



NORDIC
Group Limited

NORDIC GROUP LIMITED
(Company Registration Number: 201007399N)

2Q2020 Financial Statements and Dividend Announcement

PART I – INFORMATION REQUIRED FOR HALF 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 JUNE 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1H2020 S\$'000	1H2019 S\$'000	Change %
Revenue	33,015	40,544	(19)
Cost of sales	(25,788)	(29,709)	(13)
Gross profit	7,227	10,835	(33)
Other income and gains	1,934	573	238
Distribution costs	(471)	(329)	43
Administrative expenses	(5,929)	(5,622)	5
Finance costs	(658)	(746)	(12)
Other losses	(35)	-	nm
Profit before tax from continuing operations	2,068	4,711	(56)
Income tax expense	(198)	(423)	(53)
Profit for the year	1,870	4,288	(56)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax	154	(57)	(370)
Total comprehensive income for the year	2,024	4,231	(52)
Profit attributable to owners of the parent	1,870	4,288	(56)
Total comprehensive income attributable to owners of the parent	2,024	4,231	(52)

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

		1H2020	1H2019	Change
		\$'000	\$'000	%
1	Interest income	181	208	(13)
2	Interest on borrowings	(658)	(746)	(12)
3	Depreciation	(1,644)	(1,452)	13
4	Amortisation	(166)	-	nm
5	Depreciation for right of use asset	(92)	-	nm
6	Foreign exchange gain	1,525	48	3,078
7	Gain on disposal of plant and equipment	2	117	(98)
8	Other income	76	200	(62)
9	Other payables written back - Ensure vendors	150	-	nm
10	Impairment of trade receivables	(35)	-	nm

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	
	30/06/2020 S\$'000	31/12/2019 S\$'000	30/06/2020 S\$'000	31/12/2019 S\$'000
Assets				
<u>Non-current assets</u>				
Property, plant and equipment	37,656	30,724	6,284	6,403
Right-of-use asset	3,377	3,470	1,702	1,730
Investment in subsidiaries	-	-	1,350	1,350
Goodwill	29,552	29,552	-	-
Intangible asset	499	665	-	-
Deferred tax asset	149	149	-	-
Total non-current assets	71,233	64,560	9,336	9,483
<u>Current assets</u>				
Asset held-for-sale	-	8,076	-	-
Inventories	12,270	12,045	-	-
Trade and other receivables	18,670	23,611	24,946	20,324
Other assets	6,992	10,345	1,018	665
Cash and cash equivalents	57,286	43,200	30,461	23,819
Total current assets	95,218	97,277	56,425	44,808
Total assets	166,451	161,837	65,761	54,291
Equity and liabilities				
<u>Equity attributable to the owners of the parent</u>				
Share capital	22,439	22,439	22,439	22,439
Treasury shares	(2,115)	(1,736)	(2,115)	(1,736)
Retained earnings	65,443	65,208	21,475	21,679
Other reserves	141	(13)	-	-
Total equity	85,908	85,898	41,799	42,382
<u>Non-current liabilities</u>				
Provision	501	565	-	-
Deferred tax liabilities	3,106	3,169	14	12
Loans and borrowings	6,836	3,575	1,261	-
Financial liabilities - lease liabilities	3,485	3,642	1,698	1,716
Other payables	-	1,944	-	-
Total non-current liabilities	13,928	12,895	2,973	1,728
<u>Current liabilities</u>				
Liabilities held for sale under FRS 105	-	3,000	-	-
Provision	1,686	1,711	-	-
Income tax payable	1,646	1,989	278	239
Trade and other payables	15,745	17,667	785	1,105
Loans and borrowings	46,091	37,494	19,889	8,800
Financial liabilities - lease liabilities	356	396	37	37
Other liabilities	1,091	787	-	-
Total current liabilities	66,615	63,044	20,989	10,181
Total liabilities	80,543	75,939	23,962	11,909
Total equity and liabilities	166,451	161,837	65,761	54,291

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 June 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
26,889	19,202	19,034	21,694

Amount repayable after one year

As at 30 June 2020		As at 31 December 2019	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
6,836	-	3,863	-

Details of any collateral

The borrowings are secured over:

1. Charged mortgage on the motor vehicles of certain subsidiaries for finance lease liabilities
2. Borrowings drawn down for working capital are secured against mortgage on leasehold properties owned by Ensure Engineering Pte Ltd, Austin Energy Offshore Pte Ltd and Nordic Group Limited

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

	1H2020 \$'000	1H2019 \$'000
Cash flows from operating activities:		
Profit before tax	2,068	4,711
Adjustments for:		
Depreciation expense	1,644	1,452
Amortisation expense	166	-
Depreciation on ROU assets	92	-
Gains on disposal of plant and equipment	(2)	(117)
Interest income	(181)	(208)
Interest expense	658	746
Unrealised foreign exchange loss	(1,038)	29
Operating cash flows before changes in working capital	3,407	6,613
Inventories	(225)	(54)
Trade and other receivables	4,941	6,097
Other assets	3,353	(900)
Provisions	(89)	-
Trade and other payables	(3,866)	(2,551)
Other liabilities	305	(141)
Cash generated from operations	7,826	9,064
Income tax paid	(605)	(634)
Net cash generated from operating activities	7,221	8,430
Cash flows from investing activities:		
Purchase of property, plant and equipment	(461)	(1,005)
Proceeds from disposal of plant and equipment	21	-
Interest received	181	208
Net cash used in investing activities	(259)	(797)
Cash flows from financing activities:		
Loan and borrowings	(142)	(5,887)
Increase from new borrowings	9,000	-
Dividends paid	(1,635)	(1,386)
Purchase of treasury shares	(379)	(169)
Lease liability - principal portion paid	(127)	(79)
Interest paid	(658)	(746)
Net cash generated from / (used in) financing activities	6,059	(8,267)
Net increase / (decrease) in cash	13,021	(634)
Effect of foreign exchange rate adjustments	1,065	(169)
Cash balance at beginning of period	43,200	39,232
Cash at end of period	57,286	38,429

	<u>Pre-acquisition book value under FRS</u> \$'000	<u>Provisional fair value</u> \$'000
<u>2019: Envipure Group</u>		
Intangible asset		720
Plant and equipment	443	443
Inventories	1,769	1,769
Trade and other receivables	7,672	7,672
Other assets	3,748	3,748
Cash and cash equivalents	14,883	14,883
Trade and other payables	(11,919)	(11,919)
Provision	(868)	(868)
Other liabilities	(499)	(499)
Income tax payable	(1,149)	(1,149)
Net identifiable assets	<u>14,080</u>	<u>14,800</u>
Cash paid		14,800
Cash of subsidiaries acquired		<u>14,883</u>
Net cash flow from acquisition of subsidiaries		<u>83</u>

Acquisition of Envipure Pte Ltd and subsidiaries ("Envipure Group") was completed on 21 November 2019. The fair values of identifiable assets acquired and liabilities assumed shown above for Envipure are provisional as the high-sight period (of not more than twelve months) allowed by SFRS(I) 3 Business Combinations will expire on 20 November 2020.

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

	Attributable to shareholders of the company					Total equity S\$'000
	Issued Capital	Foreign Currency Translation Reserve	Retained Earnings	Statutory Reserves	Treasury Shares	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
Group - 6 months						
<u>Balance at 1 January 2020</u>	22,439	(248)	65,208	235	(1,736)	85,898
Total comprehensive income for the period	-	154	1,870	-	-	2,024
Dividend paid	-	-	(1,635)	-	-	(1,635)
Purchase of treasury shares	-	-	-	-	(379)	(379)
Balance at 30 June 2020	22,439	(94)	65,443	235	(2,115)	85,908
<u>Balance at 1 January 2019</u>	22,439	90	59,795	235	(1,567)	80,992
Total comprehensive income for the period	-	(57)	4,288	-	-	4,231
Dividend paid	-	-	(1,386)	-	-	(1,386)
Purchase of treasury shares	-	-	-	-	(169)	(169)
Balance at 30 June 2019	22,439	33	62,697	235	(1,736)	83,668

	Issued Capital	Retained Earnings	Treasury Shares	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
Company- 6 months				
<u>Balance at 1 January 2020</u>	22,439	21,679	(1,736)	42,382
Total comprehensive income for the period	-	1,431	-	1,431
Dividend paid	-	(1,635)	-	(1,635)
Purchase of treasury shares	-	-	(379)	(379)
Balance at 30 June 2020	22,439	21,475	(2,115)	41,799
<u>Balance at 1 January 2019</u>	22,439	8,989	(1,567)	29,861
Total comprehensive income for the period	-	2,078	-	2,078
Dividend paid	-	(1,386)	-	(1,386)
Purchase of treasury shares	-	-	(169)	(169)
Balance at 30 June 2019	22,439	9,681	(1,736)	30,384

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

Issued and paid up capital	2Q2020		4Q2019	
	No. of shares	S\$'000	No. of shares	S\$'000
As at beginning of period	391,903,500	20,703	391,903,500	20,703
Less: Treasury shares bought during the period	(1,712,500)	(379)	-	-
Total issued share capital excluding treasury shares as at end of period	390,191,000	20,324	391,903,500	20,703

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 390,191,000 ordinary shares (31 December 2019: 391,903,500 ordinary shares).

As at 30 June 2020, the Company holds 9,809,000 treasury shares (31 December 2019: 8,096,500 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

Except for the purchase of 1,712,500 treasury shares during the quarter under review, there was no other sales, transfer, disposals, cancellations and/or use of treasury shares at the end of the current financial period reported on.

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

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2019.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the applicable new and revised Singapore Financial Reporting Standards (“SFRS”) and Interpretations of Financial Reporting Standards (“INT FRS”) that are mandatory for the accounting periods beginning on or after 1 January 2020. The adoption of these new and revised SFRS and INT FRS did not result in any substantial change to the Group’s and the Company’s accounting policies and has no significant impact on the financial statements for the current financial reporting 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

	6M2020	6M2019
The Group		
Net profit after tax attributable to equity holders of the Company (\$'000)	1,870	4,288
Weighted average number of ordinary shares (excluding Treasury Shares) ('000)	390,932	392,390
Earnings per share - basic/fully diluted (cents)	0.5	1.1

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	
	30/06/2020	31/12/2019	30/06/2020	31/12/2019
Net asset value (\$'000)	85,908	85,898	41,799	42,382
Number of ordinary shares(excluding Treasury Shares) ('000)	390,191	391,904	390,191	391,904
Net asset value per share (cents)	22.0	21.9	10.7	10.8

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 half-year ended 30 June 2020 ("1H2020")

Revenue

The Group's revenue decreased by approximately \$7.5 million or 19%, from approximately \$40.5 million in 1H2019 to approximately \$33.0 million in 1H2020. This decrease was due to implementation of circuit breaker measures where majority of foreign workers were under Stay-Home-Notice or quarantine orders since 9 April 2020. With a limited workforce, the progress of project and maintenance services had slowed down and activities reduced which directly affected the revenue in 1H2020.

Business segment	1H2020	1H2019	Change	Change
	\$'000	\$'000	\$'000	%
Project services	15,149	19,490	(4,341)	(22)
Maintenance services	17,866	21,054	(3,188)	(15)
Total	33,015	40,544	(7,529)	(19)

Gross profit and gross profit margin

Gross profit for 1H2020 decreased by approximately \$3.6 million or 33% from \$10.8 million in 1H2019 to approximately \$7.2 million in 1H2020. Gross profit margin decreased from 26.7% in 1H2019 to approximately 21.9% in 1H2020 mainly due to lower revenue. Excluding the government rebates and grants such as wage credit scheme, jobs support scheme, foreign workers levy rebate and foreign workers levy waiver, the gross profit margins were 18.7% for 1H2020 and 26.3% for 1H2019.

Other income and gains

Other income and gains increased approximately \$1.4 million or 238% from approximately \$0.6 million in 1H2019 to \$1.9 million in 1H2020 mainly due to higher foreign exchange gains due to higher USD to SGD exchange rate during the period under review and increase in other payables written back – Ensure vendors of \$0.2 million. This write back was because the payable was no longer payable. These increases were offset by a lower gain on disposal of plant and equipment of \$0.1 million or 98%, a decrease in other income of \$0.1 million or 62% due to less scrap income from lower activities and a decrease in interest income of \$27,000 or 13% due to lower interest rates during the period under review.

Distribution costs

Distribution costs increased approximately \$0.1 million mainly due to inclusion of distribution costs from Envipure Group which was acquired on 21 November 2019.

Administrative expenses

Administrative expenses increased by approximately \$0.3 million or 5% from \$5.6 million in 1H2019 to \$5.9 million in 1H2020. The increase was mainly due to inclusion of administrative expenses from Envipure Group which was acquired on 21 November 2019.

Finance costs

Interest expenses decreased \$0.1 million mainly due to lower interest rates during the period under review.

Other losses

Other losses of approximately \$35,000 was impairment of trade receivables.

Income tax expenses

Effective income tax rate remained constant at approximately 10% for 1H2020 and 9% for 1H2019. The effective tax rate is lower than the statutory rate of 17% mainly due to the utilization of merger & acquisition allowance.

Statement of Financial Position Review (as at 30 June 2020 compared to 30 December 2019)**Non-current assets**

Non-current asset increased approximately \$6.7 million or 10.3% from approximately \$64.6 million as at 31 December 2019 to approximately \$71.2 million as at 30 June 2020. The increase was mainly due to acquisition of property, plant and equipment of approximately \$0.5 million for the period under review and reclassification of \$8.0 million asset held-for-sale to property as we were using these properties to house our foreign workers during the period under review. These increases were offset by depreciation charge and amortisation expense of intangible asset during the period under review.

Current assets

Current asset decreased approximately \$2.1 million or 2% from approximately \$97.3 million as at 31 December 2019 to \$95.2 million as at 30 June 2020. This decrease was due to reclassification of \$8.0 million asset held-for-sale to property in non-current assets, decrease in trade and other receivables of approximately \$4.9 million due to collections from customers and lower sales and decrease in other assets of approximately \$3.4 million due to lower sales from customers. These decreases were offset by an increase in cash and cash equivalents of approximately \$14.1 million.

Equity

Our capital and reserves remained at approximately \$85.9 million as at 30 June 2020. The increase of retention of net profit from 1H2020 of approximately \$1.9 million was offset by dividend payment of \$1.6 million. Other reserves increased approximately \$0.2 million. These increases were offset by purchase of treasury shares of approximately \$0.4 million.

Non-current liabilities

Non-current liabilities increased by approximately \$1.0 million or 8% from approximately \$12.9 million as at 31 December 2019 to approximately \$13.9 million as at 30 June 2020. The increase was mainly due to increase of loans and borrowings of approximately \$3.3 million due to new bank borrowings and reclassification of liabilities held for sale under FRS 105 of \$3.0 million to loans and borrowings. This increase was offset by a decrease in other payables to Ensure vendors of \$1.9 million. FY2020 is the last year of payment to Ensure vendors and the amount is therefore in trade and other payables – current liabilities.

Current liabilities

Current liabilities increased approximately \$3.6 million or 6%, from approximately \$63.0 million as at 31 December 2019 to \$66.6 million as at 30 June 2020. The increase was due to the increase of loans and borrowings of approximately \$8.6 million due to more borrowings and increase in other liabilities of approximately \$0.3 million due to deferred government grant income. These increases were offset by a decrease income tax payable of approximately \$0.3 million, reclassification of liabilities held for sale of approximately \$3.0 million to non-current liabilities and payment to suppliers and lower accrued liabilities of approximately \$1.9 million.

Statement of Cash Flows Review

1H2020

In 1H2020, net cash generated from operating activities amounted to approximately \$7.2 million. We generated net cash of approximately \$3.4 million from operating profits before working capital changes. Net cash generated from operations amounted to approximately \$7.8 million. This was mainly due to cash inflow from decrease in trade and other receivables of approximately \$4.9 million, cash inflow from decrease in other assets of approximately \$3.6 million, and increase in other liabilities of approximately \$0.3 million. These cash inflows were offset by cash outflow from the decrease in trade and other payables of approximately \$3.9 million, decrease in provision of approximately \$0.1 million and an increase in inventories of approximately \$0.2 million. Our operating cash flow from operations was reduced by income tax payments of approximately \$0.6 million.

Net cash of approximately \$0.3 million was used in investing activities, mainly from the purchase of property, plant and equipment of approximately \$0.5 million. This cash outflow was offset by interest received of approximately \$0.2 million.

Net cash of approximately \$6.0 million was generated from financing activities. This was mainly due to an increase in new borrowing of \$9.0 million. The cash inflow was offset by dividend payment of approximately \$1.6 million, interest payment of approximately \$0.7 million, lease liability – principal portion paid of approximately \$0.1 million, decrease in other financial liabilities of approximately \$0.1 million, and purchase of treasury shares of \$0.4 million.

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

There is no variance between the prospect statement previously announced and the actual results of 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 \$84.6 million comprising \$38.9 million from Projects Services segment and \$45.7 million from Maintenance Services segment as at 30 June 2020. 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 in our order book reporting.

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 FY2023. These confirmed orders are however, subject to possible cancellation, deferral, rescheduling or variations by customers.

The Group's businesses and performance have been impacted and disrupted by a slowdown in economic activities due to the global Covid-19 pandemic. With the uncertainty in the recovery period of the Covid-19, the Group's growth and overall business performance in FY2020 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, infrastructure and semiconductor sectors.

11. Dividend

(a) Current Financial Period Reported on 30 June 2020

- (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	Interim
Dividend Type	Cash
Dividend Amount Per Share	0.187 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	Interim
Dividend Type	Cash
Dividend Amount Per Share	0.429 cents per ordinary share
Tax Rate	Tax exempt (One tier)

(c) Date payable

4 September 2020

(d) Books closure date

21 August 2020

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 that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

15. 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 Jun 2020 to be false or misleading in any material aspect.

By Order Of The Board

**Chang Yeh Hong
Executive Chairman
7 August 2020**