

SECOND QUARTER FINANCIAL STATEMENTS ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2018

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

	Group					
	2nd quarter ended 30.06.2018 \$'000	2nd quarter ended 30.06.2017 \$'000 (Restated)*	% Change	1st half ended 30.06.2018 \$'000	1st half ended 30.06.2017 \$'000 (Restated)*	% Change
Revenue	9,234	8,841	4%	16,565	20,314	(18%)
Cost of sales	(5,725)	(5,856)	(2%)	(10,614)	(13,012)	(18%)
Gross profit	3,509	2,985	18%	5,951	7,302	(19%)
Other operating income	2,046	439	366%	1,816	186	876%
Selling and distribution expenses	(2,639)	(2,058)	28%	(5,402)	(4,130)	31%
Administrative expenses	(3,981)	(1,292)	208%	(5,304)	(2,740)	94%
Finance costs	(202)	(106)	91%	(295)	(195)	51%
(Loss)/Profit from operations	(1,267)	(32)	N.M.	(3,234)	423	N.M.
Share of results of joint ventures	98	281	(65%)	192	552	(65%)
Share of results of associated companies	(203)	(251)	(19%)	(691)	(605)	14%
(Loss)/Profit before tax	(1,372)	(2)	N.M.	(3,733)	370	N.M.
Tax credit/(expense)	63	25	152%	65	(88)	(174%)
Net (loss)/profit for the period	(1,309)	23	N.M.	(3,668)	282	N.M.
Attributable to:						
Equity holders of the Company	(1,178)	38	N.M.	(3,166)	405	N.M.
Non-controlling interests	(131)	(15)	N.M.	(502)	(123)	308%
	(1,309)	23	N.M.	(3,668)	282	N.M.

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

	Group					
	2nd quarter ended 30.06.2018 \$'000	2nd quarter ended 30.06.2017 \$'000 (Restated)*	% Change	1st half ended 30.06.2018 \$'000	1st half ended 30.06.2017 \$'000 (Restated) *	% Change
Net (loss)/profit for the period	(1,309)	23	N.M.	(3,668)	282	N.M.
Other Comprehensive loss:						
Exchange differences on translation of the financial statements of foreign entities (net)	(734)	(14)	N.M.	(490)	(375)	31%
Total comprehensive (loss)/income for the period	(2,043)	9	N.M.	(4,158)	(93)	N.M.
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(2,016)	24	N.M.	(3,570)	30	N.M.
Non-controlling interests	(27)	(15)	80%	(588)	(123)	N.M.
Total comprehensive (loss)/income for the period	(2,043)	9	N.M.	(4,158)	(93)	N.M.

N.M. – Not meaningful

* Restated the results of relevant subsidiaries from discontinued operations to continuing operations.

1(a)(ii) Notes to income statement

	Group					
	2nd quarter ended 30.06.2018 \$'000	2nd quarter ended 30.06.2017 \$'000 (Restated)*	%	1st half ended 30.06.2018 \$'000	1st half ended 30.06.2017 \$'000 (Restated) *	%
			Change			Change
Other income including interest income	102	142	(28%)	219	327	(33%)
Fair value loss on financial assets at fair value through profit or loss	(5)	-	N.M	(11)	-	N.M.
Gain on disposal of a subsidiary	1,581	-	N.M	1,581	-	N.M.
Amortisation of intangible assets	(57)	(116)	(51%)	(119)	(220)	(46%)
Depreciation of property, plant and equipment	(416)	(294)	41%	(719)	(657)	9%
Foreign exchange gain/(loss)	369	297	24%	27	(141)	N.M.
Interest on borrowings	(202)	(106)	91%	(295)	(195)	51%
Provision for liabilities	(2,049)	-	N.M.	(2,049)	-	N.M.
Provision for stock obsolescence	(289)	(127)	128%	(452)	(235)	N.M.
Provision for doubtful debts	(347)	10	N.M.	(896)	(121)	N.M.

N.M. – Not meaningful

* Restated the results of relevant subsidiaries from discontinued operations to continuing operations.

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			COMPANY		
	30.06.2018 \$'000	31.12.2017 \$'000	1.1.2017 * \$'000	30.06.2018 \$'000	31.12.2017 \$'000	1.1.2017 \$'000
Non-current assets						
Property, plant and equipment	12,069	12,572	15,827	-	-	-
Investment in subsidiaries	-	-	-	11,337	11,337	14,654
Investment in joint ventures	2,743	2,504	2,705	912	912	912
Investment in associated companies	4,638	3,260	11,982	3,085	3,085	12,748
Deferred tax assets	15	15	11	-	-	-
Intangible assets	1,200	1,096	5,254	49	49	49
Purchase deposit to a supplier	2,730	2,673	5,077	-	-	-
Financial assets, at fair value through profit or loss	31	42	-	1,307	1,307	-
Total non-current assets	23,426	22,162	40,856	16,690	16,690	28,363
Current assets						
Inventories	25,182	24,772	27,179	-	-	-
Due from customers on construction contracts	35	1,655	8	-	-	-
Trade receivables	9,302	8,910	14,222	-	-	-
Other receivables	2,089	2,234	5,044	131	3,222	5,126
Tax recoverable	97	1,708	-	-	-	-
Restricted cash	890	890	1,369	-	-	-
Cash and cash equivalents	6,710	6,329	7,040	4,752	194	180
	44,305	46,498	54,862	4,883	3,416	5,306
Disposal group assets classified as held for sale	-	2,274	-	-	-	-
Total current assets	44,305	48,772	54,862	4,883	3,416	5,306
Total assets	67,731	70,934	95,718	21,573	20,106	33,669
Non-current liabilities						
Deferred tax liability	369	434	1,463	-	-	-
Convertible loan notes	702	690	-	-	-	-
Other payables	-	-	765	-	-	765
Shareholder's loan	4,200	-	-	4,200	-	-
Bank borrowings	2,000	-	-	2,000	-	-
Finance lease liabilities	95	95	207	-	-	-
Total non-current liabilities	7,366	1,219	2,435	6,200	-	765

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 (cont'd).

	GROUP			COMPANY		
	30.06.2018	31.12.2017	1.1.2017 *	30.06.2018	31.12.2017	1.1.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current liabilities						
Due to customers on construction contracts	-	25	3,645	-	-	-
Trade payables	3,091	2,576	2,504	-	-	-
Other payables	2,431	2,195	2,351	5,155	5,118	1,300
Provisions	13,912	17,621	12,351	13,259	16,410	12,351
Bank borrowings	13,611	13,486	14,090	-	-	-
Finance lease liabilities	54	119	147	-	-	-
Tax payable	322	2,125	495	139	184	51
	33,421	38,147	35,583	18,553	21,712	13,702
Liabilities directly associated with disposal group classified as held for sale	-	498	-	-	-	-
Total current liabilities	33,421	38,645	35,583	18,553	21,712	13,702
Total liabilities	40,787	39,864	38,018	24,753	21,712	14,467
Net assets	26,944	31,070	57,700	(3,180)	(1,606)	19,202
Shareholders' equity						
Share capital	43,461	43,461	43,461	43,461	43,461	43,461
Currency translation reserve	(136)	268	-	-	-	-
Equity component of convertible loan notes	36	36	-	-	-	-
Reserve for disposal group classified as held for sale	-	(32)	-	-	-	-
(Accumulated losses)/Retained earnings	(10,620)	(7,454)	17,390	(46,641)	(45,067)	(24,259)
Equity attributable to equity holders of the Company, total	32,741	36,279	60,851	(3,180)	(1,606)	19,202
Non-controlling interests	(5,797)	(5,209)	(3,151)	-	-	-
Total shareholders' equity	26,944	31,070	57,700	(3,180)	(1,606)	19,202

*The Group has adopted the new Singapore Financial Statements (International) ("SFRS(I)") framework for the financial year ending 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition, which required the first SFRS(I) financial statements to comprise of an opening SFRS(I) statement of financial position at the date of transition to SFRS(I)s.

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 30.06.2018 (\$'000)		As at 31.12.2017 (\$'000)	
Secured	Unsecured	Secured	Unsecured
10,468 ⁽ⁱ⁾	3,143 ⁽ⁱ⁾	10,454 ⁽ⁱ⁾	3,032 ⁽ⁱ⁾

Amount repayable after one year

As at 30.06.2018 (\$'000)		As at 31.12.2017 (\$'000)	
Secured	Unsecured	Secured	Unsecured
2,000 ⁽ⁱ⁾	4,200 ⁽ⁱⁱ⁾	-	-

Details of any collateral

- (i) The Group's banking facilities were secured by the following:
 - (a) Legal charge on the Group's leasehold property with net book value of \$10.88 million (31.12.2017: \$11.24 million)
 - (b) Corporate guarantee by the Company.
- (ii) Shareholder's loan
Shareholder's loan from its controlling shareholder, Beng Hui Holding (S) Pte Ltd is unsecured, bears interest at the rate of 3.92% per annum.

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			
	2nd quarter ended 30.06.2018 \$'000	2nd quarter ended 30.06.2017 \$'000 Restated*	1st half ended 30.06.2018 \$'000	1st half ended 30.06.2017 \$'000 Restated*
Cash flows from operating activities				
(Loss)/Profit before tax	(1,372)	(2)	(3,733)	370
Adjustments for :				
Amortisation of intangible assets	57	116	119	220
Exchange difference	(107)	-	(57)	-
Depreciation of property, plant and equipment	416	294	719	657
Fair value loss on financial assets at fair value through profit or loss	5	-	11	-
Interest expense	202	106	295	195
Interest income	(25)	-	(50)	(124)
Provision, net	2,049	-	2,049	-
Share of results of associated companies	203	251	691	605
Share of results of joint ventures	(98)	(281)	(192)	(552)
Gain on disposal of a subsidiary	(1,581)	-	(1,581)	-
Operating cash flows before working capital changes	(251)	484	(1,729)	1,371
Inventories	(547)	(4)	(410)	84
Due from/(to) customers on construction contract, net	1,569	(573)	1,595	(2,725)
Receivables	(936)	582	(247)	1,003
Payables	1,208	(722)	763	669
Currency translation adjustments	(420)	(284)	(217)	(25)
Provision for claims and vendor costs	(359)	-	(558)	-
Cash generated from/(used in) operations	264	(517)	(803)	377
Income tax refund/(paid)	879	-	(192)	-
Net cash from/(used in) operations activities	1,143	(517)	(995)	377

* Restated the results of relevant subsidiaries from discontinued operations to continuing operations.

	Group			
	2nd quarter ended 30.06.2018 \$'000	2nd quarter ended 30.06.2017 \$'000 Restated*	1st half ended 30.06.2018 \$'000	1st half ended 30.06.2017 \$'000 Restated*
Cash flows from investing activities				
Dividend received from joint venture	-	395	-	395
Interest received	25	57	50	124
Loan to an associated company	-	-	(2,000)	-
Net cash inflow on deemed disposal of a subsidiary	3,000	-	3,000	-
Repayment of purchase deposit from a supplier	-	1,570	-	1,570
Proceeds from disposal of property, plant and equipment	-	-	-	-
Purchase of property, plant and equipment	(90)	(1)	(216)	(76)
Settlement of provision for liabilities	(4,200)	-	(5,200)	-
Development cost	(54)	(145)	(223)	(145)
Net cash (used in)/from investing activities	(1,319)	1,876	(4,589)	1,868
Cash flows from financing activities				
Repayment of short term borrowing	-	853	-	-
Net (repayment)/drawdown of short term borrowing	(345)	243	(1,275)	244
Drawdown of bank borrowings	2,000	500	4,000	500
Repayment from bank borrowings	-	(1,843)	(600)	(3,843)
Repayment of finance lease liabilities	(33)	(42)	(60)	(131)
Interest paid	(202)	(195)	(300)	(195)
Proceeds from shareholder loan	4,200	-	4,200	-
Net cash from/(used in) financing activities	5,620	(484)	5,965	(3,425)
Net increase/(decrease) in cash and cash equivalents				
	5,444	875	381	(1,180)
Cash and cash equivalents at beginning of period	1,266	5,050	6,329	7,040
Cash and cash equivalents at end of the financial year	6,710	5,925	6,710	5,860
Cash and cash equivalents comprises the following				
Cash and cash equivalents	7,600	7,294	7,600	7,229
Less Restricted cash	(853)	(1,369)	(853)	(1,369)
Less: Fixed deposits (pledged)	(37)	-	(37)	-
Cash and cash equivalents as per statement of cash flows	6,710	5,925	6,710	5,860

* Restated the results of relevant subsidiaries from discontinued operations to continuing operations.

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

	Attributable to equity holders of the Company							Total equity \$'000
	Share capital \$'000	Currency translation reserves \$'000	Equity component of convertible loan notes \$'000	Reserve of disposal group classified as held-for-sale \$'000	Accumulated losses \$'000	Total \$'000	Non-Controlling interests \$'000	
Balance at 1 January 2018	43,461	870	36	(32)	(8,056)	36,279	(5,209)	31,070
Effect of transition to SFRS(I)s (Note 1)	-	(602)	-	-	602	-	-	-
Balance at 1 January 2018	43,461	268	36	(32)	(7,454)	36,279	(5,209)	31,070
Currency translation differences arising on consolidation, net of tax	-	434	-	-	-	434	(190)	244
Loss for the period	-	-	-	-	(1,988)	(1,988)	(371)	(2,359)
Balance at 31 March 2018	43,461	702	36	(32)	(9,442)	34,725	(5,770)	28,955
Currency translation differences arising on consolidation, net of tax	-	(838)	-	-	-	(838)	104	(734)
Loss for the period	-	-	-	-	(1,178)	(1,178)	(131)	(1,309)
<i>Changes in ownership interest in subsidiaries</i>								
Disposal of a subsidiary	-	-	-	32	-	32	-	32
Balance at 30 June 2018	43,461	(136)	36	-	(10,620)	32,741	(5,797)	26,944

Group

Attributable to equity holders of the Company

	Share capital \$'000	Currency translation reserves \$'000	Equity component of convertible loan notes \$'000	Reserve of disposal group classified as held- for-sale \$'000	Retained earnings \$'000	Total \$'000	Non- Controlling interests \$'000	Total equity \$'000
Balance at 1 January 2017	43,461	602	-	-	16,788	60,851	(3,151)	57,700
Effect of transition to SFRS(I)s (Note 1)	-	(602)	-	-	602	-	-	-
Balance at 1 January 2017	43,461	-	-	-	17,390	60,851	(3,151)	57,700
Currency translation differences arising on consolidation, net of tax	-	53	-	-	-	53	(67)	(14)
Profit/(Loss) for the period	-	-	-	-	367	367	(108)	259
Balance at 31 March 2017	43,461	53	-	-	17,757	61,271	(3,326)	57,945
Currency translation differences arising on consolidation, net of tax	-	(416)	-	-	-	(416)	55	(361)
Profit/(Loss) for the period	-	-	-	-	38	38	(15)	23
Balance at 30 June 2017	43,461	(363)	-	-	17,795	60,893	(3,286)	57,607

Note 1-

The Group has adopted SFRS(I) for the financial year ending 31 December 2018 and has applied SFRS(I) 1 with 1 January 2017 as the date of transition for the Group.

The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Currency Translation Reserve for all foreign operations to NIL at the date of transition, and reclassify the cumulative Currency Translation Reserve of approximately S\$602k as at 1 January 2017 as determined in accordance with the previous Financial Reporting Standards at that date to retained earnings. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation difference that arose before the date of transition.

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 (cont'd).

Company

	Share capital \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2018	43,461	(45,067)	(1,606)
Profit for the period	-	172	172
Balance at 31 March 2018	43,461	(44,895)	(1,434)
Loss for the period	-	(1,746)	(1,746)
Balance at 30 June 2018	43,461	(46,641)	(3,180)

Company

	Share capital \$'000	Accumulated losses \$'000	Total \$'000
Balance at 1 January 2017	43,461	(24,259)	19,202
Profit for the period	-	67	67
Balance at 31 March 2017	43,461	(24,192)	19,269
Profit for the period	-	434	434
Balance at 30 June 2017	43,461	(23,758)	19,703

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.

	30.06.2018	30.06.2017
Total number of issued shares (excluding treasury shares)	119,999,995	119,999,995

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’s financial statements for the financial year ending 31 December 2018 is prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) issued by the Accounting Standard Council (“ASC”).

Other than the adoption of the new framework and the new SFRS(I)s, which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the latest audited annual financial statements for the financial year ended 31 December 2017.

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.

In adopting the new SFRS(I) 1 framework with effect from 1 January 2018, the Group is required to apply the specific transition requirement in SFRS(I) 1 First-time Adoption of International Financial Reporting Standards.

In 2Q2018 the Group disposed a foreign subsidiary and recorded a gain on disposal of \$1.6 million. The Group has elected the optional exemption under the new SFRS(I) 1 to reset cumulative currency translation reserve for all foreign operations to \$nil at the date of transition on 1 January 2017. As a result, the currency translation reserve of \$914k relating to this foreign subsidiary has been reclassified to retained earnings as at 1 January 2017. Thus, the gain on disposal of this subsidiary will exclude translation differences that arose before the date of transition. The gain on disposal of this subsidiary would have been \$686k if not for the election of this optional exemption.

In addition, during the current financial year, the Group and the Company have adopted the SFRS(I) 9 Financial Instruments and SFRS(I) 15 Revenue from Contracts with Customers.

Save for the impact of adoption of the new SFRS(I) 1 as disclosed above, the adoption of these new SFRS(I)s is assessed to have no material impact on the results and financial position of the Group and of the Company for the year ending 31 December 2018.

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.

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

Group

	2nd quarter ended 30.06.2018	2nd quarter ended 30.06.2017	1st half ended 30.06.2018	1st half ended 30.06.2017
(i) Based on number of ordinary shares in issue		(Restated*)		(Restated*)
Net loss per ordinary share for the period	(0.98) cents	0.03 cents	(2.64) cents	0.34 cents
Number of ordinary shares in issue	119,999,995	119,999,995	119,999,995	119,999,995
(ii) On a fully diluted basis				
Net loss per ordinary share for the period	(0.98) cents	0.03 cents	(2.64) cents	0.34 cents
Diluted number of ordinary shares in issue	119,999,995	119,999,995	119,999,995	119,999,995

* Restated the results of relevant subsidiaries from discontinued operations to continuing operations.

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	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Net asset value per ordinary share based on existing share capital	27 cents	30 cents	(3) cents	(1) 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

Key changes in the Group's financials:

Revenue

(2Q2018 Vs 2Q2017)

	Group		% Change
	2Q2018	2Q2017	
	\$'000	\$'000	(Restated)*
Supply Chain Management			
Marine cables and accessories	4,339	3,147	38%
Marine lighting equipment and accessories	2,982	2,337	28%
Lamp and others	965	1,351	(29%)
	8,286	6,835	21%
Security	856	1,048	(18%)
Engineering Services	92	958	(90%)
Total sales revenue	9,234	8,841	4%

* Restated the results of relevant subsidiaries from discontinued operations to continuing operations.

Supply Chain Management

Supply Chain Management Division accounts for 90% of the Group's turnover in 2Q2018, of which marine cables and accessories contributed 52%, marine lighting equipment and accessories 36% and others 12%. Revenue from the division increased by 21% due to sales to an new overseas customer.

Security

Security Division mainly provides security products and solutions relating to information technology. The division accounts for 9% of the Group's turnover in 2Q2018.

Engineering Services

Engineering Services Division accounts for 1% of the Group's turnover in 2Q2018. Revenue from Engineering Services Division decreased by 90% due mainly to termination of an engineering contract by a customer in 4Q2017. There is no other significant contract in 2Q2018.

Revenue

(1H2018 Vs 1H2017)

	Group		% Change
	1H2018	1H2017	
	\$'000	\$'000	
		(Restated)*	
Supply Chain Management			
Marine cables and accessories	8,192	7,767	5%
Marine lighting equipment and accessories	5,108	4,501	13%
Lamp and others	1,913	2,699	(29%)
	15,213	14,967	2%
Security	1,197	1,853	(35%)
Engineering Services	155	3,494	(97%)
Total sales revenue	16,565	20,314	(18%)

Supply Chain Management

Supply Chain Management Division accounts for 92% of the Group's turnover in 1H2018, of which marine cables and accessories contributed 54%, marine lighting equipment and accessories 20% and others 6%. Revenue increased marginally as a result of higher sales to an new overseas customer.

Security

Security Division mainly provides security products and solutions relating to information technology. The division accounts for 5% of the Group's turnover in 1H2018.

Engineering Services

Engineering Services Division accounts for 1% of the Group's turnover in 1H2018. Revenue from Engineering Services Division decreased by 97% due mainly to termination of an engineering contract by a customer in 4Q2017. There is no other significant contract in 1H2018.

2Q2018 vs 2Q2017

Geographical segment

Revenue derived from Singapore decreased marginally by \$0.6 million or 12% from \$5.7 million in 2Q2017 to \$5.1 million in 2Q2018.

Revenue derived from overseas increased by \$1.1 million or 35% from \$3.1 million in 2Q2017 to \$4.2 million in 2Q2018 due mainly to sales to a new overseas customer.

Gross profit

The Group's overall gross profit increased by \$0.5 million or 18% from \$3.0 million in 2Q2017 to \$3.5 million in 2Q2018 due to higher revenue. The Group's overall gross margin increased marginally by 4% from 34% in 2Q2017 to 38% in 2Q2018 due to product mix.

Other operating income

Other operating income increased by \$1.6 million from \$0.4 million in 2Q2017 to \$2.0 million in 2Q2018 due mainly to a higher foreign exchange gain and gain on disposal of a subsidiary.

Operating expenses

The Group's operating expenses comprise of mainly selling & distribution and administrative expenses. Selling & distribution expenses increased by 28% to \$2.6 million due to higher provision for doubtful debts and stock obsolescence. Administrative expenses increased by 208% to \$3.9 million due mainly to higher provision for liabilities.

Share of results of associated companies

The Group's share of loss in associated companies is due mainly to the performance of GL Lighting Holding Pte Ltd ("GLH"). GLH's results was affected by supplier-related issues which disrupted production and the associate company's ability to meet its sales orders.

Interest on borrowings

The increase in interest on borrowings in 2Q2018 as compared to 2Q2017 is due mainly to increase in bank borrowings and shareholder's loan.

Gain on disposal of a subsidiary

The gain on disposal of a subsidiary arose from disposal of PT. Dwiutama Mandiri Sukses which owns the Batam yard (refer to point 5 for further explanation).

Provision for liabilities

The Group has provided additional provision for liabilities as a result of additional estimated losses of Gul Specialty Steel Industries LLC ("GSSI").

Foreign exchange gain

The Group reported a foreign exchange gain of \$369k is due mainly to translation of US\$ denominated bank balances and receivables as a result of strengthening of US\$ against S\$.

Provision for stock obsolescence

The higher provision for stock obsolescence is in accordance to the Group's stock policy.

Provision for doubtful debts

In view of the weak marine and offshore markets where payment from customers are slower coupled with poor performance announced by certain customers, the Group has provided a higher provision for doubtful debts.

Net (loss)/profit for the period

The Group registered a net loss of \$1.31 million in 2Q2018 as compared to a net profit of \$0.23 million in 2Q2017 due mainly to higher provision for liabilities, doubtful debts and stock obsolescence offset by a gain on disposal of a subsidiary.

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

Balance Sheet and Cash Flow Analysis**Investment in associated companies**

The increase in investment in associated companies is due mainly to a loan to GLH offset by the share of loss in GLH.

Intangible assets

Intangible assets remain comparably unchanged.

Purchase deposit to a supplier

The purchase deposit is paid to a main cable supplier which will be offset from future purchases over a five-year period (for details please refer to the Group's announcement on 9 June 2015). The increase is due to the strengthening of US\$ against S\$ as the purchase deposit is denominated in US\$.

Inventories

Inventories increased by \$410k from \$24.7 million in FY2017 to \$25.2 million in 2Q2018 is due mainly to purchase of raw materials and work in progress by the Security and Engineering Services divisions respectively.

Trade receivables

Trade receivables increased by \$392k from \$8.9 million in FY2017 to \$9.3 million in 2Q2018 due mainly to higher revenue.

Other receivables

The decrease in other receivables of \$145k is due mainly to offsetting of deposit paid to suppliers upon receipts of such supplies and higher progressive recognition of deferred cost.

Tax recoverable/payable

The decrease in tax recoverable/payable is due to the tax authority allowing a subsidiary to claim group relief which was previously disallowed. The tax authority has refunded substantially the tax recoverable amount to the subsidiary in 2Q2018.

Disposal group assets classified as held for sale

Asset held for sale in FY2017 relates to the Batam Land and the assets held by a subsidiary where the Group has disposed in 2Q2018.

Convertible loan notes

One of the Group's subsidiary, Omnisense Systems Pte Ltd ("OMS") and its shareholders entered into a convertible loan agreement ("CLA") dated 7 September 2017, pursuant to which its shareholders have agreed, subject to the terms of the CLA, to grant a convertible note of up to aggregate principle amount of up to \$4 million to its shareholders at an interest rate at 6.0% per annum. Subscription of the convertible loan closed on 30th December 2017.

Trade payables

The higher trade payables is due mainly to higher purchases as a result of higher revenue.

Other payables

The increase in other payables of \$236k is due mainly to higher deferred revenue billed in advance to and deposits from customers.

Provisions

The decrease in provisions of \$3.7 million is due mainly to partial repayment of provision for liabilities offset by additional estimated losses of GSSI.

Cash flow

Net cash generated from operating activities amounted to \$1.1 million in 2Q2018 as compared to a net cash used in operating activities of \$0.5 million in 2Q2017. Net cash and cash equivalent increased by \$5.4 million in 2Q2018 compared to an increase of \$0.8 million in 2Q2017. The increase is due mainly to net cash inflow on disposal of a subsidiary and drawdown of bank borrowings.

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's core business, the Supply Chain Management division, saw an increase in revenue for 2Q2018 as the Group continued to focus on enhancing its business functions and maintaining a lean operating structure to help stabilize and subsequently bolster performance in the long run. The Group also continues to explore viable opportunities in the industrial, petro-chemical and related sectors.

The Security division was formed in 2Q2016 and focuses on cybersecurity, enterprise IT operation management and sensing security products for both public and private sectors in Singapore and the region. This division remains a valuable prospect for the Group, with orders from both government agencies and private companies. The Group aims to build on the partnerships forged and further its exposure in regional markets.

The Group's associated company, GLH, continues to face headwinds in the form of supplier-related issues, affecting production and resulting in lower sales to major customers. The Group will focus on ramping up production and sales once the factory is operational by 4Q2018.

In 1Q2018, the Group has entered into a non-binding Letter of Intent ("LOI") to dispose its 51% equity interest in GSSI, its galvanized steel wire factory in Oman, subject to fulfillment of certain terms and conditions outlined in the LOI. However, subsequently in 2Q2018, with its shareholders' approval, GSSI has entered into an assets sale agreement to dispose its operating assets to the same buyer instead, after further discussion between GSSI's shareholders and the buyer. The proposed disposal is expected to be completed within 2 months from the end of 2Q2018. The Group and its joint venture partner also intend to wind-up GSSI after the disposal. The Group will announce the progress of the disposal and winding-up accordingly at a later date.

On its Engineering Services division, the liquidation of OGS remains ongoing. On PTE, the Group has disposed the Batam Land in 2Q2018 as announced on SGXNet on 4 May 2018 and 9 May 2018.

11. Dividend

(a) Current Financial Period Reported On?

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year?

None

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/recommendeded, a statement to that effect.

No dividend has been declared or recommended for the quarter ended 30 June 2018.

13. Confirmation that the issuer has procured undertakings from all its directors and executive officer under Rules 720(1) of the listing manual

The Company hereby confirms that it has procured undertakings from all its directors and executive officer under Rule 720(1) of the listing manual.

14. 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.

15. 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 June 2018 to be false or misleading, in any material respect.

On behalf of the Board of Directors

Vincent Lim Hui Eng
Executive Chairman and
Chief Executive Officer
7 August 2018

Patrick Lim Hui Peng
Chief Operating Office