



NORDIC
Group Limited

NORDIC GROUP LIMITED
(Company Registration Number: 201007399N)

Full Year Financial Statements and Related Announcement for the Year Ended 31 December 2017

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

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

| STATEMENT OF COMPREHENSIVE INCOME | 4Q2017 S\$'000 | 4Q2016 S\$'000 | Change % | FY2017 S\$'000 | FY2016 S\$'000 | Change % |
|---|---------------------------|---------------------------|---------------------|---------------------------|---------------------------|---------------------|
| Revenue | 20,753 | 18,909 | 10 | 91,537 | 81,921 | 12 |
| Cost of sales | (13,546) | (13,265) | 2 | (61,097) | (56,398) | 8 |
| Gross profit | 7,207 | 5,644 | 28 | 30,440 | 25,523 | 19 |
| Interest income | 46 | 30 | 53 | 163 | 115 | 42 |
| Finance costs | (313) | (211) | 48 | (1,229) | (978) | 26 |
| Marketing and distribution costs | (90) | (93) | (3) | (431) | (479) | (10) |
| Administrative expenses | (2,946) | (2,275) | 29 | (11,284) | (10,403) | 8 |
| Other (losses) / gains | (185) | 1,003 | (118) | (925) | 899 | (203) |
| Profit before tax from continuing operations | 3,719 | 4,098 | (9) | 16,734 | 14,677 | 14 |
| Income tax credit / (expense) | 628 | (282) | (323) | (1,468) | (1,994) | (26) |
| Profit from continuing operations, net of tax | 4,347 | 3,816 | 14 | 15,266 | 12,683 | 20 |
| Other comprehensive income: Items that may be reclassified subsequently to Profit or Loss: | | | | | | |
| Exchange differences on translating foreign operations, net of tax | 37 | 92 | (60) | 8 | (160) | (105) |
| Other Comprehensive Income, Net of Tax | 37 | 92 | (60) | 8 | (160) | (105) |
| Total Comprehensive Income | 4,384 | 3,908 | 12 | 15,274 | 12,523 | 22 |
| Profit Attributable to: | | | | | | |
| Owners of the parent, net of tax | 4,347 | 3,816 | 14 | 15,266 | 12,748 | 20 |
| Non-controlling interest, net of tax | - | - | - | - | (65) | (100) |
| Profit Net of Tax | 4,347 | 3,816 | 14 | 15,266 | 12,683 | 20 |
| Total Comprehensive Income Attributable to: | | | | | | |
| Owners of the parent | 4,384 | 3,908 | 12 | 15,274 | 12,588 | 21 |
| Non-controlling interests | - | - | - | - | (65) | (100) |
| Total Comprehensive Income | 4,384 | 3,908 | 12 | 15,274 | 12,523 | 22 |

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 profit or loss for the financial period is derived after (charging)/crediting:

| | | 4Q2017 | 4Q2016 | Change | FY2017 | FY2016 | Change |
|----|--|--------|--------|--------|---------|---------|--------|
| | | \$'000 | \$'000 | % | \$'000 | \$'000 | % |
| 1 | Interest income | 46 | 30 | 53 | 163 | 115 | 42 |
| 2 | Interest on borrowings | (313) | (211) | 49 | (1,229) | (978) | 26 |
| 3 | Depreciation | (651) | (651) | - | (2,915) | (2,788) | 5 |
| 4 | Foreign exchange (loss) / gain | (415) | 979 | (142) | (1,568) | 212 | (840) |
| 5 | Allowance for impairment of trade debts | - | (27) | (100) | (20) | (34) | (41) |
| 6 | (Loss) / gain on disposal of plant and equipment | (78) | 12 | (750) | (84) | 86 | (198) |
| 7 | Other income | 236 | 36 | 556 | 321 | 204 | 57 |
| 8 | Government grant income | 17 | 43 | (60) | 366 | 408 | (10) |
| 9 | Reversal / (allowance) for impairment of inventory | 60 | (42) | 243 | 60 | (42) | 243 |
| 10 | Transaction cost for Ensure acquisition | 34 | - | nm | 34 | - | nm |
| 11 | Trade payables written back | - | - | - | - | 65 | (100) |

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

| | Group | | Company | |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31/12/2017 S\$'000 | 31/12/2016 S\$'000 | 31/12/2017 S\$'000 | 31/12/2016 S\$'000 |
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 22,716 | 17,063 | - | - |
| Investment in subsidiaries | - | - | 1,350 | 1,350 |
| Goodwill | 29,552 | 22,451 | - | - |
| Total non-current assets | 52,268 | 39,514 | 1,350 | 1,350 |
| Current assets | | | | |
| Inventories | 13,287 | 7,894 | 3,614 | - |
| Trade and other receivables | 29,094 | 27,103 | 11,312 | 15,958 |
| Other assets | 2,950 | 5,089 | 315 | 4,276 |
| Cash and cash equivalents | 40,291 | 32,325 | 12,698 | 8,388 |
| Asset held-for-sale | 13,419 | - | - | - |
| Total current assets | 99,041 | 72,411 | 27,939 | 28,622 |
| Total assets | 151,309 | 111,925 | 29,289 | 29,972 |
| Liabilities and Equity | | | | |
| Shareholders' equity | | | | |
| Share capital | 22,439 | 22,439 | 22,439 | 22,439 |
| Retained earnings | 54,963 | 45,137 | 7,096 | 6,275 |
| Treasury shares | (1,303) | (1,279) | (1,303) | (1,279) |
| Other reserves | 515 | 507 | - | - |
| Total equity | 76,614 | 66,804 | 28,232 | 27,435 |
| Non-current liabilities | | | | |
| Other financial liabilities | 7,974 | 6,845 | - | - |
| Other payables | 5,701 | - | - | - |
| Deferred tax liabilities | 3,098 | 979 | - | - |
| Total non-current liabilities | 16,773 | 7,824 | - | - |
| Current liabilities | | | | |
| Income tax payable | 1,430 | 2,113 | 95 | 10 |
| Trade and other payables | 16,798 | 12,791 | 962 | 2,527 |
| Other liabilities | 498 | 1,153 | - | - |
| Financial liabilities held-for-sale | 12,245 | - | - | - |
| Other financial liabilities-current | 26,951 | 21,240 | - | - |
| Total current liabilities | 57,922 | 37,297 | 1,057 | 2,537 |
| Total Liabilities | 74,695 | 45,121 | 1,057 | 2,537 |
| Total liabilities and equity | 151,309 | 111,925 | 29,289 | 29,972 |

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

Amount repayable in one year or less, or on demand

| As at 31 December 2017 | | As at 31 December 2016 | |
|------------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 21,404 | 17,792 | 9,246 | 11,994 |

Amount repayable after one year

| As at 31 December 2017 | | As at 31 December 2016 | |
|------------------------|-----------|------------------------|-----------|
| Secured | Unsecured | Secured | Unsecured |
| \$'000 | \$'000 | \$'000 | \$'000 |
| 7,974 | - | 6,845 | - |

Details of any collateral

The borrowings are secured over:

1. Mortgage on the motor vehicles of certain subsidiaries for finance lease liabilities
2. Borrowings drawdown for working capital are secured against mortgage on leasehold properties owned by Ensure Engineering Pte. Ltd. and Austin Energy Offshore Pte. Ltd.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

| | 4Q2017 \$'000 | 4Q2016 \$'000 | FY2017 \$'000 | FY2016 \$'000 |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| Cash flows from operating activities: | | | | |
| Profit before tax | 3,719 | 4,098 | 16,734 | 14,677 |
| Adjustments for: | | | | |
| Depreciation expense | 651 | 651 | 2,915 | 2,788 |
| Loss / (gain) on disposal of plant and equipment | 78 | (12) | 84 | (86) |
| Interest income | (46) | (30) | (163) | (115) |
| Interest expense | 313 | 211 | 1,229 | 978 |
| Unrealised foreign exchange loss/(gain) | 263 | (700) | 629 | (368) |
| Operating cash flows before changes in working capital | 4,978 | 4,218 | 21,428 | 17,874 |
| Trade and other receivables | 4,803 | (891) | 950 | (1,214) |
| Other assets | (1,328) | (4,248) | 2,362 | (4,077) |
| Inventories | (792) | 994 | (4,687) | 1,094 |
| Other liabilities | 211 | 1,153 | (655) | 18 |
| Trade and other payables | (3,138) | 1,649 | (2,481) | 911 |
| Cash generated from operations | 4,734 | 2,875 | 16,917 | 14,606 |
| Income tax paid | (11) | (64) | (1,888) | (1,382) |
| Net cash generated from operating activities | 4,723 | 2,811 | 15,029 | 13,224 |
| Cash flows from investing activities: | | | | |
| Acquisition of subsidiaries | 353 | - | 9,177 | (5,441) |
| Purchase of property, plant and equipment | (910) | (164) | (2,076) | (1,202) |
| Proceeds from disposal of plant and equipment | 22 | 14 | 131 | 183 |
| Interest received | 46 | 30 | 163 | 115 |
| Net cash (used in) / generated from investing activities | (489) | (120) | 7,395 | (6,345) |
| Cash flows from financing activities: | | | | |
| Other financial liabilities | (8,454) | (5,331) | (18,790) | (4,165) |
| Increase from new borrowings | 7,000 | - | 12,000 | - |
| Decrease in finance leases | (40) | (27) | (133) | (123) |
| Dividends paid | (2) | - | (5,440) | (4,676) |
| Purchase of treasury shares | - | (68) | (24) | (423) |
| Interest paid | (313) | (211) | (1,229) | (978) |
| Net cash (used in) financing activities | (1,809) | (5,637) | (13,616) | (10,365) |
| Net increase in cash | 2,425 | (2,946) | 8,808 | (3,486) |
| Effect of Foreign Exchange Rate Adjustments | (595) | 722 | (842) | 245 |
| Cash balance at beginning of period | 38,461 | 34,549 | 32,325 | 35,566 |
| Cash at end of period | 40,291 | 32,325 | 40,291 | 32,325 |

Non-cash transactions:

There were acquisitions of certain assets under property, plant and equipment with a total cost of \$204,000 by means of finance leases in 12M2017 (12M2016: \$218,000).

| | <u>Pre-acquisition book value under FRS \$'000</u> | <u>Provisional fair value \$'000</u> |
|---|--|--|
| <u>2017: Ensure</u> | | |
| Property, plant and equipment | 19,703 | 19,703 |
| Inventories | 706 | 706 |
| Trade and other receivables | 2,941 | 2,941 |
| Other assets | 223 | 223 |
| Cash and cash equivalents | 14,604 | 14,604 |
| Trade and other payables | (1,291) | (1,291) |
| Other financial liabilities | (25,802) | (25,802) |
| Income tax payables | 5 | 5 |
| Deferred tax liabilities | (1,865) | (1,865) |
| Net identifiable assets | 9,224 | 9,224 |
| Goodwill arising on consolidation | | 7,101 |
| Purchase consideration | | 16,325 |
| Amount payable to vendor of the acquired subsidiaries | | (10,898) |
| Cash of subsidiaries acquired | | (14,604) |
| Net cash flow from acquisition of subsidiaries | | (9,177) |

On 28 April 2017, the Group acquired 100% of the share capital in Ensure Engineering Pte Ltd ("Ensure") and from that date, the Group gained control of Ensure. The transaction was accounted for by the acquisition method of accounting. The fair values of identifiable assets acquired and liabilities assumed shown above for Ensure are provisional as the hindsight period (of not more than twelve months) allowed by FRS 103 Business Combinations will expire on 28 April 2018.

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

STATEMENTS OF CHANGES IN EQUITY

| | Attributable to shareholders of the company | | | | | | Non-Controlling Interest | Total equity |
|---|---|--------------------------------------|-------------------|--------------------|-----------------|------------------|--------------------------|--------------|
| | Issued Capital | Foreign Currency Translation Reserve | Retained Earnings | Statutory Reserves | Treasury Shares | Parent Sub-Total | | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | | |
| Group - Q4 | | | | | | | | |
| <u>Balance at 1 October 2016</u> | 22,439 | 180 | 41,321 | 235 | (1,211) | 62,964 | - | 62,964 |
| Total comprehensive income for the period | - | 92 | 3,816 | - | - | 3,908 | - | 3,908 |
| Purchase of treasury shares | - | - | - | - | (68) | (68) | - | (68) |
| Balance at 31 December 2016 | 22,439 | 272 | 45,137 | 235 | (1,279) | 66,804 | - | 66,804 |
| Group - Q4 | | | | | | | | |
| <u>Balance at 1 October 2017</u> | 22,439 | 243 | 50,616 | 235 | (1,303) | 72,230 | - | 72,230 |
| Total comprehensive income for the period | - | 37 | 4,347 | - | - | 4,384 | - | 4,384 |
| Balance at 31 December 2017 | 22,439 | 280 | 54,963 | 235 | (1,303) | 76,614 | - | 76,614 |
| Group - FY2016 | | | | | | | | |
| <u>Balance at 1 January 2016</u> | 22,439 | 432 | 37,065 | 235 | (856) | 59,315 | 65 | 59,380 |
| Total comprehensive income for the period | - | (160) | 12,748 | - | - | 12,588 | (65) | 12,523 |
| Dividend paid | - | - | (4,676) | - | - | (4,676) | - | (4,676) |
| Purchase of treasury shares | - | - | - | - | (423) | (423) | - | (423) |
| Balance at 31 December 2016 | 22,439 | 272 | 45,137 | 235 | (1,279) | 66,804 | - | 66,804 |
| - | | | | | | | | |
| Group - FY2017 | | | | | | | | |
| <u>Balance at 1 January 2017</u> | 22,439 | 272 | 45,137 | 235 | (1,279) | 66,804 | - | 66,804 |
| Total comprehensive income for the period | - | 8 | 15,266 | - | - | 15,274 | - | 15,274 |
| Dividend paid | - | - | (5,440) | - | - | (5,440) | - | (5,440) |
| Purchase of treasury shares | - | - | - | - | (24) | (24) | - | (24) |
| Balance at 31 December 2017 | 22,439 | 280 | 54,963 | 235 | (1,303) | 76,614 | - | 76,614 |

| | Issued Capital | Retained Earnings | Treasury Shares | Total equity |
|---|----------------|-------------------|-----------------|--------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Company - Q4 | | | | |
| <u>Balance at 1 October 2016</u> | 22,439 | 2,748 | (1,211) | 23,976 |
| Total comprehensive income for the period | - | 3,527 | - | 3,527 |
| Purchase of treasury shares | - | - | (68) | (68) |
| Balance at 31 December 2016 | 22,439 | 6,275 | (1,279) | 27,435 |
| Company - Q4 | | | | |
| <u>Balance at 1 October 2017</u> | 22,439 | 7,186 | (1,303) | 28,322 |
| Total comprehensive income for the period | - | (90) | - | (90) |
| Balance at 31 December 2017 | 22,439 | 7,096 | (1,303) | 28,232 |
| Group - 12 months | | | | |
| <u>Balance at 1 January 2016</u> | 22,439 | 4,688 | (856) | 26,271 |
| Total comprehensive income for the period | - | 6,263 | - | 6,263 |
| Dividend paid | - | (4,676) | - | (4,676) |
| Purchase of treasury shares | - | - | (423) | (423) |
| Balance at 31 December 2016 | 22,439 | 6,275 | (1,279) | 27,435 |
| Company -12 months | | | | |
| <u>Balance at 1 January 2017</u> | 22,439 | 6,275 | (1,279) | 27,435 |
| Total comprehensive income for the period | - | 6,261 | - | 6,261 |
| Purchase of treasury shares | - | - | (24) | (24) |
| Dividends paid | - | (5,440) | - | (5,440) |
| Balance at 31 December 2017 | 22,439 | 7,096 | (1,303) | 28,232 |

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

| | 4Q2017 | | 3Q2017 | |
|---|---------------|---------|---------------|---------|
| Issued and paid up capital | No. of shares | S\$'000 | No. of shares | S\$'000 |
| As at beginning of period | 393,112,900 | 21,136 | 393,112,900 | 21,136 |
| Less: share buy-backs during the period | - | - | - | - |
| Total issued share capital excluding treasury shares as at end of period | 393,112,900 | 21,136 | 393,112,900 | 21,136 |

The company had no convertibles as at the end of the current financial period and as at the end of the corresponding period for the immediately preceding financial year.

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 total number of issued share capital of the Company, excluding treasury shares as at the end of the period was 393,112,900 ordinary shares (31 December 2016: 393,175,400 ordinary shares).

As at 31 December 2017, the Company holds 6,887,100 treasury shares (31 December 2016: 6,824,600 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

The Company held 6,887,100 treasury shares as at the end of the period. There was no other sale, disposal, cancellation and/or use of treasury shares during the period ended 31 December 2017.

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 during the current financial period.

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

| | 4Q2017 | 4Q2016 | FY2017 | FY 2016 |
|---|---------|---------|---------|---------|
| <u>The Group</u> | | | | |
| Net profit after tax attributable to equity holders of the Company (\$'000) | 4,347 | 3,816 | 15,266 | 12,748 |
| Weighted average number of ordinary shares (excluding Treasury Shares) ('000) | 393,113 | 393,656 | 393,140 | 393,969 |
| Earnings per share - basic/fully diluted (cents) | 1.1 | 1.0 | 3.9 | 3.2 |

The Company had no dilutive equity instruments during the respective financial periods.

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 | |
|--|------------|------------|------------|------------|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| Net asset value (\$'000) | 76,614 | 66,804 | 28,232 | 27,435 |
| Number of ordinary shares (excluding Treasury Shares) ('000) | 393,113 | 393,175 | 393,113 | 393,175 |
| Net asset value per share (cents) | 19.5 | 17.0 | 7.2 | 7.0 |

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 31 December 2017 ("4Q2017")

Revenue

The Group's revenue increased by approximately \$1.8million or 10%, from approximately \$18.9million in 4Q2016 to approximately \$20.8million in 4Q2017. The increase was mainly due to higher revenue from the Maintenance Services segment in 4Q2017.

| Business Segment | 4Q2017 | 4Q2016 | Change | Change |
|----------------------|---------------|---------------|--------------|-----------|
| | \$'000 | \$'000 | \$'000 | % |
| Project Services | 9,588 | 13,292 | (3,704) | (28) |
| Maintenance Services | 11,165 | 5,617 | 5,548 | 99 |
| Total | 20,753 | 18,909 | 1,844 | 10 |

Gross profit and gross profit margin

Gross profit for 4Q2017 increased by approximately \$1.6 million or 28% from \$5.6 million in 4Q2016 to \$7.2 million in 4Q2017. Gross profit margin increased from 29.8% in 4Q2016 to 34.7% in 4Q2017.

Gross profit for 4Q2017 was higher than 4Q2016 mainly due to higher revenue from the Maintenance Services segment in 4Q2017.

Finance costs

Finance costs increased approximately \$102,000 or 48% from approximately \$0.21 million in 4Q2016 to approximately \$0.31 million in 4Q2017, mainly due to higher interest expenses from increase in interest rates and more borrowings from the acquisition of Ensure.

Marketing and distribution costs

Marketing and distribution costs remained constant.

Administrative expenses

Administrative expenses increased approximately \$671,000 or 29% from approximately \$2.3 million in 4Q2016 to approximately \$2.9 million in 4Q2017, mainly due to higher administrative expenses contributed by Ensure.

Other gains and losses

For 4Q2017, other losses of approximately \$0.2 million was recorded, arising mainly from foreign exchange losses of approximately \$0.4 million due to the weakening of United States Dollar against the Singapore Dollar. This increase was offset by other income of \$0.2 million.

For 4Q2016, other gains of approximately \$1.0 million was recorded, arising mainly from foreign exchange gains of approximately \$1.0 million due to the strengthening of United States Dollar against the Singapore Dollar.

Income tax expenses

Income tax credit of \$628,000 in 4Q2017 is due to overprovision of tax expense in previous years and higher productivity and innovative claims.

Review of performance for the twelve months ended 31 December 2017 (“12M2017”)

Revenue

The Group's revenue increased by approximately \$9.6million or 12%, from approximately \$81.9 million in 12M2016 to approximately \$91.5 million in 12M2017. The increase was mainly due to Maintenance Services revenue from Ensure, which was acquired on 28 April 2017. The increase was offset by a decrease in Project Services due to less projects in 12M2017.

| Business Segment | 12M2017 | 12M2016 | Change | Change |
|----------------------|---------------|---------------|--------------|-----------|
| | \$'000 | \$'000 | \$'000 | % |
| Project Services | 53,486 | 60,453 | (6,967) | (12) |
| Maintenance Services | 36,664 | 21,468 | 15,196 | 71 |
| Others | 1,387 | - | 1,387 | nm |
| Total | 91,537 | 81,921 | 9,616 | 12 |

Gross profit and gross profit margin

Gross profit for 12M2017 increased approximately \$4.9 million or 19% from \$25.5 million in 12M2016 to \$30.4 million in 12M2017. Similarly, gross profit margin increased from 31.2% in 12M2016 to 33.3% in 12M2017.

Gross profit for 12M2017 was higher than 12M2016 mainly due to contribution from Ensure. The increase in gross profit margin was due to higher margins from both Maintenance Services and Others segments.

Finance costs

Finance costs increased approximately \$251,000 or 26%, from approximately \$1.0 million in 12M2016 to approximately \$1.2 million in 12M2017 mainly due to higher interest from increase in interest rates and more borrowings from the acquisition of Ensure.

Marketing and distribution costs

Marketing and distribution costs decreased approximately \$48,000 or 10%, from approximately \$479,000 in 12M2016 to \$431,000 in 12M2017, mainly due to lower sales and marketing costs incurred.

Administrative expenses

Administrative expenses increased approximately \$881,000 or 8% from approximately \$10.4 million in 12M2016 to approximately \$11.3 million in 12M2017, mainly due to higher administrative expenses contributed by Ensure.

Other gains and losses

For 12M2017, other losses of approximately \$0.9 million was recorded, arising mainly from foreign exchange loss of approximately \$1.6 million. This loss was offset by government grant income of approximately \$0.4 million and other income of approximately \$0.3 million.

For 12M2016, other gains of approximately \$0.9 million was recorded, arising mainly from foreign exchange gain of approximately \$0.2 million, government grant income of approximately \$0.4 million, other income of approximately \$0.2 million and gain on disposal of plant and equipment of \$0.1 million.

Income tax expenses

Income tax expense decreased approximately \$526,000 or 26% from approximately \$2.0 million in 12M2016 to \$1.5 million in 12M2017 due to high productivity and innovation credit claims.

Statement of Financial Position Review (as at 31 December 2017 compared to 31 December 2016)

Non-current assets

Non-current assets increased approximately \$12.8 million or 32% from approximately \$39.5 million as at 31 December 2016 to approximately \$52.3 million as at 31 December 2017.

The increase was mainly due to:

- (i) inclusion of property, plant and equipment from Ensure of approximately \$19.7 million.
- (ii) goodwill arising from the acquisition of Ensure of approximately \$7.1 million as at 28 April 2017.
- (iii) additions of plant and equipment of approximately \$2.3 million.

The increase was partially offset by depreciation of property, plant and equipment of approximately \$2.9 million and the reclassification of properties of approximately \$13.4 million to asset held-for-sale. Four of our Group properties are being marketed for sales. This is to consolidate our businesses into one location for better coordination and control.

Current assets

Current assets increased approximately \$26.6 million or 37%, from approximately \$72.4 million as at 31 December 2016 to approximately \$99.0 million as at 31 December 2017.

The increase was due to inclusion of current assets from Ensure and the reclassification of asset held-for-sale from property, plant and equipment as explained above.

Current liabilities

Current liabilities increased approximately \$20.6 million or 55%, from approximately \$37.3 million as at 31 December 2016 compared to \$57.9 million as at 31 December 2017.

The increase was due to:

- (i) trade and other payables of approximately \$4.0 million which mainly relates to the deferred consideration payments for the acquisition of Ensure of \$2.2 million
- (ii) other financial liabilities of \$5.7 million due to additional bank borrowings for working capital
- (iii) liabilities held-for-sale of \$12.2 million reclassified from non-current other financial liabilities. These are borrowings secured by mortgages on four of our properties. These liabilities would be repaid when the properties are sold.

Non-current liabilities

Non-current liabilities increased by approximately \$8.9 million or 114%, from approximately \$7.8 million as at 31 December 2016 to approximately \$16.8 million as at 31 December 2017.

The increase was due to increase in other payables of approximately \$5.7 million relating to non-current portion of the deferred consideration payments for the acquisition of Ensure and increase in deferred tax liabilities of approximately \$2.1 million.

Equity

Our capital and reserves increased by approximately \$9.8 million or 15% from \$66.8 million as at 31 December 2016 to \$76.6 million as at 31 December 2017. The increase was mainly due to the retention of net profit for 12M2017, partially offset by distribution of dividends in 2Q2017 and 3Q2017.

Statement of Cash Flows Review

4Q2017

We continued to maintain a healthy cash position with approximately \$40.3 million in cash and bank balances as at the end of 4Q2017.

In 4Q2017, net cash generated from operating activities amounted to approximately \$4.7 million compared with approximately \$2.8 million generated in 4Q2016. We generated net cash of approximately \$5.0 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$0.2 million. This was mainly due to cash outflow from increase in other assets of approximately \$1.3 million, increase in inventories of approximately \$0.8 million and decrease in trade and other payables of \$3.1 million. The cash outflow was offset by cash inflows from decrease in trade and other receivables of approximately \$4.8 million and increase in other liabilities of approximately \$0.2 million. Our operating cash flow from operations was reduced by income taxes payment of approximately \$0.01 million.

Net cash of approximately \$0.5 million was used in investing activities mainly for the purchase of plant and equipment.

Net cash of approximately \$1.8 million was used in financing activities. This was mainly due to interest payment of approximately \$0.3 million and net payment of other financial liabilities of approximately \$1.5 million.

12M2017

In 12M2017, net cash generated from operating activities amounted to approximately \$15.0 million compared to approximately \$13.2 million generated in 12M2016. We generated net cash of approximately \$21.4 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$4.5 million. This was mainly due to cash outflow from increase in inventories of approximately \$4.7 million, cash outflow from decrease in trade and other payables of approximately \$2.5 million and decrease in other liabilities of approximately \$0.7 million. These cash outflows were offset by cash inflow from the decrease in other assets of approximately \$2.4 million and the decrease in trade and other receivables of approximately \$1.0 million. Our operating cash flow from operations was reduced by income tax payments of approximately \$1.9 million.

Net cash of approximately \$7.4 million was generated from investing activities mainly from the net cash taken over from the acquisition of subsidiary of \$9.2 million. This cash inflow was offset by the purchase of plant and equipment of approximately \$2.1 million.

Net cash of approximately \$13.6 million was used in financing activities. This was mainly due to dividend payment of approximately \$5.4 million, interest payment of approximately \$1.2 million and decrease in net other financial liabilities of approximately \$6.8 million.

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 has been previously issued.

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

Our Group has outstanding orders amounting to approximately \$106.8 million as at 31 January 2018. Certain maintenance contracts are based on unit rates and do not have a contract value upfront. These contract values are estimated based on historical revenue trends and included above.

The deliveries for these orders will spread within the next 36 months and as such, we expect to derive sustained revenue streams from these orders up to FY2021. These confirmed orders are however, subject to possible cancellation, deferral, rescheduling or variations by customers.

The Group's businesses serving largely the marine, oil and gas industries remain challenging. Amidst persistent weak oil prices, fluctuations in the exchange rate of the United States dollar against the Singapore dollar and the contagion effect from the fallout of some of the local oil and gas players, the Group's growth will be affected.

However, the Group is optimistic with the contract wins secured to date, the prudent cost and risk management initiatives undertaken and the opportunities for further M&A, the Group will continue to deliver value to shareholders.

The Group remains positive over the long-term prospects in the marine, offshore oil and gas industries, petrochemical sectors, pharmaceutical and infrastructure industries.

11. Dividend

(a) Current Financial Period Reported on 31 December 2017

- (i) Any dividend declared for the current financial period reported on? Yes.**
- (ii) Any dividend recommended for the current financial period reported on? Yes.**

| | |
|---------------------------|--------------------------------|
| Name Of Dividend | Final |
| Dividend Type | Cash |
| Dividend Amount Per Share | 0.873 cents per ordinary share |
| Tax Rate | Tax exempt (One-tier) |

(b) Corresponding Period of the Immediately Preceding Financial Year

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

| | |
|---------------------------|--------------------------------|
| Name Of Dividend | Final |
| Dividend Type | Cash |
| Dividend Amount Per Share | 0.731 cents per ordinary share |
| Tax Rate | Tax exempt (One-tier) |

(c) Date payable

To be announced later. The proposed final dividend is subject to the approval of shareholders at the forthcoming Annual General Meeting.

(d) Books closure date

To be announced at a later date.

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

Not applicable.

13. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recent audited annual financial statements, with comparative information for the immediate preceding year.

The segments and types of products and services are as follows:

- (1) The Project Services segment includes capital projects which the Group provides engineering, design, procurement, construction, machining, scaffolding works, insulation services and passive fireproofing services.
- (2) The Maintenance Services segment includes maintenance and repair services provided by the Group, including trading and supply of material, spare parts and components.
- (3) The Others segment relates to other revenue streams, including dividends from investment holding.

| | Project Services S\$'000 | Maintenance Services S\$'000 | Others S\$'000 | Elimination S\$'000 | Group S\$'000 |
|--|-----------------------------|---------------------------------|-------------------|------------------------|------------------|
| Continuing Operations FY2016 Revenue by Segment | | | | | |
| Total revenue | 60,453 | 21,468 | 4,943 | (4,943) | 81,921 |
| Less: Inter-segment sales | - | - | (4,943) | 4,943 | - |
| External revenue | 60,453 | 21,468 | - | - | 81,921 |
| EBITDA | 11,876 | 6,207 | (4,698) | 4,943 | 18,328 |
| Less: Inter-segment expenses | 3,580 | 1,363 | - | (4,943) | - |
| Adjusted EBITDA | 15,456 | 7,570 | (4,698) | - | 18,328 |
| Finance costs | (719) | (259) | - | - | (978) |
| Depreciation | (2,190) | (598) | - | - | (2,788) |
| Unallocated: | | | | | |
| Income tax expenses | | | | | (1,994) |
| Interest income | | | | | 115 |
| Profit from continuing operations, net of tax | | | | | 12,683 |

| | Project Services S\$'000 | Maintenance Services S\$'000 | Others S\$'000 | Elimination S\$'000 | Group S\$'000 |
|--|-----------------------------|---------------------------------|-------------------|------------------------|------------------|
| Continuing Operations FY2017 Revenue by Segment | | | | | |
| Total revenue | 54,319 | 37,285 | 4,394 | (4,461) | 91,537 |
| Inter-segment sales | (832) | (622) | (3,007) | 4,461 | - |
| External revenue | 53,487 | 36,663 | 1,387 | - | 91,537 |
| EBITDA | 7,945 | 9,790 | (25) | 3,008 | 20,718 |
| Inter-segment expenses | 1,758 | 1,250 | - | (3,008) | - |
| Adjusted EBITDA | 9,703 | 11,040 | (25) | - | 20,718 |
| Finance costs | (643) | (586) | - | - | (1,229) |
| Depreciation | (1,516) | (1,399) | - | - | (2,915) |
| Unallocated: | | | | | |
| Income tax expenses | | | | | (1,471) |
| Interest income | | | | | 163 |
| Profit from continuing operations, net of tax | | | | | 15,266 |

Assets and Reconciliations

| | Project Services S\$'000 | Maintenance Services S\$'000 | Others S\$'000 | Group S\$'000 |
|---|-----------------------------|---------------------------------|-------------------|------------------|
| 2016 | | | | |
| Reportable segment assets | 6,365 | 2,289 | 4,274 | 12,928 |
| Unallocated: | | | | |
| Cash and cash equivalents | | | | 32,325 |
| Inventories | | | | 7,894 |
| Trade and other receivables, prepayments and deposits | | | | 19,264 |
| Property, plant and equipment | | | | 17,063 |
| Other non-current assets | | | | 22,451 |
| Total Group assets | | | | 111,925 |
| 2017 | | | | |
| Reportable segment assets | 4,980 | 1,329 | - | 6,309 |
| Unallocated: | | | | |
| Asset held-for-sale | | | | 13,419 |
| Cash and cash equivalents | | | | 40,291 |
| Inventories | | | | 13,287 |
| Trade and other receivables, prepayments and deposits | | | | 25,735 |
| Property, plant and equipment | | | | 22,716 |
| Other non-current assets | | | | 29,552 |
| Total Group assets | | | | 151,309 |

Liabilities and Reconciliations

| | Project Services | Maintenance Services | Others | Group |
|---|------------------|----------------------|--------|--------|
| 2016 | | | | |
| Reportable segment liabilities | 873 | 280 | - | 1,153 |
| Unallocated: | | | | |
| Trade and other payables | | | | 12,791 |
| Other financial liabilities | | | | 28,085 |
| Income tax payable and deferred tax liabilities | | | | 3,092 |
| Total Group liabilities | | | | 45,121 |
| 2017 | | | | |
| Reportable segment liabilities | - | 498 | - | 498 |
| Unallocated: | | | | |
| Trade and other payables | | | | 22,499 |
| Other financial liabilities | | | | 34,925 |
| Financial liabilities held for sale | | | | 12,245 |
| Income tax payable and deferred tax liabilities | | | | 4,528 |
| Total Group liabilities | | | | 74,695 |

Geographical Information

| | Revenue | | Non-current Assets | |
|-------------|------------|------------|--------------------|------------|
| | 31/12/2017 | 31/12/2016 | 31/12/2017 | 31/12/2016 |
| China | 25,753 | 26,441 | 4,549 | 4,826 |
| Singapore | 74,746 | 63,557 | 47,719 | 34,688 |
| Elimination | (8,962) | (8,077) | - | - |
| | 91,537 | 81,921 | 52,268 | 39,514 |
| | | | | |

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

15. A breakdown of sales as follows:-

| | FY2017 \$'000 | FY2016 \$'000 | Change % |
|--|------------------|------------------|-------------|
| Sales for first half year | 43,970 | 41,623 | 6 |
| Profit attributable to Owners of the Parent, Net of Tax for first half year | 6,531 | 5,372 | 22 |
| Sales for second half year | 47,567 | 40,298 | 18 |
| Profit attributable to Owners of the Parent, Net of Tax for second half year | 8,735 | 7,376 | 18 |

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

| | FY2017 \$'000 | FY2016 \$'000 |
|--|------------------|------------------|
| Interim dividend paid of 0.653 (2016: 0.5372) cents per share | 2,566 | 2,115 |
| Proposed final dividend of 0.873 (2016: 0.731) cents per share | 3,432* | 2,874 |
| Total dividend of 1.526 (2016: 1.2682) cents per share | 5,998 | 4,989 |
| | | |

* Based on 393,112,900 ordinary shares being total issued share capital excluding treasury shares as at 31 December 2017.

17. Interested Person Transactions

The Company has not obtained a general mandate from shareholders for interested person transactions. The Company did not have any interested person transactions during the period under review (excluding transactions less than \$100,000).

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

| Name | Age | Family relationship with any director and / or substantial shareholder | Current position and duties, and the year the position was held | Details of changes in duties and position held, if any, during the year |
|----------------|-----|---|--|---|
| Bong Boon Hean | 37 | Cousin of Teo Ling Ling, Chief Executive Officer, Nordic Flow Control Pte Ltd | Senior Manager, Project & Conversion Bong Boon Hean was promoted to this position in 2013. He leads, oversees project and conversion teams located both in Singapore and China. | N.A. |

BY ORDER OF THE BOARD

**CHANG YEH HONG
CHAIRMAN
26 FEBRUARY 2018**