

**OCEAN SKY INTERNATIONAL LIMITED**

(Co. Regn. No. 198803225E)

First Quarter Financial Statement Announcement for the Period Ended 31/03/2017**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, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 Months Ended		Incr/(Decr) %
	31/3/2017 US\$'000	31/3/2016 US\$'000	
Revenue	3,731	180	1972.8%
Cost of sales	(3,178)	-	N.M.
Gross profit	553	180	207.2%
Other income	4	6	-33.3%
Administrative and other operating expenses	(731)	(400)	82.8%
Finance costs	(48)	(1)	4700.0%
Share of results of associate, net of tax	-	256	-100.0%
(Loss)/Profit before income tax	(222)	41	N.M.
Income tax expense	(15)	(34)	-55.9%
(Loss)/Profit for the financial period	(237)	7	-3485.7%
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss account			
- Exchange differences on translating foreign operations	614	55	
Other comprehensive income for the financial period, net of tax	614	55	
Total comprehensive income for the financial period	377	62	

N.M. - Not Meaningful

Note to the income statement:

(Loss)/Profit from operations includes the following:

Interest income	4	6
Interest expenses	48	1
Depreciation of property, plant and equipment	421	26
Amortisation of intangibles	124	-
Loss on foreign exchange (net)	37	72
Gain on disposal of property, plant and equipment	2	-

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

	GROUP		COMPANY	
	31/3/2017 US\$'000	31/12/2016 US\$'000	31/3/2017 US\$'000	31/12/2016 US\$'000
Non-current assets				
Property, plant and equipment	12,007	11,936	364	385
Investment property	12,810	12,810	-	-
Intangible assets	500	604	-	-
Goodwill	8,412	8,122	-	-
Subsidiaries	-	-	23,638	23,638
Investment in joint venture	*	*	-	-
	33,729	33,472	24,002	24,023
Current assets				
Inventories	22	74	-	-
Due from customers for contract work	649	22	-	-
Trade and other receivables	5,342	5,245	43	58
Fixed deposits	5,152	5,147	5,000	5,000
Cash and bank balances	7,909	9,121	5,630	5,864
	19,074	19,609	10,673	10,922
Current liabilities				
Trade and other payables	4,703	5,331	2,348	2,319
Provisions	282	321	-	-
Bank borrowings	295	280	-	-
Finance lease payables	311	312	48	46
Income tax payable	1,148	1,200	-	-
	6,739	7,444	2,396	2,365
Net current assets	12,335	12,165	8,277	8,557
Non-current liabilities				
Bank borrowings	6,928	6,774	-	-
Finance lease payables	412	469	165	171
Deferred tax liabilities	152	199	-	-
	7,492	7,442	165	171
Net assets	38,572	38,195	32,114	32,409
Equity				
Share capital	36,522	36,522	36,522	36,522
Other reserves	5,382	4,768	-	-
Accumulated losses	(3,332)	(3,095)	(4,408)	(4,113)
Equity attributable to owners of the parent	38,572	38,195	32,114	32,409

* denotes less than US\$1,000

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

Amount repayable in one year or less, or on demand

As at 31/3/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
606	-	592	-

Amount repayable after one year

As at 31/3/2017		As at 31/12/2016	
Secured	Unsecured	Secured	Unsecured
US\$'000	US\$'000	US\$'000	US\$'000
7,340	-	7,243	-

Details of any collateral

Finance lease liabilities are secured by rights to leased assets of plant, equipment and motor vehicles.
Bank borrowings are secured by the legal mortgage in favour of the banks over the two properties in Singapore.

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

	3 Months Ended	
	31/3/2017 US\$'000	31/3/2016 US\$'000
Operating activities		
(Loss)/Profit before income tax	(222)	41
Adjustments for:		
Depreciation of property, plant and equipment	421	26
Amortisation of intangible assets	124	-
Gain on disposal of property, plant and equipment	(2)	-
Unrealised foreign exchange gain	35	-
Interest expense	48	1
Interest income	(4)	(6)
Share of results of associate	-	(256)
Operating profit/(loss) before working capital changes	<u>400</u>	<u>(194)</u>
Working capital changes:		
Inventories	52	-
Trade and other receivables	81	(37)
Trade and other payables	(759)	(4)
Due from customers for contract work	(628)	-
Provisions	(49)	-
Cash used in operations	<u>(903)</u>	<u>(235)</u>
Interest paid	(48)	(1)
Income taxes paid	(131)	(118)
Net cash used in operating activities	<u>(1,082)</u>	<u>(354)</u>
Investing activities		
Purchase of property, plant and equipment	(82)	-
Proceeds from disposal of property, plant and equipment	2	-
Net cash used in investing activities	<u>(80)</u>	<u>-</u>
Financing activities		
Repayment of bank borrowings	(82)	-
Repayment of finance lease liabilities	(72)	(9)
Interest received	4	6
Net cash used in financing activities	<u>(150)</u>	<u>(3)</u>
Net change in cash and cash equivalents	(1,312)	(357)
Cash and cash equivalents at beginning of financial period	14,121	19,003
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	100	67
Cash and cash equivalents at end of financial period	<u>12,909</u>	<u>18,713</u>
Cash and cash equivalents comprise:		
Cash at banks and on hand	7,909	8,713
Short-term deposits	5,152	10,000
Cash and cash equivalents as per statement of financial position	<u>13,061</u>	<u>18,713</u>
Less: Fixed deposits pledged	(152)	-
Cash and cash equivalents as per consolidated statement of cash flows	<u>12,909</u>	<u>18,713</u>

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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group US\$'000	Company US\$'000
2017		
Share capital		
At 1 Jan 2017 and 31 Mar 2017	36,522	36,522
Foreign currency translation reserve		
At 1 Jan 2017	(521)	-
Total comprehensive income for the financial period	614	-
At 31 Mar 2017	93	-
Revaluation reserve		
At 1 Jan 2017 and 31 Mar 2017	5,289	-
Retained earnings		
At 1 Jan 2017	(3,095)	(4,113)
Total comprehensive income for the financial period	(237)	(295)
At 31 Mar 2017	(3,332)	(4,408)
Total		
At 1 Jan 2017	38,195	32,409
At 31 Mar 2017	38,572	32,114
2016		
Share capital		
At 1 Jan 2016 and 31 Mar 2016	29,344	29,344
Foreign currency translation reserve		
At 1 Jan 2016	(191)	-
Total comprehensive income for the financial period	55	-
At 31 Mar 2016	(136)	-
Revaluation reserve		
At 1 Jan 2016 and 31 Mar 2016	5,289	-
Retained earnings		
At 1 Jan 2016	(3,954)	(3,690)
Total comprehensive income for the financial period	7	(325)
At 31 Mar 2016	(3,947)	(4,015)
Total		
At 1 Jan 2016	30,488	25,654
At 31 Mar 2016	30,550	25,329

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as 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 fully paid:	No. of shares	US\$'000
	Ordinary shares	
At 31 Dec 2016 and 31 Mar 2017	324,940,302	36,522

During the quarter ended 31 March 2017, the Company did not grant any share options pursuant to the Ocean Sky Share Option Scheme which has lapsed and no options have been exercised. As at 31 March 2017 and 31 March 2016, the Company does not have any outstanding share options of unissued reserved shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at the end of the immediately preceding year.

	31/3/2017	31/12/2016
The total number of issued ordinary	324,940,302	324,940,302

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There are no treasury shares held by the Company.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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 same accounting policies and methods of computation as in the Group's most recently audited annual financial statements have been applied, except for the changes mentioned in Section 5.

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 and the Company have adopted all the applicable new and revised Financial Reporting Standards (FRS) that become effective for accounting periods beginning 1 January 2017. The adoption of these new and revised FRS does not have any material impact to the Group financial statements.

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

		3 Months Ended	
		31/03/2017	31/03/2016
(Loss)/Earnings per share (based on the profit for the financial period):			
Based on the weighted average number of ordinary shares in issue	USD Cents	(0.092)	0.003
Weighted average number of ordinary shares in issue		258,194,634	224,720,522 *
On a fully diluted basis	USD Cents	(0.092)	0.003
Adjusted weighted average number of ordinary shares in issue		258,194,634	224,720,522 *

* The number of shares in issue has been adjusted for the share consolidation on 30 November 2016 retrospectively

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 financial period reported on; and
(b) immediately preceding financial year.**

	GROUP		COMPANY	
	31/3/2017 USD Cents	31/12/2016 USD Cents	31/3/2017 USD Cents	31/12/2016 USD Cents
Net asset value per ordinary share based on the existing issued share capital as at the end of respective periods	11.87	11.75	9.88	9.97

For comparison and illustrative purposes, net asset value per ordinary share is computed based on the number of issued ordinary shares of 324,940,302 as at 31 March 2017 and 31 December 2016 respectively.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Company is a Singapore-based investment holding company with an interest in the civil engineering, construction and related services business ("**Construction and Engineering Business**"), and the business of property development, investment and management ("**Real Estate Business**").

(a) Construction and Engineering Business

The Group is involved in the Construction and Engineering Business through its wholly-owned subsidiary, Ang Tong Seng Brothers Enterprises Pte. Ltd. ("**ATS**"), which is a civil engineering and construction company that operates primarily in Singapore.

(b) Real Estate Business

The Group is involved in the Real Estate Business through its wholly-owned subsidiaries :

- (i) Suntex Investment Co., Ltd which leases out land in Cambodia to generate rental income; and
- (ii) Pacific Sky Investment Pte Ltd which has entered into a joint venture arrangement to develop and manage a proposed 71 units of shop house development project located in Kandal Province, Cambodia.

Statement of Comprehensive Income

The Group recorded a revenue of US\$3.73 million for the three months ended 31 March 2017 ("**1Q 2017**") compared with US\$0.18 million recorded for the previous corresponding period ended 31 March 2016 ("**1Q 2016**"). The increase of approximately US\$3.55 million or 1,972.8% was mainly due to revenue recognised from the on-going projects from the Group's construction and engineering segment. Rental income from land leasing for 1Q 2017 was consistent with 1Q 2016.

Cost of sales for 1Q 2017 was US\$3.18 million and was attributable to the cost of works incurred for the on-going projects from the Group's construction and engineering segment. Included in the cost of sales for 1Q 2017 was an additional depreciation expense of US\$0.17 million as a result of fair value uplift of ATS's property, plant and equipment following the completion of the acquisition of the remaining 70% of the issued and paid-up share capital of ATS on 30 November 2016.

Administrative and other operating expenses increased by US\$0.33 million, or 82.8% to US\$0.73 million for 1Q 2017 from US\$0.40 million for 1Q 2016, due mainly to the following :

- (a) amortisation expense of US\$0.12 million pertaining to intangible assets previously recognised on outstanding construction contracts following the completion of the acquisition of the remaining 70% of the issued and paid-up share capital of ATS on 30 November 2016; and
- (b) the inclusion of US\$0.29 million of expenses relating to the Group's construction and engineering segment for which there was no comparative figures for 1Q 2016.

Finance costs increased from US\$0.001 million for 1Q 2016 to US\$0.048 million for 1Q 2017 due to the inclusion of expenses relating to the Group's construction and engineering segment incurred to finance the purchase of property, plant and equipment.

There was no share of results of associate following the completion of the acquisition of the remaining 70% of the issued and paid-up share capital of ATS on 30 November 2016.

Income tax expense decreased to US\$0.02 million for 1Q 2017 from US\$0.03 million for 1Q 2016 due mainly to the write-back of deferred tax impact on the additional depreciation and amortisation expenses, partly offset by inclusion of expenses relating to the Group's construction and engineering segment.

As a result of the foregoing and the lower than expected revenue recognised for the Group's construction and engineering segment due to slower than anticipated progress of the on-going projects, the Group registered a loss after income tax of US\$0.24 million for 1Q 2017, compared with a profit after income tax of US\$0.01 million for 1Q 2016.

Statement of Financial Position

Property, plant and equipment increased to US\$12.01 million as at 31 March 2017 from US\$11.94 million as at 31 December 2016 due mainly to translation gain on fixed assets balances denominated in Singapore dollars and additions for 1Q 2017, partly offset by depreciation for 1Q 2017.

Intangible assets decreased to US\$0.50 million as at 31 March 2017 from US\$0.60 million as at 31 December 2016 due mainly to amortisation for 1Q 2017 on the realisation of certain outstanding construction contracts as at 30 November 2016 during 1Q 2017.

Goodwill increased to US\$8.41 million as at 31 March 2017 from US\$8.12 million as at 31 December 2016 due to translation gain on goodwill figure denominated in Singapore dollars.

Due from customers for contract work increased to US\$0.65 million as at 31 March 2017 from US\$0.02 million as at 31 December 2016 due mainly to increase in the number of projects where revenue earned was more than the amount billed to customers based on percentage of completion method.

Trade and other receivables increased to US\$5.34 million as at 31 March 2017 from US\$5.25 million as at 31 December 2016 due mainly to translation gain on receivables balances denominated in Singapore dollars.

Trade and other payables decreased to US\$4.70 million as at 31 March 2017 from US\$5.33million as at 31 December 2016 due mainly to payment to suppliers and lower volume of work carried out for the on-going projects on hand, partly offset by translation loss on payables balances denominated in Singapore dollars.

Income tax payable decreased to US\$1.15 million as at 31 March 2017 from US\$1.20 million as at 31 December 2016 due mainly to payment of income taxes.

Total bank borrowings increased to US\$7.22 million as at 31 March 2017 from US\$7.05 million as at 31 December 2016 due mainly to translation loss on bank borrowings denominated in Singapore dollars, partly offset by repayment in 1Q 2017.

Total finance lease payables decreased to US\$0.72 million as at 31 March 2017 from US\$0.78 million as at 31 December 2016 due mainly to repayment in 1Q 2017 partly offset by translation loss on finance lease liabilities denominated in Singapore dollars.

Statement of Cashflows

The Group incurred cash outflow from operating activities of US\$1.08 million for 1Q 2017 due mainly to operating cash inflow before working capital changes of US\$0.40 million, net working capital outflow of US\$1.30 million and payment of income taxes and interest charges of US\$0.18 million. Net working capital outflow was mainly due to decrease in trade and other payables and increase in amounts due from customers for contract work.

The Group incurred cash outflow from investing activities of US\$0.08 million for 1Q 2017 due mainly to cash paid for the purchase of machinery.

The Group incurred cash outflow from financing activities of US\$0.15 million for 1Q 2017 due mainly to repayment of bank borrowings and finance leases.

Overall, total cash and cash equivalents decreased from US\$14.12 million as at 31 December 2016 to US\$12.91 million as at 31 March 2017.

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

The Company had on 5 May 2017 issued a profit guidance announcement and the financial results for the first quarter ended 31 March 2017 is consistent with the guidance issued.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

(a) Construction and Engineering Business

In the media release¹ dated 6 January 2017 by The Building and Construction Authority (BCA) of Singapore, BCA has projected that the total construction demand or value of construction contracts to be awarded for 2017 will be between S\$28 billion to S\$35 billion. The public sector is expected to contribute about 70% of the total construction demand, boosted by an increase in demand for most building types and civil engineering works. Meanwhile, the slowdown in the property market and continued economic uncertainties are likely to weigh on the private sector construction demand.

However, the operating environment in the construction industry is expected to remain challenging with increasing business cost, persisting shortage of experienced and skilled manpower given the tight labour market situation and intensifying competition among construction players in Singapore.

ATS will continue to prospect actively for new projects while constantly identifying and implementing various controls to reduce costs and improve operational efficiencies.

(b) Real Estate Business

The Group has an existing 20-year long-term fixed rental rate land lease commencing from 4 January 2013 in Cambodia that will generate stable rental income.

As announced on 12 April 2017, the Group has, through its wholly-owned subsidiary Pacific Sky Investment Pte Ltd, entered into a joint venture arrangement to develop and manage a proposed 71 units of shop house development project located in Kandal Province, Cambodia.

The Company will continue to develop its Construction and Engineering Business, and Real Estate Business through acquisition, joint venture and/or strategic alliances in the region as well as evaluate any business opportunities that will enhance shareholder value.

¹https://www.bca.gov.sg/newsroom/others/PR_Prosppects2017.pdf

11. Dividend

(a) Current Financial Period Reported On

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.

No interim dividend has been declared.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

There was no interested person transaction during the period under review.

Confirmation by the Directors and Executive Officers Pursuant to Rule 720(1) of the Listing manual

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

Confirmation by the Board Pursuant to Rule 705(5) of the Listing Manual

We, Ang Boon Cheow Edward and Chia Yau Leong, being directors of the Company, do hereby confirm on behalf of the board of directors of the Company that, to the best of its knowledge, nothing has come to the attention of the board which may render the unaudited financial results for the period under review to be false or misleading in any material respect.

On behalf of the board of directors

Ang Boon Cheow Edward

Chia Yau Leong

BY ORDER OF THE BOARD

Chia Yau Leong
Executive Director and Company Secretary

15 May 2017

Sponsor's Statement

This announcement has been prepared by Ocean Sky International Limited (the "**Company**") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited. (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Mr Alvin Soh, Head of Catalyst Operations, Senior Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.