



**NORDIC**  
Group Limited

**NORDIC GROUP LIMITED**  
(Company Registration Number: 201007399N)

**Q3 FY2011 Financial Statement and Dividend Announcement**

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS**

**1(a) A statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year**

**UNAUDITED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2011**

| <b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>              | <b>Q3 FY2011<br/>S\$'000</b> | <b>Q3 FY2010<br/>S\$'000</b> | <b>Change<br/>%</b> | <b>9 months ended<br/>30/09/2011<br/>S\$'000</b> | <b>9 months ended<br/>30/09/2010<br/>S\$'000</b> | <b>Change<br/>%</b> |
|--|------------------------------|------------------------------|---------------------|--|--|---------------------|
| <b>Revenue</b>   | 14,214                       | 11,096                       | 28                  | 32,591   | 30,830   | 6                   |
| Cost of Sales  | (10,988)                     | (6,977)                      | 57                  | (24,550)   | (19,576)   | 25                  |
| <b>Gross profit</b>  | <b>3,226</b>                 | <b>4,119</b>                 | (22)                | <b>8,041</b>                                     | <b>11,254</b>                                    | (29)                |
| Interest income  | 13                           | 3                            | nm                  | 34   | 21   | 62                  |
| Interest expense   | (196)                        | (57)                         | nm                  | (272)  | (174)  | 56                  |
| Marketing and Distribution costs                                   | (226)                        | (219)                        | 3                   | (576)  | (625)  | (8)                 |
| Administrative Expenses  | (3,017)                      | (947)                        | nm                  | (5,636)  | (3,014)  | 87                  |
| Other Credits / (Charges)  | 675                          | (100)                        | nm                  | 373  | (44)   | nm                  |
| <b>Profit Before Tax from Continuing Operations</b>                | <b>475</b>                   | <b>2,799</b>                 | nm                  | <b>1,964</b>                                     | <b>7,418</b>                                     | (74)                |
| Income Tax Expense   | (97)                         | (379)                        | nm                  | (234)  | (1,247)  | (81)                |
| <b>Profit from Continuing Operations, Net of Tax</b>               | <b>378</b>                   | <b>2,420</b>                 | nm                  | <b>1,730</b>                                     | <b>6,171</b>                                     | (72)                |
| <b>Other comprehensive income:</b>                                 |                              |                              |                     |  |  |                     |
| Exchange Differences on Translating Foreign Operations, Net of Tax | 317                          | (130)                        | nm                  | 249  | (210)  | nm                  |
| <b>Other Comprehensive Income, Net of Tax</b>                      | <b>317</b>                   | <b>(130)</b>                 | nm                  | <b>249</b>                                       | <b>(210)</b>                                     | nm                  |
| <b>Total Comprehensive Income</b>                                  | <b>695</b>                   | <b>2,290</b>                 | (70)                | <b>1,979</b>                                     | <b>5,961</b>                                     | (67)                |
| <b>Profit Attributable to:</b>                                     |                              |                              |                     |  |  |                     |
| Owners of the Parent, Net of Tax                                   | 378                          | 2,420                        | (84)                | 1,730  | 6,115  | (72)                |
| Non-Controlling Interests, Net of Tax                              | -                            | -                            | nm                  | -  | 56   | (100)               |
| <b>Profit Net of Tax</b>   | <b>378</b>                   | <b>2,420</b>                 | (84)                | <b>1,730</b>                                     | <b>6,171</b>                                     | (72)                |
| <b>Total Comprehensive Income Attributable to:</b>                 |                              |                              |                     |  |  |                     |
| Owners of the Parent   | 695                          | 2,290                        | (70)                | 1,979  | 5,934  | (67)                |
| Non-Controlling Interests  | -                            | -                            | nm                  | -  | 27   | (100)               |
| <b>Total Comprehensive Income</b>                                  | <b>695</b>                   | <b>2,290</b>                 | (70)                | <b>1,979</b>                                     | <b>5,961</b>                                     | (67)                |

nm: not meaningful

1(a)(ii) The following items (with appropriate breakdowns and explanations), if significant, must either be included in the income statement or in the notes to the income statement for the current financial period reported on and the corresponding period of the immediately preceding financial year.

The Group's total comprehensive income for the financial period is derived after (charging)/crediting:

|   |   | Q3 FY2011<br>S\$'000 | Q3 FY2010<br>S\$'000 | Change<br>% | 9 months<br>ended<br>30/09/2011<br>S\$'000 | 9 months<br>ended<br>30/09/2010<br>S\$'000 | Change<br>% |
|---|---|----------------------|----------------------|-------------|--|--|-------------|
| 1 | Interest income                               | 13                   | 3                    | nm          | 34   | 21   | 62          |
| 2 | Interest on borrowings                        | (196)                | (57)                 | nm          | (272)                                      | (174)                                      | 56          |
| 3 | Depreciation of property, plant and equipment | (856)                | (222)                | nm          | (1,233)                                    | (483)                                      | 155         |
| 4 | Amortisation of intangible assets             | (62)                 | -                    | nm          | (62)                                       | -  | Nm          |
| 5 | Loss on disposal of plant and equipment       | (2)                  | -                    | nm          | (2)  | -  | nm          |
| 6 | Foreign exchange gain / (loss)                | 535                  | (561)                | nm          | 158  | (541)                                      | (129)       |

nm: not meaningful

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

STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2011

|                                      | Group                 |                       | Company               |                       |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                      | 30/09/2011<br>S\$'000 | 31/12/2010<br>S\$'000 | 30/09/2011<br>S\$'000 | 31/12/2010<br>S\$'000 |
| <b>Assets</b>                        |                       |                       |                       |                       |
| <b>Current assets</b>                |                       |                       |                       |                       |
| Inventories                          | 10,320                | 5,610                 | -                     | -                     |
| Trade and Other Receivables          | 22,480                | 22,647                | 9,027                 | 8,730                 |
| Other Assets                         | 1,860                 | 1,053                 | -                     | -                     |
| Cash and Cash Equivalents            | 31,469                | 22,433                | 12,435                | 14,736                |
| <b>Total current assets</b>          | 66,129                | 51,743                | 21,462                | 23,466                |
| <b>Non-current assets</b>            |                       |                       |                       |                       |
| Plant and Equipment                  | 9,840                 | 3,847                 | -                     | -                     |
| Investments in Subsidiaries          | -                     | -                     | 1,350                 | 1,350                 |
| Intangible asset                     | 929                   | -                     | -                     | -                     |
| Goodwill                             | 13,487                | -                     | -                     | -                     |
| <b>Total non-current assets</b>      | 24,256                | 3,847                 | 1,350                 | 1,350                 |
| <b>Total assets</b>                  | 90,385                | 55,590                | 22,812                | 24,816                |
| <b>Liabilities and Equity</b>        |                       |                       |                       |                       |
| <b>Current liabilities</b>           |                       |                       |                       |                       |
| Income Tax Payable                   | 1,485                 | 1,797                 | 13                    | -                     |
| Trade and Other Payables             | 13,036                | 8,113                 | 184                   | 143                   |
| Other Financial Liabilities          | 14,610                | 8,091                 | -                     | -                     |
| <b>Total current liabilities</b>     | 29,131                | 18,001                | 197                   | 143                   |
| <b>Non-current liabilities</b>       |                       |                       |                       |                       |
| Other payable                        | 3,354                 | -                     | -                     | -                     |
| Other Financial Liabilities          | 19,714                | 77                    | -                     | -                     |
| Deferred Tax Liabilities             | 846                   | 31                    | -                     | -                     |
| <b>Total non-current liabilities</b> | 23,914                | 108                   | -                     | -                     |
| <b>Shareholders' equity</b>          |                       |                       |                       |                       |
| Share capital                        | 22,439                | 22,439                | 22,439                | 22,439                |
| Retained earnings                    | 14,764                | 15,154                | 176                   | 2,234                 |
| Other reserves                       | 137                   | (112)                 | -                     | -                     |
| <b>Total equity</b>                  | 37,340                | 37,481                | 22,615                | 24,673                |
| <b>Total liabilities and equity</b>  | 90,385                | 55,590                | 22,812                | 24,816                |

## 1(b)(ii) Aggregate amount of group's borrowings and debt securities

### Amount repayable in one year or less, or on demand

| As at 30 September 2011 |                      | As at 31 December 2010 |                      |
|-------------------------|----------------------|------------------------|----------------------|
| Secured<br>S\$'000      | Unsecured<br>S\$'000 | Secured<br>S\$'000     | Unsecured<br>S\$'000 |
| 7,383                   | 7,227                | 6,877                  | 1,214                |

### Amount repayable after one year

| As at 30 September 2011 |                      | As at 31 December 2010 |                      |
|-------------------------|----------------------|------------------------|----------------------|
| Secured<br>S\$'000      | Unsecured<br>S\$'000 | Secured<br>S\$'000     | Unsecured<br>S\$'000 |
| 19,714                  | -                    | 77                     | -                    |

### Details of any collateral

1. Borrowings drawn down in relation to the acquisition of the Multiheight Group is secured against shares of Multiheight Scaffolding Pte Ltd
2. Charge mortgage on the motor vehicles for finance lease liabilities
3. Some of the Group's borrowings as at 31 December 2010 were secured over fixed deposits of S\$1,724,000 as at 31 December 2010. Following review of credit facilities extended to the Group which was conducted during 1HFY2011, respective lending banks have released their charges over these deposits.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

COMBINED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2011

|  | Q3 FY2011<br>S\$'000 | Q3 FY2010<br>S\$'000 | 9 months<br>ended<br>30/09/2011<br>S\$'000 | 9 months<br>ended<br>30/09/2010<br>S\$'000 |
|--|----------------------|----------------------|--|--|
| <b>Cash flows from operating activities:</b>   |                      |                      |  |  |
| Profit before tax  | 475                  | 2,799                | 1,964                                      | 7,418                                      |
| Adjustments for:   |                      |                      |  |  |
| Depreciation expense   | 856                  | 222                  | 1,233                                      | 483  |
| Amortization of intangible assets  | 62                   | -                    | 62   | -  |
| Loss on disposal of plant and equipment  | 2                    | -                    | 2  | -  |
| Interest income  | (13)                 | (3)                  | (34)                                       | (21)                                       |
| Interest expense   | 196                  | 57                   | 272  | 174  |
| Unrealised foreign exchange (gain)/loss  | (388)                | 784                  | (319)                                      | 706  |
| Operating cash flows before changes in working capital                                 | 1,190                | 3,859                | 3,180                                      | 8,760                                      |
| Trade and other receivables  | 4,590                | (2,385)              | 7,040                                      | (2,508)                                    |
| Other assets   | (506)                | (89)                 | (549)                                      | 600  |
| Inventories  | (3,546)              | (480)                | (4,626)                                    | (342)                                      |
| Trade and other payables   | 2,065                | (4,692)              | (355)                                      | (7,387)                                    |
| Cash generated from / (used in) operations   | 3,793                | (3,787)              | 4,690                                      | (877)                                      |
| Income tax paid  | (1,015)              | (471)                | (2,165)                                    | (1,198)                                    |
| <b>Net cash generated from / (used in) operating activities</b>                        | <b>2,778</b>         | <b>(4,258)</b>       | <b>2,525</b>                               | <b>(2,075)</b>                             |
| <b>Cash flows from investing activities:</b>   |                      |                      |  |  |
| Acquisition of subsidiaries  | (16,784)             | -                    | (16,784)                                   | -  |
| Purchase of plant and equipment  | (203)                | (283)                | (612)                                      | (685)                                      |
| Disposal of plant and equipment  | -                    | -                    | 1  | -  |
| Interest received  | 13                   | 3                    | 34   | 21   |
| <b>Net cash (used in) investing activities</b>   | <b>(16,974)</b>      | <b>(280)</b>         | <b>(17,361)</b>                            | <b>(664)</b>                               |
| <b>Cash flows from financing activities:</b>   |                      |                      |  |  |
| Other financial liabilities  | 27,176               | 1,331                | 26,071                                     | 5,556                                      |
| Decrease in finance leases   | (23)                 | -                    | (51)                                       | -  |
| Cash restricted in use   | -                    | (988)                | 1,742                                      | (988)                                      |
| Restructuring exercise <sup>(1)</sup>  | -                    | -                    | -  | (3,500)                                    |
| Dividends paid   | -                    | -                    | (2,120)                                    | -  |
| Interest paid  | (196)                | (57)                 | (272)                                      | (174)                                      |
| <b>Net cash generated from financing activities</b>                                    | <b>26,957</b>        | <b>286</b>           | <b>25,370</b>                              | <b>894</b>                                 |
| <b>Net increase / (decrease) in cash</b>   | <b>12,761</b>        | <b>(4,252)</b>       | <b>10,534</b>                              | <b>(1,845)</b>                             |
| <b>Effect of foreign exchange rate adjustments</b>                                     | <b>301</b>           | <b>(419)</b>         | <b>244</b>                                 | <b>(403)</b>                               |
| <b>Cash balance at beginning of period</b>   | <b>18,407</b>        | <b>8,965</b>         | <b>20,691</b>                              | <b>6,542</b>                               |
| <b>Cash at end of period</b>   | <b>31,469</b>        | <b>4,294</b>         | <b>31,469</b>                              | <b>4,294</b>                               |
| <b>Balance as shown in the statement of financial position</b>                         | <b>31,469</b>        | <b>6,084</b>         | <b>31,469</b>                              | <b>6,084</b>                               |
| Cash restricted in use over 3 months   | -                    | (1,790)              | -  | (1,790)                                    |
| <b>Cash and cash equivalents for cash flow statement purposes at end of the period</b> | <b>31,469</b>        | <b>4,294</b>         | <b>31,469</b>                              | <b>4,294</b>                               |

<sup>(1)</sup> In March 2010, Nordic Flow Control Pte. Ltd. paid S\$3,500,000 to acquire 100% equity interest of Avitools (Suzhou) Co., Ltd.

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

## STATEMENT OF CHANGES IN EQUITY

|   | Attributable to shareholders of the company |   |                              |                             | Non-Controlling Interest<br>S\$'000 | Total equity<br>S\$'000 |
|---|---|---|------------------------------|-----------------------------|-------------------------------------|-------------------------|
|   | Issued Capital<br>S\$'000                   | Foreign Currency Translation Reserve<br>S\$'000 | Retained Earnings<br>S\$'000 | Parent Sub-Total<br>S\$'000 |                                     |                         |
| <b>Group - Q3</b>                         |   |   |                              |                             |                                     |                         |
| <u>Balance at 1 July 2011</u>             | 22,439                                      | (180)   | 14,386                       | 36,645                      | -                                   | 36,645                  |
| Total comprehensive income for the period | -   | 317   | 378                          | 695                         | -                                   | 695                     |
| <b>Balance at 30 September 2011</b>       | 22,439                                      | 137   | 14,764                       | 37,340                      | -                                   | 37,340                  |
| <b>Group - 9 months</b>                   |   |   |                              |                             |                                     |                         |
| <u>Balance at 1 July 2010</u>             | 1,350                                       | 68  | 11,852                       | 13,270                      | -                                   | 13,270                  |
| Total comprehensive income for the period | -   | (130)   | 2,420                        | 2,290                       | -                                   | 2,290                   |
| <b>Balance at 30 September 2010</b>       | 1,350                                       | (62)  | 14,272                       | 15,560                      | -                                   | 15,560                  |
| <b>Group - 9 months</b>                   |   |   |                              |                             |                                     |                         |
| <u>Balance at 1 January 2011</u>          | 22,439                                      | (112)   | 15,154                       | 37,481                      | -                                   | 37,481                  |
| Total comprehensive income for the period | -   | 249   | 1,730                        | 1,979                       | -                                   | 1,979                   |
| Dividends paid                            | -   | -   | (2,120)                      | (2,120)                     | -                                   | (2,120)                 |
| <b>Balance at 30 September 2011</b>       | 22,439                                      | 137   | 14,764                       | 37,340                      | -                                   | 37,340                  |
| <b>Group - 9 months</b>                   |   |   |                              |                             |                                     |                         |
| <u>Balance at 1 January 2010</u>          | 3,098                                       | 74  | 8,382                        | 11,554                      | 1,545                               | 13,099                  |
| Total comprehensive income for the period | -   | (181)   | 6,115                        | 5,934                       | 27                                  | 5,961                   |
| Effect of Restructuring Exercise          | (1,748)                                     | 45  | (225)                        | (1,928)                     | (1,572)                             | (3,500)                 |
| <b>Balance at 30 September 2010</b>       | 1,350                                       | (62)  | 14,272                       | 15,560                      | -                                   | 15,560                  |

|   | Issued Capital<br>S\$'000 | Retained Earnings<br>S\$'000 | Total equity<br>S\$'000 |
|---|---------------------------|------------------------------|-------------------------|
| <b>Company - Q3</b>                       |                           |                              |                         |
| <u>Balance at 1 July 2011</u>             | 22,439                    | 150                          | 22,589                  |
| Total comprehensive income for the period | -                         | 26                           | 26                      |
| <b>Balance at 30 September 2011</b>       | 22,439                    | 176                          | 22,615                  |
| <b>Company - 9 months</b>                 |                           |                              |                         |
| <u>Balance at 1 January 2011</u>          | 22,439                    | 2,234                        | 24,673                  |
| Total comprehensive income for the period | -                         | 62                           | 62                      |
| Dividends paid                            | -                         | (2,120)                      | (2,120)                 |
| <b>Balance at 30 September 2011</b>       | 22,439                    | 176                          | 22,615                  |

**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 or 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 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**

The share capital of the Company as at the end of the period was 400,000,000 ordinary shares (31 December 2010: 400,000,000 ordinary shares).

As at 30 September 2011, the Company does not hold any treasury shares.

**1(d)(iv) A statement showing all sales, transfer, disposals, cancellations 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 standard (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.

**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 unaudited financial statements have been prepared by applying policies and methods of computation consistent with those used in the preparation of the most recently audited financial statements.

**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**

There were no changes in accounting policies and methods of computation used in the preparation of the financial information in this announcement.

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

|  | Q3 FY2011 | Q3 FY2010 | 9 months ended<br>30/09/2011 | 9 months ended<br>30/09/2010 |
|--|-----------|-----------|------------------------------|------------------------------|
| <b>The Group</b>   |           |           |                              |                              |
| Net profit after tax attributable to equity holders of the Company (S\$'000) | 378       | 2,420     | 1,730                        | 6,115                        |
| Number of ordinary shares ('000)   | 400,000   | 290,000*  | 400,000                      | 290,000*                     |
| Earnings per share - basic/fully diluted (cents)                             | 0.1       | 0.8       | 0.4                          | 2.1                          |

\*Pre-invitation share capital of 290,000,000 ordinary shares (taking into account the sub-division).

The Company had no dilutive equity instruments as at 30 September 2011.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

|                                   | Group      |            | Company    |            |
|-----------------------------------|------------|------------|------------|------------|
|                                   | 30/09/2011 | 31/12/2010 | 30/09/2011 | 31/12/2010 |
| Net asset value (S\$'000)         | 37,340     | 37,481     | 22,615     | 24,673     |
| Number of ordinary shares ('000)  | 400,000    | 400,000    | 400,000    | 400,000    |
| Net asset value per share (cents) | 9.3        | 9.4        | 5.7        | 6.2        |

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**Review of performance for quarter ended 30 September 2011 ("3Q2011")**

**Revenue**

Our revenue increased by approximately S\$3.1 million or 28.1%, from approximately S\$11.1 million in 3Q2010 to approximately S\$14.2 million in 3Q2011. The increase was mainly due to new revenue stream from the Multiheight Group which was acquired since 1 July 2011, partially offset by lower revenue from the Systems Integration, MRO & Trading and Precision Engineering business segments. With the addition of the Multiheight Group as an independent operating business segment, the Group has added a new segment "Scaffolding Services" to represent the services offered by the Multiheight Group.

| Business Segment      | 3Q2011          | 3Q2010          | Change           | Change (%)    |
|-----------------------|-----------------|-----------------|------------------|---------------|
| Systems Integration   | S\$7.2m         | S\$8.0m         | (S\$0.8m)        | (10.0)        |
| MRO & Trading         | S\$0.4m         | S\$1.1m         | (S\$0.7m)        | (63.6)        |
| Precision Engineering | S\$1.4m         | S\$2.0m         | (S\$0.6m)        | (0.3)         |
| Scaffolding Services  | S\$5.2m         | -               | S\$5.2m          | nm            |
| <b>Total</b>          | <b>S\$14.2m</b> | <b>S\$11.1m</b> | <b>(S\$3.1m)</b> | <b>(27.9)</b> |

nm – not meaningful

## **Gross profit and gross profit margin**

Gross profit for 3Q2011 decreased approximately S\$0.9 million or 21.7% from S\$4.1m in 3Q2010 to S\$3.2m in 3Q2011 while gross profit margin decreased from 37.1% in 3Q2010 to 22.7% in 3Q2011.

Despite the new addition of the Multiheight Group to the Group this quarter, gross profit for 3Q2011 is lower than 3Q2010 due to combination of the following factors:-

- (i) The Systems Integration business segment continues to face immense pricing pressures arising from intense market competition within the marine and offshore oil and gas industry. Projects secured and delivered in the current period under review are at significantly lower profit margins in comparison with the corresponding period last financial year.
- (ii) Weaker USD foreign exchange rate for 3Q2011 as compared to the corresponding period last financial year resulted in lower revenue and profit margins realized for the System Integration projects as those projects are largely denominated in USD.
- (iii) Increased direct overheads arising from the Group's second Suzhou plant which is fully operational in 3Q2011, in contrast to 3Q2010 when it was still in the midst of building up operations and had incurred lower direct overheads. Higher costs coupled with lower revenue have contributed to the reduction of profit margins for the Systems Integration business segment.
- (iv) The effect of decrease in gross profit margin for the Systems Integration business segment had been partially offset by better profit margins from the Precision Engineering and Scaffolding Services business segments.

## **Interest expense**

Interest expense increased approximately S\$139,000 or 243.9%, from approximately S\$57,000 in 3Q2010 to approximately S\$196,000 in 3Q2011. This was mainly due to interest expenses incurred in relation to the borrowings drawn down in 3Q2011 for funding the acquisition of the Multiheight Group.

## **Marketing and distribution costs**

Marketing and distribution costs remained relatively constant at S\$0.2 million.

## **Administrative expenses**

Administrative expenses increased approximately S\$2.1 million or 218.6%, from approximately S\$0.9 million in 3Q2010 to approximately S\$3.0 million in 3Q2011. This was mainly due to (i) administrative expenses incurred by the Multiheight Group, which was acquired since 1 July 2011, (ii) amortization and depreciation of intangible assets and fair value revaluation of property, plant and equipment recognized upon consolidation of the Multiheight Group (iii) increase in overhead costs arising from expansion of our Suzhou facilities, (iv) maintenance fees incurred as a listed company.

## **Other credits / (charges)**

Other credits / (charges) increased approximately S\$775,000 or 775.0%, from net charges of approximately S\$100,000 in 3Q2010 to net credits of approximately S\$675,000 in 3Q2011. This was mainly due to (i) unrealized foreign exchange gain recorded in 3Q2011 as a result of strengthening of USD against SGD during the quarter under review, in contrast to an unrealized foreign exchange loss recorded in the corresponding quarter in the previous financial year.

## **Statement of Comprehensive Income Review – Nine Months ended 30 September 2011 (“9M2011”)**

### **Revenue**

Our revenue increased by approximately S\$1.8 million or 5.7%, from approximately S\$30.8 million in 9M2010 to approximately S\$32.6 million in 9M2011. The increase was mainly due to new revenue stream from the Multiheight Group which was acquired since 1 July 2011, partially offset by lower revenue from the Systems Integration, MRO & Trading business segments.

| <b>Business Segment</b> | <b>9M2011</b>   | <b>9M2010</b>   | <b>Change</b>  | <b>Change (%)</b> |
|-------------------------|-----------------|-----------------|----------------|-------------------|
| Systems Integration     | S\$20.3m        | S\$23.3m        | (S\$3.0m)      | (12.9)            |
| MRO & Trading           | S\$ 2.7m        | S\$3.4m         | (S\$0.7m)      | (20.6)            |
| Precision Engineering   | S\$4.4m         | S\$4.1m         | \$0.3m         | 7.3               |
| Scaffolding Services*   | S\$5.2m         | -               | S\$5.2m        | nm                |
| <b>Total</b>            | <b>S\$32.6m</b> | <b>S\$30.8m</b> | <b>S\$1.8m</b> | <b>5.8</b>        |

\* Revenue from Multiheight Group from 1 July 2011

nm – not meaningful

### **Gross profit and gross profit margin**

Our gross profit for 9M2011 decreased by approximately S\$3.2 million or 28.5%, from approximately S\$11.3 million in 9M2010 to approximately S\$8.0 million in 9M2011, while gross profit margins decreased from 36.5% in 9M2010 to 24.7% in 9M2011.

Despite the new addition of the Multiheight Group to the Group in 3Q2011, gross profit for 9M2011 is lower than 9M2010 due to combination of the following factors:-

- (i) As the activities within the shipping market slowed amidst uncertainties in the global economy, pricing pressures continue to build up and competitors are offering more aggressive pricing. As a result, margins in the Systems Integration business segment have been driven down during the financial period.
- (ii) On the average, USD foreign exchange rate continued to be weaker for 9M2011 in comparison to 9M2010. This has resulted in lower revenue and profit margins realized for the System Integration projects, which are largely denominated in USD. The impact of foreign exchange losses on the revenue line is computed to be approximately S\$0.7 million.
- (iii) Increased direct overheads for 9M2011 arising from the Group's second Suzhou plant which was set up in mid-2010 and had gradually built up to full operational levels only in 4Q2010. Higher costs coupled with lower revenue have contributed to the reduction of profit margins for the Systems Integration business segment
- (iv) The decrease in gross profit margins for the Systems Integration business segment has been partially offset by better profit margins from the Precision Engineering and Scaffolding Services business segments. Excluding the newly acquired Scaffolding Services segment, gross profit margin would be 21.8% instead of 24.7%.

### **Interest expense**

Interest expense increased approximately S\$98,000 or 56.3%, from S\$174,000 in 9M2010 to approximately S\$272,000 in 9M2011. This was mainly due to interest expenses incurred in relation to the borrowings drawn down in 3Q2011 for funding the acquisition of the Multiheight Group.

## **Marketing and distribution costs**

Marketing and distribution costs decreased approximately S\$49,000 or 7.8%, from approximately S\$625,000 in 9M2010 to approximately S\$576,000 in 9M2011. This was mainly lower to lower marketing and exhibition expenses incurred for the period under review.

## **Administrative expenses**

Administrative expenses increased approximately S\$2.6 million or 87.0%, from approximately S\$3.0 million in 9M2010 to approximately S\$5.6 million in 9M2011. This was mainly due to (i) administrative expenses incurred by the Multiheight Group, which was acquired since 1 July 2011, (ii) amortization and depreciation of intangible assets and fair value revaluation of property, plant and equipment recognized upon consolidation of the Multiheight Group (iii) increase in overhead costs arising from expansion of our Suzhou facilities, (iv) maintenance fees incurred as a listed company.

## **Other credits / (charges)**

Other credits / (charges) increased approximately S\$417,000 or 947.7%, from net charges of approximately S\$44,000 in 9M2010 to net credits of approximately S\$373,000 in 9M2011. This was mainly due to (i) unrealized foreign exchange gain recorded in 9M2011 as a result of strengthening of USD against SGD at the end of 3Q2011, in contrast to an unrealized foreign exchange loss recorded in 9M2010.

## **Statement of Financial Position Review (as at 30 September 2011 compared to 31 December 2010)**

### **Non-current assets**

Non-current assets increased approximately S\$20.4 million or 530.5%, from approximately S\$3.8 million as at 31 December 2010 to approximately S\$24.3 million as at 30 September 2011.

The increase was mainly due to:

- (i) Inclusion of property, plant and equipment from the Multiheight Group of approximately S\$4.6 million as at 30 September 2011
- (ii) Fair value revaluation on property, plant and equipment, as well as, intangible assets and goodwill recognized upon consolidation of the Multiheight Group amounting to approximately S\$15.8 million.

### **Current assets**

Current assets increased approximately S\$14.4 million or 27.8%, from approximately S\$51.7 million as at 31 December 2010 to approximately S\$66.1 million as at 30 September 2011.

The increase was due to combination of the following factors:

- (i) Inclusion of current assets from the Multiheight Group of approximately S\$14.5 million as at 30 September 2011
- (ii) Increase in inventories of approximately S\$4.7 million
- (iii) Decrease in trade and other receivables of approximately S\$6.6 million
- (iv) Increase in cash and cash equivalents of approximately S\$1.4 million.

### **Current liabilities**

Current liabilities increased by approximately S\$11.1 million or 61.8%, from approximately S\$18.0 million as at 31 December 2010 to approximately S\$29.1 million as at 30 September 2011.

The increase was due to combination of the following factors:

- (i) Inclusion of current liabilities from the Multiheight Group of approximately S\$3.7 million as at 30 September 2011
- (ii) Decrease in income tax payable of approximately S\$1.3 million
- (iii) Increase in other financial liabilities of approximately S\$6.5 million, mainly attributable to the current portion of the loan drawn down for funding the acquisition of the Multiheight Group, repayable within one year
- (iv) Decrease in trade and other payables of approximately S\$0.6 million, partially offset by accrual for the second consideration payment for the acquisition of the Multiheight Group payable by 30 June 2012.

## **Non-current liabilities**

Non-current liabilities increased by approximately S\$23.8 million from approximately S\$0.1 million as at 31 December 2010 to approximately S\$23.9 million as at 30 September 2011.

The increase was due to:

- (i) Increase in other financial liabilities of approximately S\$19.7 million being non-current portion of the loan drawn down for funding the acquisition of the Multiheight Group, repayable after one year
- (ii) Deferred tax liabilities of approximately S\$0.8 million
- (iii) Accrual for the final consideration payment for the acquisition of the Multiheight Group payable by 30 June 2013.

## **Equity**

Our capital and reserves decreased by approximately S\$0.1 million or 0.4% from S\$37.5 million as at 31 December 2010 to S\$37.3 million as at 30 September 2011 mainly due to S\$2.1 million dividends paid in 2Q2011, partially offset by retention of net profit for 9M2011.

## **Statement of Cash Flows Review**

### **3Q2011**

We continued to maintain a healthy cash position with approximately S\$31.5 million in cash and bank balances as at the end of the third quarter.

In 3Q2011, net cash generated from operating activities amounted to approximately S\$2.8 million compared with net cash used in operating activities amounting to approximately S\$4.3 million in the corresponding period in FY2010. We generated net cash of approximately S\$1.2 million from operating profits before working capital changes. Net cash generated from working capital amounted to approximately S\$2.6 million. This was mainly due to (i) cash inflow from increase in trade and other receivables of approximately S\$4.6 million, (ii) cash outflow from increase in inventories of approximately S\$3.5 million and (iii) cash inflow from increase in trade and other payables of approximately S\$2.1 million. Our operating cash flow from operations was reduced by income taxes payment of approximately S\$1.0 million.

Net cash of approximately S\$17.0 million was used in investing activities for the acquisition of subsidiaries and purchase of plant and equipment.

In addition, we have drawn down a loan of S\$27.0 million for purpose of funding the Group's acquisition of the Multiheight Group during 3Q2011.

### **9M2011**

In 9M2011, net cash generated from operating activities amounted to approximately S\$2.5 million compared with net cash used in operating activities amounting to approximately S\$2.1 million in the corresponding period in FY2010. We generated net cash of approximately S\$3.2 million from operating profits before working capital changes. Net cash generated from working capital amounted to approximately S\$1.5 million. This was mainly due to (i) cash inflow from decrease in trade and other receivables of approximately S\$7.0 million and (ii) cash outflow from increase in inventories of approximately S\$4.6 million. Our operating cash flow from operations was reduced by income taxes payment of approximately S\$2.2 million.

Net cash of approximately S\$17.2 million was used in investing activities mainly for the acquisition of subsidiaries and the purchase of plant and equipment.

Net cash of approximately S\$25.4 million was generated from financing activities. This was mainly due to (i) a S\$27.0 million loan drawn down for purposes of funding the Group's acquisition of the Multiheight Group, (ii) dividend payment of approximately S\$2.1 million during the period and (iii) cash restricted in use decreased by approximately S\$1.7 million due to release of charge over certain fixed deposits by our respective lending banks during this period.

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

No profit forecast or profit guarantee has been issued for the year under review.

**10. A commentary at the date of the announcement of the 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**

As at the date of this announcement, our Group has outstanding orders amounting to approximately S\$37.3 million. These orders are scheduled for delivery within the next 24 months, and as such, we expect to recognize revenue from such orders up to FY2013. These confirmed orders are however, subjected to possible cancellation, deferral, rescheduling or variations by customers.

Business environment of the industries in which our Group operates remains very competitive and challenging and the Group is faced with increasing pressure on overall margins. The Group will continue to work on increasing productivity and efficiencies to counter these pressures on our profit margins and also to manage our resources prudently in an effort to tide through this uncertain global environment.

Based on the prevailing economic conditions and barring any unforeseen circumstances, the Group expects to be profitable in FY2011. However, given the weaker demand and continued pricing pressures faced, the Group expects to report significantly lower net profit after tax for FY2011 as compared to FY2010.

**11. Dividend**

**(a) Current Financial Period Reported on 30 September 2011**

**Any dividend declared for the current financial period reported on?** No.

|                           |    |
|---------------------------|----|
| Name Of Dividend          | NA |
| Dividend Type             | NA |
| Dividend Amount Per Share | NA |
| Tax Rate                  | NA |

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

**Any dividend declared for the corresponding period of the immediately preceding financial year?** No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared for the quarter ended 30 September 2011.

### 13. Interested Person Transactions

| Name of interested person | Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) | Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding less than S\$100,000) |
|---------------------------|--|---|
| Not Applicable            | -  | -   |

### 14. Use of IPO proceeds

|   | Amount<br>S\$ million | Amount<br>Utilised<br>S\$ million | Balance<br>as at 8<br>November<br>2011 |
|---|-----------------------|-----------------------------------|--|
| <b>Intended use</b>   |                       |                                   |  |
| (a) Increase of production capacity, expansion of sales network and funding of operations in the PRC      | 6.0                   | 5.0                               | 1.0                                    |
| (b) Expanding our MRO and Trading Division  | 1.0                   | 0.4                               | 0.6                                    |
| (c) Expansion through acquisition of companies and technologies   | 5.0                   | 5.0                               | -                                      |
| (d) Investment in product development, improvement of work infrastructure and development of staff skills | 2.0                   | 1.5                               | 0.5                                    |
| (e) General working capital purposes  | 6.0                   | 6.0                               | -                                      |

### 15. Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to its attention of which may render the interim financial statement for the financial period ended 30 September 2011 to be false or misleading in any material aspect.

**BY ORDER OF THE BOARD**

**CHANG YEH HONG**  
**CHAIRMAN AND CHIEF EXECUTIVE OFFICER**  
**8 NOVEMBER 2011**