1,968%
Other comprehensive (loss)/ income :						
Exchange differences on translation of the financial statements of foreign entities (net)	(191)	772	N.M.	(317)	837	N.M.
Total comprehensive (loss)/ income for the period	(1,379)	(242)	470%	(2,819)	716	N.M.
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(236)	66	N.M.	498	2,119	(76%)
Non-controlling interests	(1,143)	(308)	271%	(3,317)	(1,403)	136%
Total comprehensive (loss)/ income for the period	(1,379)	(242)	470%	(2,819)	716	N.M.

1(a)(ii) Notes to income statement

	Group					
	(S\$'000)		(S\$'000)			
	3rd quarter ended 30.09.14	3rd quarter ended 30.09.13	%	9 months ended 30.09.14	9 months ended 30.09.13	%
			Change			Change
<u>Continuing operations</u>						
Other income including interest income	126	145	(13%)	321	253	27%
Interest on borrowings	(350)	(115)	204%	(995)	(424)	135%
Depreciation of property, plant and equipment	(882)	(443)	99%	(2,634)	(1,335)	97%
(Loss)/Gain on disposal of property, plant and equipment	(10)	13	N.M.	29	91	(68%)
Foreign exchange gain / (loss)	62	(29)	N.M.	(61)	289	N.M.
(Provision) / Write-back for stock obsolescence	(14)	(148)	(91%)	82	(565)	N.M.
Write-back / (Provision) of doubtful debts	117	(44)	N.M.	7	187	(96%)
Reversal of fair value adjustment of contingent consideration in a business combination	-	-	N.M.	-	465	N.M.
Loss on winding up an associated company	-	(17)	N.M.	-	(17)	N.M.
<u>Discontinued operations</u>						
Other income / (expenses) including interest income	2	(18)	N.M.	26	39	(33%)
Interest on borrowings	(20)	(27)	(26%)	(44)	(101)	(56%)
Depreciation of property, plant and equipment	-	(2)	N.M.	-	(2)	N.M.
Gain / (Loss) on disposal of property, plant and equipment	-	13	N.M.	(2)	-	N.M.
Foreign exchange gain / (loss)	15	(3,220)	N.M.	186	(2,779)	N.M.
Provision for stock obsolescence	(361)	(30)	N.M.	(361)	(37)	876%
(Provision) / write-back of doubtful debts	-	(273)	N.M.	-	(325)	N.M.
<u>Total</u>						
Other income including interest income	128	127	1%	347	292	19%
Interest on borrowings	(370)	(142)	161%	(1,039)	(525)	98%
Depreciation of property, plant and equipment	(882)	(445)	98%	(2,634)	(1,337)	97%
(Loss) / Gain on disposal of property, plant and equipment	(10)	13	N.M.	27	91	(70%)
Foreign exchange gain / (loss)	77	(3,249)	N.M.	125	(2,490)	N.M.
Provision for stock obsolescence	(375)	(178)	111%	(279)	(602)	(54%)
Write-back / (Provision) of doubtful debts	117	(317)	N.M.	7	(138)	N.M.
Reversal of fair value adjustment of contingent consideration in a business combination	-	-	N.M.	-	465	N.M.
Loss on winding up an associated company	-	(17)	N.M.	-	(17)	N.M.

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediate preceding financial year.

	Group (\$'000)		Company (\$'000)	
	30.9.14	31.12.13	30.9.14	31.12.13
Non-current assets				
Property, plant and equipment	48,266	49,301	4	-
Investment in subsidiaries	-	-	13,880	13,880
Investment in associated companies	10,090	6,612	9,469	6,235
Investment in a joint venture	2,391	2,353	811	809
Deferred tax assets	81	81	-	-
Intangible assets	227	227	49	49
	61,055	58,574	24,213	20,973
Current assets				
Inventories	43,509	40,954	-	-
Due from customers on construction contracts	2,721	4,584	-	-
Amount due from joint venture (trade)	337	258	-	-
Trade receivables	28,315	29,911	-	-
Other receivables	3,280	2,966	16,155	24,419
Cash and cash equivalents	12,597	12,468	955	2,222
	90,759	91,141	17,110	26,641
Disposal group assets classified as held for sale	7,079	6,915	-	-
Total current assets	97,838	98,056	17,110	26,641
Total assets	158,893	156,630	41,323	47,614
Non-current liabilities				
Deferred tax liability	663	662	-	-
Finance lease liabilities	691	750	-	-
	1,354	1,412	-	-
Current liabilities				
Due to customers on construction contracts	1,307	1,360	-	-
Trade payables	16,694	16,591	-	-
Other payables	14,138	9,347	1,178	479
Bank borrowings	47,022	44,093	-	-
Finance lease liabilities	192	179	-	-
Tax payable	1,690	1,939	30	196
	81,043	73,509	1,208	675
Liabilities directly associated with disposal group classified as held for sale	651	645	-	-
Total current liabilities	81,694	74,154	1,208	675
Total liabilities	83,048	75,566	1,208	675
Net assets	75,845	81,064	40,115	46,939

Shareholders' equity				
Share capital	43,461	43,461	43,461	43,461
Translation reserves	734	837	-	-
Accumulated profits	37,368	39,154	(3,346)	3,478
Attributable to equity holders of the Company	81,563	83,452	40,115	46,939
Non-controlling interests	(5,718)	(2,388)	-	-
Total shareholders' equity	75,845	81,064	40,115	46,939

1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following as at the financial period reported on with comparative figures as at the end of the immediate preceding financial year:

Amount repayable in one year or less, or on demand

As at 30.09.14 (\$'000)		As at 31.12.13 (\$'000)	
Secured	Unsecured	Secured	Unsecured
36,144	10,878	32,656	11,437

Amount repayable after one year

As at 30.09.14 (\$'000)		As at 31.12.13 (\$'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

The Group's banking facilities were secured by the following:

- Legal charge on the Group's leasehold property with net book value of \$11.56million (31.12.2013: \$11.72million)
- Corporate guarantee by the Company and a minority shareholder of a subsidiary.
- Fixed deposits of certain subsidiaries.
- Joint and several guarantees by certain directors of a subsidiary.
- Fixed charge for all monies over a subsidiary's present and future contracts financed or to be financed directly or indirectly, wholly or partly.
- Existing first fixed charge over a subsidiary fixed property and assets.

1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediate preceding financial year.

	Group			
	\$'000		\$'000	
	3rd quarter ended 30.09.14	3rd quarter ended 30.09.13	9 month ended 30.09.14	9 month ended 30.09.13
Cash flows from operating activities				
Profit before tax from continuing operations	126	3,130	292	5,719
Loss before tax from discontinued operations	(1,019)	(3,420)	(1,691)	(4,358)
Adjustments for :				
Depreciation	1,116	443	2,634	1,335
Interest income	(3)	(13)	(13)	(18)
Interest expense	370	142	1,039	525
Share of results of associated companies	(116)	(173)	(262)	(48)
Share of results of a joint venture	(69)	(149)	(398)	(360)
Gain / (loss) on disposal of property, plant and equipment	8	(13)	(29)	(91)
Fair value adjustment of contingent consideration in a business combination	-	-	-	(465)
Loss on winding up the associated company	-	17	-	17
Operating cash before movements in working capital	413	(36)	1,572	2,256
Inventories	(3,191)	2,918	(2,555)	(520)
Due from customers on construction contract, net	(1,836)	286	1,810	10,150
Receivables	497	(3,863)	1,121	11,444
Payables	7,445	(5,709)	4,898	(14,635)
Currency translation adjustments	(1,024)	1,406	(531)	1,148
Cash generated / (used in) from operations	2,304	(4,998)	6,315	9,843
Interest paid	(370)	(142)	(1,039)	(525)
Income tax paid	(566)	(797)	(1,353)	(2,344)
Net cash from / (used in) operating activities	1,368	(5,937)	3,923	6,974
Cash flows from investing activities				
Purchase of property, plant and equipment	(493)	(795)	(1,395)	(13,259)
Proceeds from disposal of property, plant and equipment	3	13	49	99
Investment in associated company	-	-	(3,215)	(62)
Interest received	3	13	13	18
Contribution from non-controlling interest	-	-	-	13
Dividend received from joint venture	-	-	363	355
Proceed from winding up of associated company	-	42	-	42
Additional investment in subsidiary	-	(15)	-	(15)
Fixed deposit	(1)	19	34	81

Net cash used in investing activities	(488)	(723)	(4,151)	(12,728)
Cash flows from financing activities				
(Repayment to)/proceed from term loans	(753)	3,985	(1,876)	15,013
Net (drawdown)/proceed of short term borrowing	(1,301)	(35)	4,805	(14,620)
Repayment of finance lease liabilities	(47)	(28)	(144)	(47)
Dividend paid	-	-	(2,400)	(2,400)
Net cash (used in) / from financing activities	(2,101)	3,922	385	(2,054)
Net (decrease) / increase in cash and cash equivalents	(1,221)	(2,738)	157	(7,808)
Cash and cash equivalents at beginning of period	11,770	7,227	10,389	12,275
Effect of exchange rate changes on cash and cash equivalents	3	(45)	6	(23)
Cash and cash equivalents at end of period	10,552	4,444	10,552	4,444
Cash and cash equivalents comprises the following				
Cash and cash equivalents	12,597	6,517	12,597	6,517
Less: Fixed deposits	(2,045)	(2,073)	(2,045)	(2,073)
Cash and cash equivalents as per statement of cash flows	10,552	4,444	10,552	4,444

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	(\$'000)					
	Share capital	Translation reserves	Accumulated profits	Total	Non-Controlling interests	Total shareholders' equity
At 1 January 2014	43,461	837	39,154	83,452	(2,388)	81,064
Currency translation differences arising on consolidation, net of tax	-	(50)	-	(50)	(21)	(71)
Profit for the period	-	-	1,416	1,416	(878)	538
Balance At 31 March 2014	43,461	787	40,570	84,818	(3,287)	81,531

Currency translation differences arising on consolidation, net of tax	-	(36)	-	(36)	(19)	(55)
Loss for the period	-	-	(596)	(596)	(1,256)	(1,852)
Dividend	-	-	(2,400)	(2,400)	-	(2,400)

Balance At 30 June 2014	43,461	751	37,574	81,786	(4,562)	77,224
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Currency translation differences arising on consolidation, net of tax	-	(17)	-	(17)	(174)	(191)
Loss for the period	-	-	(219)	(219)	(969)	(1,188)
Changes in ownership interest in a subsidiary	-	-	13	13	(13)	-

Balance At 30 September 2014	43,461	734	37,368	81,563	(5,718)	75,845
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	Share capital	Translation reserves	Accumulated profits	Total	Non-Controlling interests	Total shareholders' equity
At 1 January 2013	43,461	(106)	39,160	82,515	830	83,345
Currency translation differences arising on consolidation, net of tax	-	(303)	-	(303)	29	(274)
Changes in ownership interest in a subsidiary	-	-	8	8	5	13
Profit for the period	-	-	1,875	1,875	(700)	1,175
Balance At 31 March 2013	43,461	(409)	41,043	84,095	164	84,259
Currency translation differences arising on consolidation, net of tax	-	228	-	228	111	339
Profit for the period	-	-	253	253	(535)	(282)
Dividend	-	-	(2,400)	(2,400)	-	(2,400)
Balance At 30 June 2013	43,461	(181)	38,896	82,176	(260)	81,916

Currency translation differences arising on consolidation, net of tax	-	704	-	704	68	772
Loss for the period	-	-	(638)	(638)	(376)	(1,014)
Additional investment in a subsidiary	-	-	(11)	(11)	(4)	(15)
Balance At 30 September 2013	43,461	523	38,247	82,231	(572)	81,659

Company	(\$'000)		
	Share capital	Accumulated profits	Total shareholders' equity
At 1 January 2014	43,461	3,478	46,939
Profit for the period	-	253	253
Balance at 31 March 2014	43,461	3,731	47,192
Loss for the period	-	(488)	(488)
Dividend	-	(2,400)	(2,400)
Balance at 30 June 2014	43,461	843	44,304
Loss for the period	-	(4,189)	(4,189)
Balance at 30 September 2014	43,461	(3,346)	40,115
At 1 January 2013	43,461	3,943	47,404
Profit for the period	-	633	633
Balance at 31 March 2013	43,461	4,576	48,037
Profit for the period	-	450	450
Dividend	-	(2,400)	(2,400)
Balance at 30 June 2013	43,461	2,626	46,087
Loss for the period	-	(4,683)	(4,683)
Balance at 30 September 2013	43,461	(2,057)	41,404

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.09.14	31.12.13
Total number of issued shares (excluding treasury shares)	480,000,000	480,000,000

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice. (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as in the latest audited annual financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The adoption of the new and revised FRSs is assessed to have no material impact to the results of the Group and of the Company for the period ended 30 September 2014.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings/(Loss) per ordinary share for the period based on net profit attributable to shareholders:-

	Group			
	3rd quarter ended 30.09.14	3rd quarter ended 30.09.13	9 months ended 30.09.14	9 months ended 30.09.13
(i) Based on number of ordinary shares in issue:				
- Continuing operations	0.12 cents	0.51 cents	0.39 cents	1.11 cents
- Discontinued operations	(0.17) cents	(0.64) cents	(0.27) cents	(0.80) cents
Number of ordinary shares in issue	480,000,000	480,000,000	480,000,000	480,000,000
(ii) On a fully diluted basis:				
- Continuing operations	0.12 cents	0.51 cents	0.39 cents	1.11 cents
- Discontinued operations	(0.17) cents	(0.64) cents	(0.27) cents	(0.80) cents
Diluted number of ordinary shares in issue	480,000,000	480,000,000	480,000,000	480,000,000

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

(a) current financial period reported on; and

(b) immediately preceding financial year

	Group		Company	
	30.09.14	31.12.13	30.09.14	31.12.13
Net asset value per ordinary share based on existing share capital	17 cents	17 cents	8 cents	10 cents

8. 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 followings:-

(a) 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; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Revenue

(3Q2014vs3Q2013)

	Group		
	3Q2014 \$'000	3Q2013 \$'000	% Change
Supply Chain Management			
Marine cables and accessories	8,497	10,309	(18%)
Marine lighting equipment and accessories	2,772	2,477	12%
Others	2,041	1,584	29%
	13,310	14,370	(7%)
Manufacturing			
Marine switchboards	4,834	8,917	(46%)
Galvanized steel wire	5,917	454	1,203%
	10,751	9,371	15%
Engineering Services			
Engineering and installation	3,952	1,847	114%
Total sales revenue	28,013	25,588	9%

Supply Chain Management

Supply Chain Management Division accounts for 48% of the Group's turnover in 3Q2014, of which marine cables and accessories contributed 64%, marine lighting equipment and accessories 21% and others 15%. Revenue from the division decreased due to lower sales of marine cables, offset partly by increased sales in marine lighting and other products as a result of expanded product range and significant new orders from existing customers.

Manufacturing

Manufacturing Division accounts for 38% of the Group's turnover in 3Q2014, of which marine switchboards contributed 45% and galvanized steel wire 55%. The decrease in revenue from marine switchboards is due to delay by a major customer in awarding new projects to the Division. The increase in revenue from galvanized steel wire is due mainly to the commencement of production of galvanized steel wire in Oman in 4Q2013.

Engineering Services

Engineering Services Division accounts for 14% of the Group's turnover in 3Q2014. The increase in revenue is due to the contribution from two major projects as compared to 3Q2013 where there was lower revenue recognized from these projects which only commenced in 2Q2013 and 3Q2013.

(9M2014 vs 9M2013)

	Group		
	9M2014 \$'000	9M2013 \$'000	% Change
Supply Chain Management			
Marine cables and accessories	28,835	29,012	(1%)
Marine lighting equipment and accessories	9,196	7,719	19%
Others	5,514	4,658	18%
	43,545	41,389	5%
Manufacturing			
Marine switchboards and services	14,186	15,338	(8%)
Galvanized steel wire	18,103	2,170	734%
	32,289	17,508	84%
Engineering Services			
Engineering and installation	9,538	5,068	88%
Total sales revenue	85,372	63,965	33%

Supply Chain Management

Supply Chain Management Division accounts for 51% of the Group's turnover in 9M2014, of which marine cables and accessories contributed 64%, marine lighting equipment and accessories 21% and others 15%. Revenue from the division increased by 5% due to increased sales in marine lighting and other products as a result of expanded product range and significant new orders from existing customers.

Manufacturing

Manufacturing Division accounts for 38% of the Group's turnover in 9M2014, of which marine switchboards contributed 44% and galvanized steel wire 56%. The decrease in revenue from marine switchboards is due to delay by a major customer in awarding new projects to the Division. The increase in revenue from galvanized steel wire is due mainly to the commencement of production of galvanized steel wire in Oman in 4Q2013.

Engineering Services

Engineering Services Division accounts for 11% of the Group's turnover in 9M2014. The increase in revenue is due to the significant contribution from two major projects as compared to 9M2013 where there was lower revenue recognized from these projects which only commenced in 2Q2013 and 3Q2013.

Geographical segment

Revenue derived from Singapore decreased by \$5.1million or 32% from \$15.9million in 3Q2013 to \$10.8million in 3Q2014. This is due mainly to delay by a major customer in awarding new projects to the Marine Switchboards of Manufacturing Division.

Revenue derived from overseas increased by \$7.5million or 78% from \$9.6million in 3Q2013 to \$17.1million in 3Q2014. This is due mainly to higher contribution from the Group's Engineering Services Division which derived its revenue substantially from overseas customers and also from the commencement of production of the galvanized steel wire factory in Oman since 4Q2013.

Gross profit

The Group's overall gross profit decreased by \$2.59million or 29% from \$8.53million in 3Q2013 to \$5.94million in 3Q2014, and the Group's overall gross margin decreased by 12% from 33% in 3Q2013 to 21% in 3Q2014. The lower gross profit margin is due mainly to a gross loss from the galvanized steel wire in Manufacturing Division as a result of producing under its targeted capacity. The Group's overall gross margin in 3Q2014 would have been 30% if the gross loss from galvanized steel wire in Manufacturing Division is excluded.

Other operating income

The increase in other operating income in 3Q2014 is due mainly to higher foreign exchange gain.

Operating expenses

The Group's operating expenses comprise mainly selling & distribution and administrative expenses. Both selling & distribution and administrative expenses remained comparably unchanged during 3Q2014.

Share of results in associated companies

The decrease in share of results in associated companies is due to the delay in delivery of customer orders by General Luminaire (Shanghai) Co. Ltd (SGL), a subsidiary of an associated company, GL Lighting Holding Pte Ltd, in 3Q2014. The delay in delivery is due to the relocation of SGL factory from Shanghai to Kunshan, PRC.

Share of results of a joint venture

The decrease in share of results in a joint venture is due to fewer orders received and lower gross margin of sales by Dream Marine Ship Spare Parts Trading LLC as a result of increased competition in the Middle East.

Tax expense

Tax expense decreased by \$429,000 from \$724,000 in 3Q2013 to \$295,000 in 3Q2014 as a result of a lower profit before tax. Tax expense is higher than net profit before tax due mainly to losses in certain subsidiaries not qualified for tax relief.

Interest on borrowing

The increase in interest on borrowings in 3Q2014 as compared to 3Q2013 is due mainly to Gulf Specialty Steel Industries LLC ceasing to capitalize its borrowing cost after the commencement of production of galvanized steel wire in Oman in 4Q2013.

Depreciation

The increase in depreciation in 3Q2014 as compared to 3Q2013 is due mainly to Gulf Specialty Steel Industries LLC which has started to depreciate its plant and equipment after the commencement of production of galvanized steel wire in Oman in 4Q2013.

Foreign Exchange Gain / (Loss)

The foreign exchange gain in 3Q2014 as compared to a loss in 3Q2013 is due mainly to the appreciation in value of US dollar-based receivables as a result of a stronger US dollar against Singapore dollar.

Discontinued Operations

Disposal group assets classified as held for sale

Liabilities directly associated with disposal group classified as held for sale

The Group recorded a loss in 3Q2014 from discontinued operations of its subsidiary in Batam, net of tax, of \$1,019,000 as stated in detail below:

	Group					
	\$'000		%	\$'000		
	3rd quarter ended 30.09.14	3rd quarter ended 30.09.13		%	9 Months ended 30.09.14	9 Months ended 30.09.13
			Change			Change
<u>Discontinued operations</u>						
Revenue	1,891	2,018	(6%)	2,384	5,923	(60%)
Cost of sales	(2,282)	(1,431)	59%	(2,712)	(4,968)	(45%)
Gross profit	(391)	587	(167%)	(328)	955	(134%)
Other operating income / (expense)	17	(3,228)	N.M.	210	(2,729)	(108%)
Selling & Distribution expenses	(515)	(588)	(12%)	(960)	(1,596)	(40%)
Administrative expenses	(117)	(163)	(28%)	(569)	(886)	(36%)
Finance costs	(13)	(28)	(54%)	(44)	(102)	(57%)
Loss before taxation	(1,019)	(3,420)	(70%)	(1,691)	(4,358)	(61%)
Tax credit	-	-	N.M	126	34	271%
Net loss for the period	(1,019)	(3,420)	(70%)	(1,565)	(4,324)	(64%)

Discontinued operations' overall gross loss is \$391,000 in 3Q2014 compared to a gross profit of \$587,000 in 3Q2013. The gross loss in 3Q2014 is due to sale of a vessel below cost as a result of falling steel price.

Discontinued operations registered an other operating income in 3Q2014 as compared to an expense in 3Q2013. This is due mainly to a foreign exchange gain in 3Q2014 as compared to a loss in 3Q2013. The foreign exchange gain in 3Q2014 is due to the appreciation in value of Indonesian Rupiah against Singapore Dollar as the subsidiary's payables are denominated in Singapore Dollars.

The lower selling & distribution and administrative expenses in 3Q2014 is due mainly to Discontinued operations' reduced business activity and consequently its related expenses.

Balance Sheet and Cash Flow Analysis

Investment in associated companies

The increase in investment in associated companies is due mainly to the additional investment of \$3.15million in GL Lighting Holding Pte Ltd.

Due from customers on construction contracts

The decrease in amount due from customers on construction contracts is due to certain unbilled work-in-progress from the Engineering Services Division and Discontinued Operations being delivered and invoiced during 9M2014.

Disposal group assets classified as held for sale**Liabilities directly associated with disposal group classified as held for sale**

Details of disposal group classified as held for sale are as follows:	30.09.14 \$'000	31.12.13 \$'000
Property, plant and equipment	6,690	6,608
Other receivables	376	294
Cash and cash equivalent	13	13
	<u>7,079</u>	<u>6,915</u>

Liabilities directly associated with disposal group classified as held for sale:

Deferred tax liabilities	646	643
Other payables	5	2
	<u>651</u>	<u>645</u>

The increase in other receivables is due mainly to the prepayment for application of land title.

Other payables

The increase in other payables is due mainly to the advance payment received by marine switchboards from customers in the Manufacturing Division.

Banks borrowings

The increase in bank borrowings of \$2.93million is due mainly to utilization of bank facilities to finance the acquisition of raw materials by the Group's galvanized steel wire factory in Oman.

Cash flow

Net cash and cash equivalent decreased by \$1.2mm in 3Q2014 as compared to a decrease of \$2.7mm in 3Q2013. This is due mainly due to higher payables as a result of advanced payment from customers, offset by higher inventories and due from customers on construction contracts and net repayment to bankers.

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

Not applicable.

10. 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 remains focused on improving the overall health of our core businesses given the continuing weak shipping industry and mildly positive oil and gas industry in Asia. Related to the renewed focus on our core businesses, the Group has recently signed a non-binding Memorandum of Understanding for the sale of our subsidiary, Z-Power Automation Pte Ltd, which manufactures marine switchboards.

As part of our increased involvement in the LED lighting market, an associate company of the Group is in the process of acquiring a piece of land in Kunshan City on the outskirts of Shanghai to build its new factory which will increase its manufacturing capacity. The associate company is currently in the transition of moving its production team to Kunshan City and preparing for the construction of the new factory.

The performance of the Group's galvanized steel wire factory in Oman has been below expectations so far. The Group is working closely with its joint venture partner from Oman on a recovery plan with the aim of achieving the desired production capacity and sales volumes.

The Group will adopt a cautious stance with all segments of our businesses and strive to better manage and consolidate our group companies to improve efficiency and performance.

11. Dividend

(a) Current Financial Period Reported On?

Any dividend declared for the current financial period reported on?

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil.

Any dividend declared for the corresponding period of the immediately preceding financial year?

(c) Date payable Not applicable

(d) Books closure date Not applicable

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested Person Transactions

[Note Rule 920(1)(a)(ii) – An issuer must announce the aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the financial periods which it is required to report on pursuant to Rule 705.]

The Group has not obtained a shareholder's mandate pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. Negative assurance confirmation

The Board of Directors confirms that, to the best of its knowledge, nothing has come to its attention which may render the unaudited interim financial results for the financial period ended 30 September 2014 to be false or misleading, in any material respect.

On behalf of the Board of Directors

Alvin Lim Hwee Hong
Executive Chairman
10 November 2014

Vincent Lim Hui Eng
Chief Executive Officer
10 November 2014