



**NORDIC**  
Group Limited

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

## 2Q2018 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 JUNE 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2Q2018 \$'000	2Q2017 \$'000	Change %	1H2018 \$'000	1H2017 \$'000	Change %
<b>Revenue</b>	26,075	24,047	8	48,783	43,970	11
Cost of sales	(18,916)	(15,983)	18	(34,779)	(29,802)	17
<b>Gross profit</b>	<b>7,159</b>	<b>8,064</b>	(11)	<b>14,004</b>	<b>14,168</b>	(1)
Interest income	44	42	4	119	66	81
Distribution costs	(142)	(113)	26	(356)	(224)	59
Administrative expenses	(2,832)	(3,113)	(10)	(5,746)	(5,091)	13
Finance costs	(320)	(273)	17	(676)	(459)	47
Other gains / (losses)	880	(55)	(1,699)	1,125	(455)	(347)
<b>Profit before tax from continuing operations</b>	<b>4,789</b>	<b>4,552</b>	(5)	<b>8,470</b>	<b>8,005</b>	6
Income tax expense	(438)	(831)	(47)	(680)	(1,474)	(54)
<b>Net profit for the period</b>	<b>4,351</b>	<b>3,721</b>	17	<b>7,790</b>	<b>6,531</b>	19
<b>Other comprehensive Income:</b> <b>Items that may be reclassified subsequently</b> <b>to profit or loss:</b> Exchange differences on translating foreign operations, net of tax	(82)	96	(186)	10	(55)	(118)
<b>Total comprehensive income for the period</b>	<b>4,269</b>	<b>3,817</b>	12	<b>7,800</b>	<b>6,476</b>	20
<b>Net profit attributable to owners of the parent</b>	<b>4,351</b>	<b>3,721</b>	17	<b>7,790</b>	<b>6,531</b>	19
<b>Total comprehensive income attributable to</b> <b>owners of the parent</b>	<b>4,269</b>	<b>3,817</b>	12	<b>7,800</b>	<b>6,476</b>	20

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:

		2Q2018	2Q2017	Change	1H2018	1H2017	Change
		\$'000	\$'000	%	\$'000	\$'000	%
1	Interest income	44	42	5	119	66	81
2	Interest on borrowings	(320)	(273)	17	(676)	(459)	47
3	Depreciation	(569)	(777)	(27)	(1,277)	(1,348)	(5)
4	Foreign exchange gain/(loss)	702	(184)	(481)	456	(806)	(157)
5	(Loss)/gain on disposal of property, plant and equipment	(33)	1	(3,365)	151	(9)	(1,782)
6	Other income	190	106	79	336	54	521
7	Government grant income	21	19	11	182	299	(39)

**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	
	30/06/2018 S\$'000	31/12/2017 S\$'000	30/06/2018 \$'000	31/12/2017 S\$'000
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	28,570	22,716	6,402	-
Investment in subsidiaries	-	-	1,350	1,350
Goodwill	29,552	29,552	-	-
<b>Total non-current assets</b>	<b>58,122</b>	<b>52,268</b>	<b>7,752</b>	<b>1,350</b>
<b>Current assets</b>				
Asset held-for-sale	10,157	13,419	-	-
Inventories	9,940	13,287	-	3,614
Trade and other receivables	23,740	24,287	13,987	11,312
Other assets	11,836	7,757	503	315
Cash and cash equivalents	40,460	40,291	21,005	12,698
<b>Total current assets</b>	<b>96,133</b>	<b>99,041</b>	<b>35,495</b>	<b>27,939</b>
<b>Total assets</b>	<b>154,255</b>	<b>151,309</b>	<b>43,247</b>	<b>29,289</b>
<b>Equity and liabilities</b>				
<b>Equity attributable to the owners of the parent</b>				
Share capital	22,439	22,439	22,439	22,439
Treasury shares	(1,342)	(1,303)	(1,342)	(1,303)
Retained earnings	59,322	54,963	11,748	7,096
Other reserves	525	515	-	-
<b>Total equity</b>	<b>80,944</b>	<b>76,614</b>	<b>32,845</b>	<b>28,232</b>
<b>Non-current liabilities</b>				
Deferred tax liabilities	3,021	3,098	-	-
Other financial liabilities	6,894	7,974	-	-
Other payables	3,794	5,701	-	-
<b>Total non-current liabilities</b>	<b>13,709</b>	<b>16,773</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>				
Liabilities held for sale under FRS 105	8,403	12,245	-	-
Income tax payable	1,341	1,430	48	95
Trade and other payables	13,830	16,798	354	962
Other financial liabilities-current	35,865	26,951	10,000	-
Other liabilities	163	498	-	-
<b>Total current liabilities</b>	<b>59,602</b>	<b>57,922</b>	<b>10,402</b>	<b>1,057</b>
<b>Total liabilities</b>	<b>73,311</b>	<b>74,695</b>	<b>10,402</b>	<b>1,057</b>
<b>Total equity and liabilities</b>	<b>154,255</b>	<b>151,309</b>	<b>43,247</b>	<b>29,289</b>

## 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 2018		As at 31 December 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
33,451	10,816	21,404	17,792

### Amount repayable after one year

As at 30 June 2018		As at 31 December 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
6,894	-	7,974	-

### Details of any collateral

1. Charge on motor vehicles of certain subsidiaries for finance lease liabilities.
2. Borrowings drawn down in relation to the acquisition of the leasehold property is secured against mortgage on the property.
3. 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 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**

	<b>2Q2018 \$'000</b>	<b>2Q2017 \$'000</b>	<b>1H2018 \$'000</b>	<b>1H2017 \$'000</b>
<b>Cash flows from operating activities:</b>				
Profit before tax	4,789	4,552	8,470	8,005
Adjustments for:				
Depreciation expense	568	777	1,277	1,348
Loss / (gain) on disposal of plant and equipment	217	(1)	33	9
Interest income	(44)	(42)	(119)	(66)
Interest expense	319	273	676	459
Unrealised foreign exchange loss/(gain)	(1,050)	(146)	(659)	209
Operating cash flows before changes in working capital	4,799	5,413	9,678	9,964
Inventories	3,540	2,245	3,347	(907)
Trade and other receivables	(570)	(4,253)	547	(2,707)
Other assets	(2,537)	(114)	(4,079)	3,913
Trade and other payables	(2,338)	(1,094)	(4,876)	(3,722)
Other liabilities	60	44	(335)	(607)
Cash generated from operations	2,954	2,241	4,282	5,934
Income tax paid	(587)	(804)	(841)	(1,197)
<b>Net cash generated from operating activities</b>	<b>2,367</b>	<b>1,437</b>	<b>3,441</b>	<b>4,737</b>
<b>Cash flows from investing activities:</b>				
Acquisition of subsidiaries	-	8,824	-	8,824
Purchase of property, plant and equipment	(6,858)	(418)	(7,221)	(748)
Proceeds from disposal of plant and equipment	(179)	127	3,267	127
Interest received	44	42	119	66
<b>Net cash (used in) / generated from investing activities</b>	<b>(6,993)</b>	<b>8,575</b>	<b>(3,835)</b>	<b>8,269</b>
<b>Cash flows from financing activities:</b>				
Other financial liabilities	(302)	(5,712)	(5,609)	(7,745)
Increase from new borrowings	10,000	5,000	10,000	5,000
Decrease in finance leases	(411)	(30)	(451)	(59)
Dividends paid	(3,431)	(2,874)	(3,431)	(2,874)
Purchase of treasury shares	(8)	(24)	(39)	(24)
Interest paid	(319)	(273)	(676)	(459)
<b>Net cash generated from / (used in) financing activities</b>	<b>5,529</b>	<b>(3,913)</b>	<b>(206)</b>	<b>(6,161)</b>
<b>Net increase / (decrease) in cash</b>	<b>903</b>	<b>6,098</b>	<b>(600)</b>	<b>6,845</b>
<b>Effect of foreign exchange rate adjustments</b>	<b>1,083</b>	<b>202</b>	<b>769</b>	<b>(216)</b>
<b>Cash balance at beginning of period</b>	<b>38,474</b>	<b>32,654</b>	<b>40,291</b>	<b>32,325</b>
<b>Cash at end of period</b>	<b>40,460</b>	<b>38,954</b>	<b>40,460</b>	<b>38,954</b>

**Non-cash transactions:**

There were acquisitions of certain assets under property, plant and equipment with a total cost of \$51,000 acquired by means of finance leases in 1H2017 (1H2016: \$76,000).

\* The acquisition of Ensure Engineering Pte Ltd ("Ensure") was completed on 28 April 2017. The fair values of identifiable assets acquired and liabilities assumed for Ensure are as follows:

	<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		7,449
Purchase consideration		16,673
Amount payable to vendor of the acquired subsidiary		(10,893)
Cash of subsidiaries acquired		(14,604)
Net cash flow from acquisition of subsidiaries		(8,824)

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 has not yet expired.

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					
	Issued capital \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000	Statutory reserves \$'000	Treasury shares \$'000	Total equity \$'000
<b>Group - Q2</b>						
<u>Balance at 1 April 2018</u>	22,439	372	58,402	235	(1,334)	80,114
Total comprehensive income for the period	-	(82)	4,351	-	-	4,269
Dividends paid	-	-	(3,431)	-	-	(3,431)
Purchase of treasury shares	-	-	-	-	(8)	(8)
<b>Balance at 30 June 2018</b>	22,439	290	59,322	235	(1,342)	80,944
<u>Balance at 1 April 2017</u>	22,439	121	47,947	235	(1,279)	69,463
Total comprehensive income for the period	-	96	3,721	-	-	3,817
Purchase of treasury shares	-	-	-	-	(24)	(24)
Dividends paid	-	-	(2,874)	-	-	(2,874)
<b>Balance at 30 June 2017</b>	22,439	217	48,794	235	(1,303)	70,382
<b>Group - 6 months</b>						
<u>Balance at 1 January 2018</u>	22,439	280	54,963	235	(1,303)	76,614
Total comprehensive income for the period	-	10	7,790	-	-	7,800
Dividends paid	-	-	(3,431)	-	-	(3,431)
Purchase of treasury shares	-	-	-	-	(39)	(39)
<b>Balance at 30 June 2018</b>	22,439	290	59,322	235	(1,342)	80,944
<u>Balance at 1 January 2017</u>	22,439	272	45,137	235	(1,279)	66,804
Total comprehensive income for the period	-	(55)	6,531	-	-	6,476
Purchase of treasury shares	-	-	-	-	(24)	(24)
Dividends paid	-	-	(2,874)	-	-	(2,874)
<b>Balance at 30 June 2017</b>	22,439	217	48,794	235	(1,303)	70,382

	Issued capital \$'000	Retained earnings \$'000	Treasury shares \$'000	Total equity \$'000
<b>Company - Q2</b>				
Balance at 1 April 2018	22,439	7,003	(1,334)	28,108
Total comprehensive income for the period	-	8,176	-	8,176
Purchase of treasury shares	-	-	(8)	(8)
Dividends paid	-	(3,431)	-	(3,431)
<b>Balance at 30 June 2018</b>	<b>22,439</b>	<b>11,748</b>	<b>(1,342)</b>	<b>32,845</b>
<u>Balance at 1 April 2017</u>	<u>22,439</u>	<u>13,089</u>	<u>(1,279)</u>	<u>34,249</u>
Total comprehensive income for the period	-	(22)	-	(22)
Purchase of treasury shares	-	-	(24)	(24)
Dividends paid	-	(2,874)	-	(2,874)
<b>Balance at 30 June 2017</b>	<b>22,439</b>	<b>10,193</b>	<b>(1,303)</b>	<b>31,329</b>
<b>Company - 6 months</b>				
Balance at 1 January 2018	22,439	7,096	(1,303)	28,232
Total comprehensive income for the period	-	8,083	-	8,083
Purchase of treasury shares	-	-	(39)	(39)
Dividends paid	-	(3,431)	-	(3,431)
<b>Balance at 30 June 2018</b>	<b>22,439</b>	<b>11,748</b>	<b>(1,342)</b>	<b>32,845</b>
<u>Balance at 1 January 2017</u>	<u>22,439</u>	<u>6,275</u>	<u>(1,279)</u>	<u>27,435</u>
Total comprehensive income for the period	-	6,792	-	6,792
Purchase of treasury shares	-	-	(24)	(24)
Dividends paid	-	(2,874)	-	(2,874)
<b>Balance at 30 June 2017</b>	<b>22,439</b>	<b>10,193</b>	<b>(1,303)</b>	<b>31,329</b>

**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**

	2Q2018		1Q2018	
Issued and paid up capital	No. of shares	S\$'000	No. of shares	S\$'000
As at beginning of period	393,059,900	21,105	393,112,900	21,136
Less: Treasury shares bought during the period	(15,000)	(8)	(53,000)	(31)
<b>Total issued share capital excluding treasury shares as at end of period</b>	<b>393,044,900</b>	<b>21,097</b>	<b>393,059,900</b>	<b>21,105</b>

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 393,044,900 ordinary shares (31 December 2017: 393,112,900 ordinary shares).

As at 30 June 2018, the Company holds 6,955,100 treasury shares (31 December 2017: 6,887,100 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 15,000 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 2017.

**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 a new financial reporting framework, Singapore Financial Reporting Standards (International) (SFRS(I)s), on 1 January 2018 and has prepared its first set of financial information under SFRS(I)s for the quarter ended 30 June 2018. In adopting SFRS(I)s, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). There is no significant difference from the adoption of the new SFRS(I) except for a reclassification of unbilled receivables from trade and other receivables to other assets as at 31 December 2017. The amount is \$4,807,000.

**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**

	2Q2018	2Q2017	1H2018	1H2017
<b><u>The Group</u></b>				
Net profit after tax attributable to equity holders of the Company (\$'000)	4,351	3,721	7,792	6,531
Weighted average number of ordinary shares (excluding Treasury Shares) ('000)	393,048	393,159	393,075	393,167
Earnings per share - basic/fully diluted (cents)	1.1	0.9	2.0	1.7

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	
	30/06/2018	31/12/2017	30/06/2018	31/12/2017
Net asset value (\$'000)	80,943	76,614	32,845	28,232
Number of ordinary shares(excluding Treasury Shares) ('000)	393,045	393,113	393,045	393,113
Net asset value per share (cents)	20.6	19.5	8.4	7.2

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

**Review of performance for quarter ended 30 June 2018 ("2Q2018")**

**Revenue**

Our revenue increased by approximately \$2.0 million or 8%, from approximately \$24.0 million in 2Q2017 to approximately \$26.1 million in 2Q2018. The increase was mainly due to increase in revenue from others segment of \$3.8 million from the sale of carbon allowances. This increase was offset by a decrease in project and maintenance services segment in 2Q2018.

Business segment	2Q2018 \$'000	2Q2017 \$'000	Change \$'000	Change %
Project services	13,491	14,443	(952)	(7)
Maintenance services	8,797	9,604	(807)	(8)
Others	3,787	-	3,787	nm
<b>Total</b>	<b>26,075</b>	<b>24,047</b>	<b>2,028</b>	<b>8</b>

**Gross profit and gross profit margin**

Gross profit for 2Q2018 decreased approximately \$0.9 million or 11% from \$8.1 million in 2Q2017 to \$7.2 million in 2Q2018. Similarly, gross profit margin decreased from 33.5% in 2Q2017 to 27.5% in 2Q2018. Excluding the sale of carbon allowances, the gross profit margin for 2Q2018 is 31.3%.

**Distribution costs**

Distribution costs increased approximately \$29,000 or 26% from approximately \$113,000 in 2Q2017 to \$142,000 in 2Q2018, mainly due to higher marketing costs incurred.

**Administrative expenses**

Administrative expenses decreased approximately \$0.3 million or 10% from \$3.1 million in 2Q2017 to \$2.8 million in 2Q2018. This was mainly due to right sizing of the system integration business.

## Finance costs

Interest expense increased approximately \$47,000 or 17%, from approximately \$273,000 in 2Q2017 to approximately \$320,000 in 2Q2018 mainly due to higher interest from increase in interest rates and more borrowings from the acquisition of Ensure and purchase of our property at 2 Tuas Ave 10.

## Other gains and losses

For 2Q2018, other gains of approximately \$0.9 million was recorded. This was mainly due to other income of approximately \$0.2 million and foreign exchange gains of approximately \$0.7 million due to strengthening of United States Dollar against the Singapore Dollar during the period under review.

For 2Q2017, other losses of approximately \$55,000 was recorded. This was mainly due to foreign exchange losses of approximately \$0.2 million due to weakening of the United States Dollar against the Singapore Dollar during the period under review. This was offset by other income of approximately \$0.1 million.

## Income tax expense

Effective tax rate was 9.1% in 2Q2018 compared to 18.3% in 2Q2017. The lower effective tax rate was due to the utilization of carried forward capital allowances and merger & acquisition allowance.

## Review of performance for half-year ended 30 June 2018 ("1H2018")

### Revenue

Our revenue increased by approximately \$4.8 million or 11%, from approximately \$44.0 million in 1H2017 to approximately \$48.8 million in 1H2018. The increase was mainly due to increase in maintenance services revenue contributed by Ensure (which was acquired on 28 April 2017) and others segment. The increase in others segment was due to sale of carbon allowances in 2Q2018 vs the sale of carbon allowances in 1Q2017. This increase was offset by a decrease in project revenue due to less project completion in 1H2018. We have sold all our carbon allowances and received all proceeds from such sale.

Business segment	1H2018 \$'000	1H2017 \$'000	Change \$'000	Change %
Project services	26,855	27,504	(649)	(2)
Maintenance services	18,141	15,079	3,062	20
Others	3,787	1,387	2,400	173
<b>Total</b>	<b>48,783</b>	<b>43,970</b>	<b>4,813</b>	<b>11</b>

### Gross profit and gross profit margin

Gross profit for 1H2018 is quite constant as compared to 1H2017 at approximately \$14.0 million. Gross profit margin decreased from 32.2% in 1H2017 to 28.7% in 1H2018. Excluding the sale of carbon allowances, the gross profit margin for 1H2018 is 30.7%.

### Distribution costs

Distribution costs increased approximately \$132,000 or 59% from approximately \$224,000 in 1H2017 to \$356,000 in 1H2018, mainly due to higher marketing costs incurred.

### Administrative expenses

Administrative expenses increased approximately \$0.7 million or 13% from \$5.1 million in 1H2017 to \$5.7 million in 1H2018. This was mainly due to higher administrative expenses contributed by Ensure.

## **Finance costs**

Interest expense increased approximately \$217,000 or 47%, from approximately \$459,000 in 1H2017 to approximately \$676,000 in 1H2018 mainly due to higher interest from increase in interest rates and more borrowings from the acquisition of Ensure and purchase of our property at 2 Tuas Ave 10.

## **Other gains and losses**

For 1H2018, other gains of approximately \$1.1 million was recorded. This was mainly due to other income of approximately \$0.3 million, gain on disposal of property, plant and equipment of approximately \$0.2 million, government grant income of approximately \$0.2 million and foreign exchange gains of approximately \$0.5 million due to strengthening of United States Dollar against the Singapore Dollar during the period under review.

For 1H2017, other losses of approximately \$0.5 million was recorded. This was mainly due to foreign exchange losses of approximately \$0.8 million due to weakening of the United States Dollar against the Singapore Dollar during the period under review. This loss was offset by government grant income of approximately \$0.3 million.

## **Income tax expense**

Effective tax rate was 8% in 1H2018 compared to 18.4% in 2Q2017. The lower effective tax rate was due to the utilization of carried forward capital allowances and merger & acquisition allowance.

## **Statement of Financial Position Review (as at 30 June 2018 compared to 31 December 2017)**

### **Non-current assets**

Non-current assets increased approximately \$5.9 million or 11% from approximately \$52.3 million as at 31 December 2017 to approximately \$58.1 million as at 30 June 2018. The increase was mainly due to the acquisition of our new property at 2 Tuas Ave 10 of approximately \$6.2 million, offset by depreciation charge for the period under review.

### **Current assets**

Current assets decreased approximately \$2.9 million or 2.9%, from approximately \$99.0 million as at 31 December 2017 to approximately \$96.1 million as at 30 June 2018. The decrease was due to decrease in asset held-for-sale of approximately \$3.3 million with the sale of one of our properties at 42 Teck Park Crescent, inventories \$3.3 million due to sale of carbon allowances and trade and other receivables of approximately \$0.5 million. These decreases were offset by increases in other assets of approximately \$4.0 million and cash and cash equivalents of approximately \$0.2 million respectively.

### **Current liabilities**

Current liabilities increased approximately \$1.7 million or 2.9%, from approximately \$57.9 million as at 31 December 2017 to approximately \$59.6 million as at 30 June 2018 mainly due to increase in financial liabilities of approximately \$8.9 million mainly from the drawdown of the loan to pay for our new property at 2 Tuas Ave 10. This increase was offset by the decrease in liabilities held for sale under FRS105 of approximately \$3.8 million, decrease in trade and other payables of approximately \$3.0 million and decrease in other liabilities of approximately \$0.3 million.

### **Non-current liabilities**

Non-current liabilities decreased by approximately \$3.1 million or 18.3%, from approximately \$16.8 million as at 31 December 2017 to approximately \$13.7 million as at 30 June 2018 mainly due to the repayment of financial liabilities of approximately \$1.1 million and decrease of other payables of approximately \$1.9 million.

### **Equity**

Our capital and reserves increased by approximately \$4.3 million or 5.7% from \$76.6 million as at 31 December 2017 to \$80.9 million as at 30 June 2018 mainly due to net profit from 1H2018 of approximately \$7.8 million offset by dividend payment of \$3.4 million.

## **Statement of Cash Flows Review**

### **2Q2018**

We continued to maintain a healthy cash position with approximately \$40.5 million in cash and cash equivalents as at the end of 2Q2018.

In 2Q2018, net cash generated from operating activities amounted to approximately \$2.4 million compared to approximately \$1.4 million in 2Q2017. We generated net cash of approximately \$4.8 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$1.8 million. This was mainly due to cash inflow from decrease in inventories of approximately \$3.5 million. This cash inflow is offset by cash outflow from increase in trade and other receivables of approximately \$0.6 million; increase in other assets of approximately \$2.5 million, decrease in trade and other payables of approximately \$2.3 million respectively. Our operating cash flow from operations was reduced by income taxes payment of approximately \$0.6 million.

Net cash of approximately \$7.0 million used in investing activities was mainly due to purchase of our new property at 2 Tuas Ave 10.

Net cash of approximately \$5.5 million was generated from financing activities. This was mainly due to the drawdown of bank borrowings of \$10 million which was offset by dividend payment of approximately \$3.4 million and repayment of financial liabilities, interest cost and finance lease of approximately \$1.0 million.

### **1H2018**

In 1H2018, net cash from operating activities amounted to approximately \$3.4 million compared to approximately \$4.7 million in 1H2017. We generated net cash of approximately \$9.7 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$5.4 million. This was mainly due to cash inflow from decrease in inventories of approximately \$3.3 million and trade and other receivables of approximately \$0.5 million. These cash inflows are offset by cash outflow from increase in other assets of approximately \$4.1 million; decrease in trade and other payables of approximately \$4.9 million and decrease in other liabilities of approximately \$0.3 million respectively. Our operating cash flow from operations was reduced by income taxes payment of approximately \$0.8 million.

Net cash of approximately \$3.8 million used in investing activities was mainly due to purchase of our new property at 2 Tuas Ave 10 and other plant and equipment.

Net cash of approximately \$0.2 million was used in financing activities. This was mainly due to the drawdown of bank borrowings of \$10 million which was offset by dividend payment of approximately \$3.4 million and repayment of financial liabilities, interest cost and finance lease of approximately \$6.7 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 \$96.3 million as at 30 June 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 30 June 2018**

- (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	0.779 cent 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	0.653 cent per ordinary share
Tax Rate	Tax exempt (one-tier)

**(c) Date payable**

5 September 2018

**(d) Books closure date**

24 August 2018

**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 June 2018 to be false or misleading in any material aspect.

#### **BY ORDER OF THE BOARD**

**Chang Yeh Hong**  
**Executive Chairman**  
**10 August 2018**