

## QUARTERLY FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 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	
	2nd quarter ended 30.06.14	2nd quarter ended 30.06.13	% Change	1st half ended 30.06.14	1st half ended 30.06.13	% Change
<b><u>Continuing operations</u></b>						
Revenue	29,535	18,440	60%	57,359	38,377	49%
Cost of sales	(24,048)	(12,220)	97%	(45,344)	(25,878)	75%
<b>Gross profit</b>	<b>5,487</b>	<b>6,220</b>	(12%)	<b>12,015</b>	<b>12,499</b>	(4%)
Other operating income	3	329	(99%)	111	514	(78%)
Selling & Distribution expenses	(3,444)	(2,366)	46%	(6,562)	(5,044)	30%
Administrative expenses	(2,442)	(2,538)	(4%)	(5,228)	(5,157)	1%
Finance costs	(302)	(122)	148%	(645)	(309)	109%
<b>(Loss)/Profit from operations</b>	<b>(698)</b>	<b>1,523</b>	(146%)	<b>(309)</b>	<b>2,503</b>	N.M.
Share of results of associated companies	141	(47)	N.M.	146	(125)	N.M.
Share of results of a joint venture	119	126	(6%)	329	211	56%

<b>(Loss)/Profit before taxation</b>	<b>(438)</b>	<b>1,602</b>	N.M.	<b>166</b>	<b>2,589</b>	(94%)
Tax expense	(478)	(347)	38%	(934)	(792)	18%
<b>(Loss)/Profit from continuing operations, net of tax</b>	<b>(916)</b>	<b>1,255</b>	N.M.	<b>(768)</b>	<b>1,797</b>	N.M.
<b><u>Discontinued operations</u></b>						
Loss from discontinued operations, net of tax	(936)	(1,537)	(39%)	(546)	(904)	(40%)
<b>Net (loss)/profit for the period</b>	<b>(1,852)</b>	<b>(282)</b>	557%	<b>(1,314)</b>	<b>893</b>	N.M.
<b>Attributable to:</b>						
<b>Equity holders of the Company</b>	<b>(596)</b>	<b>253</b>	N.M.	<b>820</b>	<b>2,128</b>	(61%)
<b>Non-controlling interests</b>	<b>(1,256)</b>	<b>(535)</b>	135%	<b>(2,134)</b>	<b>(1,235)</b>	73%
	<b>(1,852)</b>	<b>(282)</b>	557%	<b>(1,314)</b>	<b>893</b>	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.**

	<b>2nd quarter ended 30.06.14</b>	<b>2nd quarter ended 30.06.13</b>	<b>% Change</b>	<b>1st half ended 30.06.14</b>	<b>1st half ended 30.06.13</b>	<b>% Change</b>
<b>Net (loss)/profit for the period/year</b>	<b>(1,852)</b>	<b>(282)</b>	557%	<b>(1,314)</b>	<b>893</b>	(247%)
Other comprehensive (loss)/ income :						
Exchange differences on translation of the financial statements of foreign entities (net)	(55)	339	N.M.	(126)	65	N.M.
<b>Total comprehensive (loss)/ income for the period</b>	<b>(1,907)</b>	<b>57</b>	N.M.	<b>(1,440)</b>	<b>958</b>	N.M.
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(632)	481	N.M.	734	2,053	(64%)
Non-controlling interests	(1,275)	(424)	201%	(2,174)	(1,095)	99%
<b>Total comprehensive (loss)/ income for the period</b>	<b>(1,907)</b>	<b>57</b>	N.M.	<b>(1,440)</b>	<b>958</b>	N.M.

## 1(a)(ii) Notes to income statement

	Group					
	(S\$'000)			(S\$'000)		
	2nd quarter ended 30.06.14	2nd quarter ended 30.06.13	%	1st half ended 30.06.14	1st half ended 30.06.13	%
			Change			Change
<b><u>Continuing operations</u></b>						
Other income including interest income	34	9	278%	195	108	81%
Interest on borrowings	(302)	(122)	82%	(645)	(309)	109%
Depreciation of property, plant and equipment	(641)	(465)	38%	(1,518)	(892)	70%
Gain on disposal of property, plant and equipment	-	78	N.M.	39	78	(50%)
Foreign exchange (loss)/gain	(70)	233	N.M.	(123)	318	N.M.
Reversal/(Provision) for stock obsolescence	101	(211)	N.M.	96	(417)	N.M.
(Provision)/Write-back of doubtful debts	(243)	139	N.M.	(110)	231	N.M.
Reversal of fair value adjustment of contingent consideration in a business combination	-	465	N.M.	-	465	N.M.
<b><u>Discontinued operations</u></b>						
Other income including interest income	10	7	43%	24	57	(58%)
Interest on borrowings	(7)	(30)	(77%)	(24)	(74)	(68%)
Loss on disposal of property, plant and equipment	(2)	-	N.M.	(2)	-	N.M.
Foreign exchange (loss)/gain	(557)	(172)	(224%)	171	441	(61%)
Provision for stock obsolescence	-	(1)	N.M.	-	(7)	N.M.
Write-back of doubtful debts	-	15	N.M.	-	(52)	N.M.
<b><u>Total</u></b>						
Other income including interest income	44	16	175%	219	165	33%
Interest on borrowings	(309)	(152)	58%	(669)	(383)	75%
Depreciation of property, plant and equipment	(641)	(465)	38%	(1,518)	(892)	70%
Gain on disposal of property, plant and equipment	(2)	78	N.M.	37	78	(53%)
Foreign exchange (loss)/gain	(627)	61	N.M.	48	759	(94%)
Reversal/(Provision) for stock obsolescence	101	(212)	N.M.	96	(424)	N.M.
(Provision)/Write-back of doubtful debts	(243)	154	N.M.	(110)	179	N.M.
Reversal of fair value adjustment of contingent consideration in a business combination	-	465	N.M.	-	465	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.**

	<b>Group</b>		<b>Company</b>	
	<b>30.6.14</b>	<b>31.12.13</b>	<b>30.6.14</b>	<b>31.12.13</b>
<b>Non-current assets</b>				
Property, plant and equipment	48,130	49,301	4	-
Investment in subsidiaries	-	-	13,880	13,880
Investment in associated companies	9,973	6,612	9,385	6,235
Investment in a joint venture	2,309	2,353	798	809
Deferred tax assets	81	81	-	-
Intangible assets	227	227	49	49
	<b>60,720</b>	<b>58,574</b>	<b>24,116</b>	<b>20,973</b>
<b>Current assets</b>				
Inventories	40,318	40,954	-	-
Due from customers on construction contracts	915	4,584	-	-
Amount due from joint venture (trade)	628	258	-	-
Trade receivables	28,975	29,911	-	-
Other receivables	2,826	2,966	21,056	24,419
Cash and cash equivalents	13,814	12,468	63	2,222
	87,476	91,141	21,119	26,641
Disposal group assets classified as held for sale	7,026	6,915	-	-
<b>Total current assets</b>	<b>94,502</b>	<b>98,056</b>	<b>21,119</b>	<b>26,641</b>
<b>Total assets</b>	<b>155,222</b>	<b>156,630</b>	<b>45,235</b>	<b>47,614</b>
<b>Non-current liabilities</b>				
Deferred tax liability	656	662	-	-
Finance lease liabilities	738	750	-	-
	<b>1,394</b>	<b>1,412</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Due to customers on construction contracts	1,337	1,360	-	-
Trade payables	11,311	16,591	-	-
Other payables	11,832	9,347	839	479
Bank borrowings	49,320	44,093	-	-
Finance lease liabilities	192	179	-	-
Tax payable	1,960	1,939	92	196
	75,952	73,509	931	675
Liabilities directly associated with disposal group classified as held for sale	652	645	-	-
<b>Total current liabilities</b>	<b>76,604</b>	<b>74,154</b>	<b>931</b>	<b>675</b>
<b>Total liabilities</b>	<b>77,998</b>	<b>75,566</b>	<b>931</b>	<b>675</b>
<b>Net assets</b>	<b>77,224</b>	<b>81,064</b>	<b>44,304</b>	<b>46,939</b>

<b>Shareholders' equity</b>				
Share capital	43,461	43,461	43,461	43,461
Translation reserves	751	837	-	-
Accumulated profits	37,574	39,154	843	3,478
Attributable to equity holders of the Company	<b>81,786</b>	<b>83,452</b>	<b>44,304</b>	<b>46,939</b>
Non-controlling interests	<b>(4,562)</b>	<b>(2,388)</b>	-	-
<b>Total shareholders' equity</b>	<b>77,224</b>	<b>81,064</b>	<b>44,304</b>	<b>46,939</b>

**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 30.06.14 (\$'000)		As at 31.12.13 (\$'000)	
Secured	Unsecured	Secured	Unsecured
37,429	11,891	32,656	11,437

**Amount repayable after one year**

As at 30.06.14 (\$'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 \$11.33million (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	
	2nd quarter ended 30.06.14	2nd quarter ended 30.06.13	1st half ended 30.06.14	1st half ended 30.06.13
<b>Cash flows from operating activities</b>				
Profit before tax from continuing operations	(438)	1,602	166	2,588
Loss before tax from discontinued operations	(936)	(1,537)	(672)	(938)
<b>Adjustments for :</b>				
Depreciation	641	465	1,518	892
Interest income	(5)	5	(10)	(4)
Interest expense	309	152	669	383
Share of results of associated companies	(141)	47	(146)	125
Share of results of a joint venture	(119)	(126)	(329)	(211)
Loss/(Gain) on disposal of property, plant and equipment	2	(78)	(37)	(78)
Fair value adjustment of contingent consideration in a business combination	-	(465)	-	(465)
<b>Operating cash before movements in working capital</b>	<b>(687)</b>	<b>65</b>	<b>1,159</b>	<b>2,292</b>
Inventories	1,468	(2,711)	636	(3,438)
Due from customers on construction contract, net	1,103	4,522	3,646	9,865
Receivables	396	5,106	624	15,307
Payables	747	25	(2,791)	(8,926)
Currency translation adjustments	646	392	503	(409)
<b>Cash generated from operations</b>	<b>3,673</b>	<b>7,399</b>	<b>3,777</b>	<b>14,691</b>
Interest paid	(592)	(152)	(669)	(383)
Income tax paid	(309)	(1,601)	(787)	(1,547)
<b>Net cash from operating activities</b>	<b>2,772</b>	<b>5,646</b>	<b>2,321</b>	<b>12,761</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(294)	(7,583)	(902)	(12,464)
Proceeds from disposal of property, plant and equipment	-	86	46	86
Investment in associated company	(3,149)	(62)	(3,215)	(62)
Interest received	5	(5)	10	5
Contribution from non-controlling interest	-	-	-	13
Dividend received from joint venture	-	-	363	355
Fixed deposit	11	16	35	62
<b>Net cash used in investing activities</b>	<b>(3,427)</b>	<b>(7,548)</b>	<b>(3,663)</b>	<b>(12,005)</b>

<b>Cash flows from financing activities</b>				
Proceeds from bankers	3,053	3,663	6,350	11,028
Repayment to bankers	-	(6,583)	(1,123)	(14,585)
Repayment of finance lease liabilities	(49)	(17)	(97)	(19)
Dividend paid	(2,400)	(2,400)	(2,400)	(2,400)
<b>Net cash from / (used in) financing activities</b>	<b>604</b>	<b>(5,337)</b>	<b>2,730</b>	<b>(5,976)</b>
Net (decrease) / increase in cash and cash equivalents	(51)	(7,239)	1,388	(5,220)
Cash and cash equivalents at beginning of period	11,843	14,444	10,389	12,275
Effect of exchange rate changes on cash and cash equivalents	(22)	(22)	(7)	172
<b>Cash and cash equivalents at end of period</b>	<b>11,770</b>	<b>7,227</b>	<b>11,770</b>	<b>7,227</b>
<b>Cash and cash equivalents comprises the following</b>				
Cash and cash equivalents	13,814	9,319	13,814	9,319
Less: Fixed deposits	(2,044)	(2,092)	(2,044)	(2,092)
<b>Cash and cash equivalents as per statement of cash flows</b>	<b>11,770</b>	<b>7,227</b>	<b>11,770</b>	<b>7,227</b>

**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.**

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

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)
<b>Balance At 30 June 2014</b>	<b>43,461</b>	<b>751</b>	<b>37,574</b>	<b>81,786</b>	<b>(4,562)</b>	<b>77,224</b>
	<b>Share capital</b>	<b>Translation reserves</b>	<b>Accumulated profits</b>	<b>Total</b>	<b>Non-Controlling interests</b>	<b>Total shareholders' equity</b>
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
<b>Balance At 31 March 2013</b>	<b>43,461</b>	<b>(409)</b>	<b>41,043</b>	<b>84,095</b>	<b>164</b>	<b>84,259</b>
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)
<b>Balance At 30 June 2013</b>	<b>43,461</b>	<b>(181)</b>	<b>38,896</b>	<b>82,176</b>	<b>(260)</b>	<b>81,916</b>

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
<b>Balance at 31 March 2014</b>	<b>43,461</b>	<b>3,731</b>	<b>47,192</b>
Loss for the period	-	(488)	(488)
Dividend	-	(2,400)	(2,400)
<b>Balance at 30 June 2014</b>	<b>43,461</b>	<b>843</b>	<b>44,304</b>



At 1 January 2013	43,461	3,943	47,404
Profit for the period	-	633	633
<b>Balance at 31 March 2013</b>	<b>43,461</b>	<b>4,576</b>	<b>48,037</b>
Profit for the period	-	450	450
Dividend	-	(2,400)	(2,400)
<b>Balance at 30 June 2013</b>	<b>43,461</b>	<b>2,626</b>	<b>46,087</b>

**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.**

	<b>30.06.14</b>	<b>31.12.13</b>
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 June 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:-

	<b>Group</b>			
	<b>2nd quarter ended 30.06.14</b>	<b>2nd quarter ended 30.06.13</b>	<b>1st half ended 30.06.14</b>	<b>1st half ended 30.06.13</b>
(i) Based on number of ordinary shares in issue:				
- Continuing operations	0.07 cents	0.34 cents	0.27 cents	0.60 cents
- Discontinued operations	(0.19) cents	(0.29) cents	(0.10) cents	(0.16) 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	0.07 cents	0.34 cents	0.27 cents	0.60 cents
- Discontinued operations	(0.19) cents	(0.29) cents	(0.10) cents	(0.16) 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**

	<b>Group</b>		<b>Company</b>	
	<b>30.06.14</b>	<b>31.12.13</b>	<b>30.06.14</b>	<b>31.12.13</b>
Net asset value per ordinary share based on existing share capital	17cents	17cents	9cents	10cents

- 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**  
**(2Q2014vs2Q2013)**

	<b>Group</b>		<b>% Change</b>
	<b>2Q2014 \$'000</b>	<b>2Q2013 \$'000</b>	
<b>Supply Chain Management</b>			
Marine cables and accessories	10,974	7,750	42%
Marine lighting equipment and accessories	2,960	2,319	28%
Others	1,729	1,672	3%
	<b>15,663</b>	<b>11,741</b>	<b>33%</b>
<b>Manufacturing</b>			
Marine switchboards	4,836	3,854	25%
Galvanized steel wire	7,015	977	618%
	<b>11,851</b>	<b>4,831</b>	<b>145%</b>
<b>Engineering Services</b>			
Engineering and installation	<b>2,021</b>	<b>1,868</b>	<b>8%</b>
<b>Total sales revenue</b>	<b>29,535</b>	<b>18,440</b>	<b>60%</b>

**Supply Chain Management**

Supply Chain Management Division accounts for 53% of the Group's turnover in 2Q2014, of which marine cables and accessories contributed 70%, marine lighting equipment and accessories 19% and others 11%. Revenue from the division increased by 33% due mainly to the supply of cables to a major new oil and gas customer and increased lighting sales to existing customers from the Group's new product range.

## Manufacturing

Manufacturing Division accounts for 40% of the Group's turnover in 2Q2014, of which marine switchboards contributed 41% and galvanized steel wire 59%. The increase in revenue from marine switchboards is due to higher project deliveries to an existing major customer that is experiencing increased business activity in the marine sector. 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 7% of the Group's turnover in 2Q2014. The increase in revenue is due to the contribution from a major project as compared to 2Q2013 where there is no significant project.

### (1H2014 vs 1H2013)

	Group		
	1H2014 \$'000	1H2013 \$'000	% Change
<b>Supply Chain Management</b>			
Marine cables and accessories	20,338	18,703	9%
Marine lighting equipment and accessories	6,424	5,242	23%
Others	3,473	3,074	13%
	<b>30,235</b>	<b>27,019</b>	12%
<b>Manufacturing</b>			
Marine switchboards and services	9,352	6,421	46%
Galvanized steel wire	12,186	1,716	610%
	<b>21,538</b>	<b>8,137</b>	165%
<b>Engineering Services</b>			
Engineering and installation	<b>5,586</b>	<b>3,221</b>	73%
<b>Total sales revenue</b>	<b>57,359</b>	<b>38,377</b>	49%

## Supply Chain Management

Supply Chain Management Division accounts for 53% of the Group's turnover in 1H2014, of which marine cables and accessories contributed 67%, marine lighting equipment and accessories 21% and others 12%. Revenue from the division increased by 12% due mainly to the supply of cables to a major new oil and gas customer and increased lighting sales to existing customers from the Group's new product range.

### **Manufacturing**

Manufacturing Division accounts for 38% of the Group's turnover in 1H2014, of which marine switchboards contributed 43% and galvanized steel wire 57%. The increase in revenue from marine switchboards is due to higher project deliveries to an existing major customer that is experiencing increased business activity in the marine sector. 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 9% of the Group's turnover in 1H2014. The increase in revenue is due to the significant contribution from two major projects as compared to 1H2013 where there was no significant project.

### **Geographical segment**

Revenue derived from Singapore increased by \$1.8million or 16% from \$10.8million in 2Q2013 to \$12.6million in 2Q2014. This is due mainly to the increase in revenue from Supply Chain Management Division and Marine Switchboards of Manufacturing Division.

Revenue derived from overseas increased by \$9.4million or 124% from \$7.6million in 2Q2013 to \$17.0million in 2Q2014. 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 our galvanized steel wire factory in Oman in 4Q2013.

### **Gross profit**

The Group's overall gross profit decreased by \$733,000 or 12% from \$6.22million in 2Q2013 to \$5.49million in 2Q2014, and the Group's overall gross margin decreased by 15% from 34% in 2Q2013 to 19% in 2Q2014. The lower gross profit margin is mainly due to losses arising from the galvanized steel wire business in Manufacturing Division not achieving its targeted production capacity.

### **Other operating income**

The decrease in other operating income in 2Q2014 was mainly due to a higher foreign exchange loss.

### **Operating expenses**

The Group's operating expenses comprise mainly selling & distribution and administrative expenses. The higher selling & distribution expense is due mainly to Gulf Specialty Steel Industries LLC ("GSS") ceasing to capitalize its manpower and other costs after the factory commenced production in Q42013 and increase in marketing expenses for the Supply Chain Management division as a result of increased marketing efforts in 2Q2014. The administrative expense remained comparably unchanged during 2Q2014.

**Share of results in associated companies**

The share of profit in associated companies in 2Q2014 as compared to the share of loss in 2Q2013 is due mainly to more orders secured by General Luminaire (Shanghai) Co. Ltd, a subsidiary of an associated company, GL Lighting Holding Pte Ltd. These orders relate to LED lighting products for major existing customers, reflecting the strong demand in the growing LED market.

**Tax expense**

The income tax increased by \$131,000 from \$347,000 in 2Q2013 to \$478,000 in 2Q2014 as a result of a higher profit before tax in certain subsidiaries and losses in certain subsidiaries not qualified for tax relief.

**Interest on borrowing**

The increase in interest on borrowings in 2Q2014 as compared to 2Q2013 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 2Q2014 as compared to 2Q2013 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 (Loss)/Gain**

The foreign exchange loss is due mainly to the depreciation in value of US dollar receivables as a result of a weaker 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**

With reference to the Group's announcement of 2 March 2013 to the SGX, the Board had decided to discontinue the operations of the subsidiary in Batam. Accordingly, the entire results from the subsidiary are presented separately on income statement as "Loss from discontinued operations, net of tax".

The Group recorded a loss in 2Q2014 from discontinued operations, net of tax, of \$936,000 as stated in detail below:

	Group					
	\$'000		%	\$'000		
	2 <sup>nd</sup> quarter ended 30.06.14	2 <sup>nd</sup> quarter ended 30.06.13		1 <sup>st</sup> half ended 30.06.14	1 <sup>st</sup> half ended 30.06.13	%
		Change			Change	
<b><u>Discontinued operations</u></b>						
Revenue	122	967	(87%)	493	3,905	(87%)
Cost of sales	(103)	(1,415)	(93%)	(430)	(3,537)	(88%)
<b>Gross profit</b>	19	(448)	(104%)	63	368	(83%)
Other operating (expense) / income	(548)	(164)	234%	193	499	(61%)
Selling & Distribution expenses	(243)	(386)	(37%)	(445)	(1,008)	(56%)
Administrative expenses	(150)	(509)	(71%)	(452)	(723)	(37%)
Finance costs	(14)	(30)	(53%)	(31)	(74)	(58%)
<b>Loss before taxation</b>	(936)	(1,537)	(39%)	(672)	(938)	(28%)
Tax credit	-	-	N.M	126	34	271%
<b>Net loss for the period</b>	(936)	(1,537)	(39%)	(546)	(904)	(40%)

Discontinued operations' overall gross profit is \$19,000 in 2Q2014 compared to a gross loss of \$448,000 in 2Q2013. The gross loss in 2Q2013 is largely due to cost overruns on the subsidiary's projects in Batam. Since then, the operations have been further wound down and this is reflected in the significantly lower revenue and cost of sales in 2Q2014.

Other operating expense is higher in 2Q2014 compared to 2Q2013 due mainly to higher foreign exchange loss. The foreign exchange loss is due to the depreciation 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 2Q2014 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 1H2014.

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

<b>Details of disposal group classified as held for sale are as follows:</b>	<b>30.06.14</b>	<b>31.12.13</b>
	<b>\$'000</b>	<b>\$'000</b>
Property, plant and equipment	6,636	6,608
Other receivables	376	294
Cash and cash equivalent	14	13
	<u>7,026</u>	<u>6,915</u>

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

Deferred tax liabilities	646	643
Other payables	6	2
	<u>652</u>	<u>645</u>

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

**Trade payables**

Trade payables decreased by \$5.3million from \$16.6million in FY2013 to \$11.3million in 1H2014. This is due mainly to repayment of trade payables from the proceeds of completed projects during 1H2014.

**Other payables**

The increase in other payable is due mainly to the advance billing and receipt for marine switchboards from a major customer in the Manufacturing Division.

**Banks borrowings**

The increase in bank borrowings of \$5.23million 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 \$52,000 in 2Q2014 as compared to a decrease of \$7.2million in 2Q2013. This is due mainly to the decrease of inventories and due from customer's construction contracts and increase in bank borrowings offsetted by the additional investment in an associated company.



**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.

The Group is looking to increase our involvement in the LED market as announced in our statement dated 12 Jun 2014, and have already made an additional investment in an associate company of the Group to acquire a piece of land in Kunshan City on the outskirts of Shanghai, together with the building, factories, equipment and other facilities to increase its factory and manufacturing capacity to support the growing demand for its products.

The Group's galvanized steel wire factory in Oman has commenced production since 4Q2013. However, certain parts of the production line did not meet the expected specifications and production has been below its expected capacity. The Group has engaged a third party consultant to assess the production line and recommend solutions to achieve the expected capacity.

The Group will adopt a cautious stance with all segments of our businesses and strive to better manage and consolidate our group companies for optimal 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/recommendeded, 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 June 2014 to be false or misleading, in any material respect.

On behalf of the Board of Directors

Alvin Lim Hwee Hong  
Executive Chairman  
04 August 2014

Vincent Lim Hui Eng  
Chief Executive Officer  
04 August 2014