



NORDIC
Group Limited

NORDIC GROUP LIMITED

(Company Registration Number: 201007399N)

3Q2017 Financial Statement and Dividend Announcement

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 PERIOD ENDED 30 SEPTEMBER 2017

STATEMENT OF COMPREHENSIVE INCOME	3Q2017 S\$'000	3Q2016 S\$'000	Change %	9 months ended 30/09/2017 S\$'000	9 months ended 30/09/2016 S\$'000	Change %
Revenue	26,814	21,390	25	70,784	63,012	12
Cost of Sales	(17,749)	(14,664)	21	(47,551)	(43,132)	10
Gross profit	9,065	6,726	35	23,233	19,880	17
Interest income	51	26	95	117	85	37
Finance costs	(456)	(217)	110	(915)	(767)	19
Marketing and Distribution costs	(117)	(93)	25	(341)	(385)	(12)
Administrative Expenses	(3,247)	(2,775)	17	(8,338)	(8,131)	3
Other Gains / (Losses)	(284)	494	(158)	(739)	(104)	611
Profit Before Tax from Continuing Operations	5,012	4,161	20	13,017	10,578	23
Income Tax Expense	(624)	(666)	(6)	(2,098)	(1,711)	23
Profit from Continuing Operations, Net of Tax	4,388	3,495	26	10,919	8,867	23
Other comprehensive income: Items that may be reclassified subsequently to Profit or Loss:						
Exchange Differences on Translating Foreign Operations, Net of Tax	26	56	(54)	432	(252)	(271)
Other Comprehensive Income, Net of Tax	26	56	(54)	432	(252)	(271)
Total Comprehensive Income	4,414	3,551	24	11,351	8,615	32
Profit Attributable to:						
Owners of the Parent, Net of Tax	4,388	3,560	23	10,919	8,932	22
Non-Controlling Interest, Net of Tax	-	(65)	(100)	-	(65)	(100)
Profit Net of Tax	4,388	3,495	26	10,919	8,867	23
Total Comprehensive Income Attributable to:						
Owners of the Parent	4,414	3,616	22	11,351	8,680	31
Non-Controlling Interests	-	(65)	(100)	-	(65)	(100)
Total Comprehensive Income	4,414	3,551	24	11,351	8,615	32

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:

		3Q2017 \$'000	3Q2016 \$'000	Change %	9 months ended 30/09/2017 \$'000	9 months ended 30/09/2016 \$'000	Change %
1	Interest income	51	26	96	117	85	38
2	Interest expense	(456)	(217)	110	(915)	(767)	19
3	Depreciation and amortisation	(915)	(601)	52	(2,263)	(2,137)	6
4	Foreign exchange gain/(loss) (Allowance)/reversal of	(347)	328	(206)	(1,153)	(767)	50
5	impairment for trade debts	(20)	-	nm	(20)	(7)	186
6	Gain/(loss) on disposal of plant and equipment	3	1	200	(6)	74	(108)
7	Other income/expense	31	64	(52)	85	64	33
8	Government grant income	50	58	(28)	349	365	(7)

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	
	30/09/2017 S\$'000	31/12/2016 S\$'000	30/09/2017 S\$'000	31/12/2016 S\$'000
Assets				
Non-current assets				
Property, Plant and Equipment	22,236	17,063	-	-
Investment in Subsidiaries	-	-	1,350	1,350
Goodwill	29,900	22,451	-	-
Total non-current assets	52,136	39,514	1,350	1,350
Current assets				
Inventories	12,494	7,894	3,615	-
Trade and Other Receivables	33,375	27,103	10,816	15,958
Other Assets	2,144	5,089	21	4,276
Cash and Cash Equivalents	38,461	32,325	14,573	8,388
Asset Held-for-Sale	13,441	-	-	-
Total current assets	99,915	72,411	29,025	28,622
Total assets	152,051	111,925	30,375	29,972
Liabilities and Equity				
Shareholders' equity				
Share Capital	22,439	22,439	22,439	22,439
Retained Earnings	50,616	45,137	7,186	6,275
Treasury Shares	(1,303)	(1,279)	(1,303)	(1,279)
Other Reserves	478	507	-	-
Total equity	72,230	66,804	28,322	27,435
Non-current liabilities				
Other Financial Liabilities	5,119	6,845	-	-
Other Payables	5,453	-	-	-
Deferred Tax Liabilities	3,041	979	-	-
Total non-current liabilities	13,613	7,824	-	-
Current liabilities				
Income Tax Payable	2,327	2,113	56	10
Trade and Other Payables	20,179	12,791	1,997	2,527
Other Liabilities	287	1,153	-	-
Other Financial Liabilities-Current	28,090	21,240	-	-
Liabilities Held-for-Sale	15,325	-	-	-
Total current liabilities	66,208	37,297	2,053	2,537
Total Liabilities	79,821	45,121	2,053	2,537
Total liabilities and equity	152,051	111,925	30,375	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 30 September 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
16,261	11,829	9,246	11,994

Amount repayable after one year

As at 30 September 2017		As at 31 December 2016	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
17,694	2,750	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 in relation to the acquisition of a leasehold property is secured against mortgage on the property
3. Borrowings drawdown in relation to the acquisition of Austin Energy (Asia) Pte. Ltd. And its subsidiary, Austin Energy Offshore Pte. Ltd. is secured against mortgage on a leasehold property owned by Austin Energy Offshore Pte. Ltd.
4. Borrowings drawdown for working capital are secured against mortgage on leasehold properties owned by Ensure Engineering Pte. Ltd.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	3Q2017 S\$'000	3Q2016 S\$'000	Nine months ended 30/09/2017 S\$'000	Nine months ended 30/09/2016 S\$'000
Cash flows from operating activities:				
Profit before tax	5,012	4,161	13,017	10,578
Adjustments for:				
Depreciation expense	915	601	2,263	2,137
Gain on disposal of plant and equipment	(3)	(1)	6	(74)
Interest income	(51)	(26)	(117)	(85)
Interest expense	456	217	915	767
Unrealised foreign exchange loss/(gain)	156	(262)	365	332
Operating cash flows before changes in working capital	6,485	4,690	16,449	13,655
Trade and other receivables	(1,146)	(746)	(3,853)	199
Other assets	(223)	121	3,690	(351)
Inventories	(172)	1,081	(3,894)	100
Other liabilities	(259)	(65)	(866)	(1,135)
Trade and other payables	1,564	(830)	657	(6,179)
Cash generated from operations	6,249	4,251	12,183	6,289
Income tax paid	(681)	(533)	(1,878)	(1,318)
Net cash generated from operating activities	5,568	3,718	10,305	4,971
Cash flows from investing activities:				
Acquisition of subsidiaries	-	-	8,824	-
Purchase of property, plant and equipment	(418)	(196)	(1,166)	(1,038)
Proceeds from disposal of plant and equipment	(18)	(1)	109	169
Interest received	51	26	117	85
Net cash (used in) / from investing activities	(385)	(171)	7,884	(784)
Cash flows from financing activities:				
Other financial liabilities	(2,591)	262	(10,336)	1,166
Increase from new borrowings	-	-	5,000	-
Decrease in finance leases	(34)	(29)	(93)	(96)
Dividends paid	(2,566)	(2,115)	(5,440)	(4,676)
Purchase of treasury shares	-	(61)	(24)	(355)
Interest paid	(456)	(217)	(915)	(767)
Net cash used in financing activities	(5,647)	(2,160)	(11,808)	(4,728)
Net (decrease) / increase in cash	(464)	1,387	6,381	(541)
Effect of Foreign Exchange Rate Adjustments	(29)	170	(245)	(476)
Cash balance at beginning of period	38,954	32,992	32,325	35,566
Cash at end of period	38,461	34,549	38,461	34,549

	<u>Pre-acquisition book value under FRS</u> \$'000	<u>Provisional fair value</u> \$'000
<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		7,449
Purchase consideration		16,673
Amount payable to vendor of the acquired subsidiaries		(10,893)
Cash of subsidiaries acquired		(14,604)
Net cash flow from acquisition of subsidiaries		(8,824)

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

STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the company						Non-Controlling Interest S\$'000	Total equity S\$'000
	Issued Capital S\$'000	Foreign Currency Translation Reserve S\$'000	Retained Earnings S\$'000	Statutory Reserves S\$'000	Treasury Shares S\$'000	Parent Sub-Total S\$'000		
Group - Q3								
<u>Balance at 1 July 2016</u>	22,439	124	39,876	235	(1,150)	61,524	65	61,589
Total comprehensive income for the period	-	56	3,560	-	-	3,616	(65)	3,551
Dividends paid	-	-	(2,115)	-	-	(2,115)	-	(2,115)
Purchase of treasury shares	-	-	-	-	(61)	(61)	-	(61)
Balance at 30 September 2016	22,439	180	41,321	235	(1,211)	62,964	-	62,964
Group - Q3								
<u>Balance at 1 July 2017</u>	22,439	217	48,794	235	(1,303)	70,382	-	70,382
Total comprehensive income for the period	-	26	4,388	-	-	4,414	-	4,414
Dividend paid	-	-	(2,566)	-	-	(2,566)	-	(2,566)
Purchase of treasury shares	-	-	-	-	-	-	-	-
Balance at 30 September 2017	22,439	243	50,616	235	(1,303)	72,230	-	72,230
Group - 9 months								
<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	-	(252)	8,932	-	-	8,680	(65)	8,615
Dividend paid	-	-	(4,676)	-	-	(4,676)	-	(4,676)
Purchase of treasury shares	-	-	-	-	(355)	(355)	-	(355)
Balance at 30 September 2016	22,439	180	41,321	235	(1,211)	62,964	-	62,964
Group - 9 months								
<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	-	(29)	10,919	-	-	10,890	-	10,890
Dividend paid	-	-	(5,440)	-	-	(5,440)	-	(5,440)
Purchase of treasury shares	-	-	-	-	(24)	(24)	-	(24)
Balance at 30 September 2017	22,439	243	50,616	235	(1,303)	72,230	-	72,230

	Issued Capital	Retained Earnings	Treasury Shares	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
Company - Q3				
<u>Balance at 1 July 2016</u>	22,439	4,807	(1,150)	26,096
Total comprehensive income for the period	-	56	-	56
Purchase of treasury shares	-	-	(61)	(61)
Dividend paid	-	(2,115)	-	(2,115)
Balance at 30 September 2016	22,439	2,748	(1,211)	23,976
Company - Q3				
<u>Balance at 1 July 2017</u>	22,439	10,193	(1,303)	31,329
Total comprehensive income for the period	-	2,433	-	2,433
Dividends paid	-	(5,440)	-	(5,440)
Balance at 30 September 2017	22,439	7,186	(1,303)	28,322
Company - 9 months				
<u>Balance at 1 January 2016</u>	22,439	4,688	(856)	26,271
Total comprehensive income for the period	-	2,736	-	2,736
Dividend paid	-	(4,676)	-	(4,676)
Purchase of treasury shares	-	-	(355)	(355)
Balance at 30 September 2016	22,439	2,748	(1,211)	23,976
Company - 9 months				
<u>Balance at 1 January 2017</u>	22,439	6,275	(1,279)	27,435
Total comprehensive income for the period	-	6,351	-	6,351
Purchase of treasury shares	-	-	(24)	(24)
Dividends paid	-	(5,440)	-	(5,440)
Balance at 30 September 2017	22,439	7,186	(1,303)	28,322

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

	3Q2017		2Q2017	
Issued and paid up capital	No. of shares	S\$'000	No. of shares	S\$'000
As at beginning of the period	393,112,900	21,136	393,175,400	21,160
Less: Treasury shares	-	-	(62,500)	(24)
Total issued share capital excluding treasury shares as at end of period	393,112,900	21,136	393,112,900	21,136

Treasury shares	Nine months ended 30/09/2017		6 months ended 30/06/2017	
	No. of shares	S\$'000	No. of shares	S\$'000
As at beginning of the period	6,887,100	1,303	6,824,600	1,279
Add: Share buy-back	-	-	62,500	24
Treasury shares balance as at end of period	6,887,100	1,303	6,887,100	1,303

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 shares excluding treasury shares as at the end of the period was 393,112,900 ordinary shares (31 December 2016: 395,175,400 ordinary shares).

As at 30 September 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 30 September 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

	3Q2017	3Q2016	Nine months ended 30/09/2017	Nine months ended 30/09/2016
The Group				
Net profit after tax attributable to equity holders of the Company (\$'000)	4,388	3,560	10,919	8,932
Weighted average number of ordinary shares (excluding Treasury Shares) ('000)	393,136	393,633	393,149	394,195
Earnings per share - basic/fully diluted (cents)	1.1	0.9	2.8	2.3

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	
	30/9/2017	31/12/2016	30/9/2017	31/12/2016
Net asset value (\$'000)	72,230	66,804	28,322	27,435
Number of ordinary shares (excluding Treasury Shares) ('000)	393,113	393,175	393,113	393,175
Net asset value per share (cents)	18.4	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 30 September 2017 ("3Q2017")

Revenue

Our revenue increased by approximately \$5.4 million or 25%, from approximately \$21.4 million in 3Q2016 to approximately \$26.8 million in 3Q2017. The increase was mainly due to increase in revenue from the Maintenance Services segment contributed by Ensure which was acquired on 28 April 2017.

Business Segment	3Q 2017 \$'000	3Q2016 \$'000	Change \$'000	Change %
Project Services	16,394	15,687	707	4
Maintenance Services	10,420	5,703	4,717	83
Total	26,814	21,390	5,424	25

Gross profit and gross profit margin

Gross profit for 3Q2017 increased approximately \$2.34 million or 35% from \$6.7 million in 3Q2016 to \$9.1 million in 3Q2017. Similarly, gross profit margin increased from 31% in 3Q2016 to 34% in 3Q2017.

The increase in gross profit margin was due to higher margins from the Maintenance Services segment.

Finance costs

Finance costs increased approximately \$239,000 or 110%, from approximately \$0.2 million in 3Q2016 to approximately \$0.5 million in 3Q2017 mainly due to higher interest expenses from increase in interest rates and more borrowings from the acquisition of Ensure.

Marketing and distribution expenses

Marketing and distribution expenses increased approximately \$24,000 or 25% from \$93,000 in 3Q2016 to \$117,000 in 3Q2017 mainly due to higher sales and marketing costs contributed by Ensure.

Administrative expenses

Administrative expenses increased approximately \$473,000 or 17% from \$2.8 million in 3Q2016 to \$3.2 million in 3Q2017 mainly due to higher administrative expenses contributed by Ensure.

Other gains and losses

For 3Q2016, other gains of approximately \$0.5 million were recorded in 3Q2016, arising mainly from foreign exchange gains of approximately \$0.3 million, due to the strengthening of the United States Dollar against the Singapore Dollar and other income of approximately \$0.1 million.

For 3Q2017, other losses of approximately \$0.3 million were recorded arising mainly from foreign exchange losses of approximately \$0.3 million due to the weakening of United States Dollar against the Singapore Dollar.

Review of performance for nine months ended 30 September 2017 ("9M2017")

Revenue

Our revenue increased by approximately \$7.8 million or 12%, from approximately \$63.0 million in 9M2016 to approximately \$70.8 million in 9M2017. 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 project completion in 9M2017.

Business Segment	9M2017 \$'000	9M2016 \$'000	Change \$'000	Change %
Project Services	43,899	47,160	(3,261)	(7)
Maintenance Services	25,498	15,852	9,646	61
Others	1,387	-	1,387	nm
Total	70,784	63,012	7,772	12

Gross profit and gross profit margin

Gross profit for 9M2017 increased approximately \$3.35 million or 17% from \$19.9 million in 9M2016 to \$23.2 million in 9M2017 while gross profit margin increased from 32% in 9M2016 to 33% in 9M2017.

Gross profit for 9M2017 is higher than 9M2016 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 \$148,000 or 19%, from approximately \$0.8 million in 9M2016 to approximately \$0.9 million in 9M2017 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 remained constant at \$0.4 million.

Administrative expenses

Administrative expenses increased approximately \$207,000 or 3% from \$8.1 million in 9M2016 to \$8.3 million in 9M2017 mainly due to higher administrative expenses contributed by Ensure.

Other gains and losses

For 9M2016, other losses of approximately \$0.1 million were recorded arising mainly from foreign exchange losses of approximately \$0.8 million, due to the weakening of the United States Dollar against the Singapore Dollar. The foreign exchange loss was offset by government grants received of approximately \$0.4 million, gain on disposal of plant and equipment and other income of approximately \$0.2 million.

For 9M2017, other losses of approximately \$0.7 million were recorded arising mainly from foreign exchange losses of approximately \$1.1 million, due to the weakening of United States Dollar against the Singapore Dollar. The foreign exchange loss was offset by government grants received of approximately \$0.3 million and other income of approximately \$0.1 million.

Statement of Financial Position Review (as at 30 September 2017 compared to 31 December 2016)

Non-current assets

Non-current assets increased approximately \$12.6 million or 32% from approximately \$39.5 million as at 31 December 2016 to approximately \$52.1 million as at 30 September 2017.

The increase was mainly due to:

- (i) inclusion of property, plant and equipment from Ensure of approximately \$19.7 million (inclusive of the fair value revaluation of the properties arising from the acquisition of Ensure) as at 28 April 2017.
- (ii) Goodwill arising from the acquisition of Ensure of approximately \$7.4 million as at 28 April 2017.

The increase was partially offset by depreciation of property, plant and equipment of approximately \$2.3 million partially offset with acquisition of plant and equipment of approximately \$1.2 million and the reclassified 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 \$27.5 million or 38%, from approximately \$72.4 million as at 31 December 2016 to approximately \$99.9 million as at 30 September 2017.

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

Current liabilities

Current liabilities increased approximately \$28.9 million or 77%, from approximately \$37.3 million as at 31 December 2016 to approximately \$66.2 million as at 30 September 2017.

The increase was due to:

- (i) inclusion of current liabilities from Ensure of approximately \$1.0 million
- (ii) increase in trade and other payables of approximately \$5.4 million which mainly relates to the deferred consideration payments for the acquisition of Ensure
- (iii) increase in other financial liabilities of \$7.0 million due to additional bank borrowings for working capital
- (iv) increase in liabilities held-for-sale of \$15.3 million which 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 \$5.8 million or 74%, from approximately \$7.8 million as at 31 December 2016 to approximately \$13.6 million as at 30 September 2017.

The increase was due to increase in other payables of approximately \$5.4 million relating to non-current portion of the deferred consideration payments for the acquisition of Ensure and deferred tax liabilities of approximately \$2.1 million. The increase was offset by a decrease in other financial liabilities of about \$1.7 million.

Equity

Our capital and reserves increased by approximately \$5.4 million or 8% from \$66.8 million as at 31 December 2016 to \$72.2 million as at 30 September 2017. The increase was mainly due to the retention of net profit for 9M2017, partially offset by distribution of dividends in 2Q2017 and 3Q2017.

Statement of Cash Flows Review

3Q2017

We continued to maintain a healthy cash position with approximately \$38.5 million in cash and bank balances as at the end of 3Q2017.

In 3Q2017, net cash generated from operating activities amounted to approximately \$5.5 million compared with approximately \$3.7 million generated in 3Q2016. We generated net cash of approximately \$6.5 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 trade and other receivables of approximately \$1.1 million, cash outflow from increase in other assets of approximately \$0.2 million, cash outflow from decrease in other liabilities of approximately \$0.3 million and cash outflow from increase in inventories of \$0.2 million. These cash outflows were offset by cash inflows from increase in trade and other payables of approximately \$1.6 million. Our operating cash flow from operations was reduced by income taxes payment of approximately \$0.7 million.

Net cash of approximately \$0.4 million was used in investing activities mainly for the purchase of plant and equipment.

Net cash of approximately \$5.6 million was used in financing activities. This was mainly due to dividend payment of approximately \$2.6 million, interest payment of approximately \$0.5 million and payment of other financial liabilities of \$2.6 million.

9M2017

In 9M2017, net cash generated from operating activities amounted to approximately \$10 million compared to approximately \$5.0 million used in 9M2016. We generated net cash of approximately \$16.0 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$4.3 million. This was mainly due to cash outflow from decrease in trade and other receivables of \$3.9 million, cash outflow from decrease in other liabilities of approximately \$0.9 million, cash outflow from decrease in trade and other payables of approximately \$3.9 million. These cash outflows were offset by cash inflow from the decrease in other assets of approximately \$3.7 million and decrease in inventories of \$0.7 million. Our operating cash flow from operations was reduced by income tax payments of approximately \$1.9 million.

Net cash of approximately \$7.9 million was generated from investing activities mainly from the acquisition of subsidiary of \$8.8 million. This cash inflow was offset by the purchase of plant and equipment of approximately \$1.2 million.

Net cash of approximately \$11.8 million was used in financing activities. This was mainly due to dividend payment of approximately \$5.4 million, interest payment of approximately \$0.9 million and net payment of other financial liabilities of \$5.3 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 or profit guarantee has been issued for the current financial reporting period.

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 \$99.4 million as at 30 September 2017. 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 FY2020. 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 30 September 2017

- (i) Any dividend declared for the current financial period reported on? No.**
- (ii) Any dividend recommended for the current financial period reported on? No.**

(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

Not applicable.

13. 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).

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

The Board of Directors ("the Board") hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the interim financial statement for the financial period ended 30 September 2017 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

**CHANG YEH HONG
CHAIRMAN
9 NOVEMBER 2017**