



TECHNICS OIL & GAS LIMITED
(Company Registration Number: 200205249E)

First Quarter Financial Statements for the Period Ended 31 December 2015

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

| In S\$'000 | 3 months ended | | Inc/(Dec) % |
|--|----------------|-----------|----------------|
| | 31-Dec-15 | 31-Dec-14 | |
| Revenue | 15,170 | 18,565 | -18% |
| Cost of sales | (8,496) | (10,960) | -22% |
| Gross profit | 6,674 | 7,605 | -12% |
| Other items of income | | | |
| Interest income | 11 | 9 | 22% |
| Other gains | 201 | 1,383 | -85% |
| Other items of expense | | | |
| Marketing and distribution costs | (85) | (257) | -67% |
| Administrative expenses | (6,592) | (7,085) | -7% |
| Other losses | (560) | (295) | 90% |
| Finance costs | (730) | (853) | -14% |
| Share of loss from equity -accounted associates | (57) | (140) | -59% |
| (Loss) Profit before income tax | (1,138) | 367 | -410% |
| Income tax credit (expense) | 48 | (257) | -119% |
| (Loss) Profit for the period | (1,090) | 110 | -1091% |
| Other comprehensive income/(loss) | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Cash flow hedge gain (loss) from interest rate swaps | 346 | (312) | -211% |
| Exchange differences on translating foreign operations, net of tax | 219 | (25) | -976% |
| Other comprehensive income (loss) for the period, net of tax | 565 | (337) | -268% |
| Total comprehensive loss for the period | (525) | (227) | 131% |
| (Loss) Profit attributable to: | | | |
| Owners of the Parent | (1,205) | (593) | 103% |
| Non-controlling interests | 115 | 703 | -84% |
| Total comprehensive (loss) income | (1,090) | 110 | -1091% |
| Total comprehensive loss attributable to: | | | |
| Owners of the Parent | (976) | (811) | 20% |
| Non-controlling interests | 451 | 584 | -23% |
| | (525) | (227) | 131% |

1(a)(i) Breakdown and explanatory notes to the income statement

(Loss) Profit before tax consists of the following:

| In S\$'000 | 3 months ended | |
|---|-----------------------|------------------|
| | 31-Dec-15 | 31-Dec-14 |
| Depreciation of plant and equipment | 1,520 | 1,947 |
| (Reversal) Allowance for doubtful trade receivables | - | (11) |
| Amortisation of intangible assets | 292 | 292 |
| (Reversal) Bad debts written off - trade | - | (5) |
| Foreign exchange loss (gain) | 260 | (1,127) |
| Loss (Gain) on disposal of plant and equipment | 8 | (11) |
| Interest Income | (11) | (9) |
| Interest on borrowings | 730 | 853 |
| (Reversal) inventories written off | - | (23) |
| Share of loss of associates | 57 | 140 |

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

| In S\$'000 | Group | | Company | |
|--|----------------|----------------|---------------|---------------|
| | 31-Dec-15 | 30-Sep-15 | 31-Dec-15 | 30-Sep-15 |
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 92,338 | 89,336 | 1 | 1 |
| Intangible assets | 3,854 | 4,146 | - | - |
| Investment in subsidiaries | - | - | 21,297 | 21,297 |
| Investment in associates | 541 | 598 | 300 | 300 |
| Total non-current assets | <u>96,733</u> | <u>94,080</u> | <u>21,598</u> | <u>21,598</u> |
| Current assets | | | | |
| Inventories | 2,222 | 2,168 | - | - |
| Trade and other receivables | 43,941 | 45,200 | 35,602 | 37,276 |
| Finance lease receivables | - | 2,589 | - | - |
| Balance on construction contract costs | 11,295 | 8,629 | - | - |
| Other non-financial assets | 1,240 | 1,102 | 18 | 33 |
| Cash and bank balances | 20,503 | 23,390 | 2,017 | 25 |
| Total current assets | <u>79,201</u> | <u>83,078</u> | <u>37,637</u> | <u>37,334</u> |
| Total assets | <u>175,934</u> | <u>177,158</u> | <u>59,235</u> | <u>58,932</u> |
| Capital, reserves and non-controlling interests | | | | |
| Share capital | 69,854 | 70,817 | 69,854 | 70,817 |
| Accumulated losses | (15,600) | (14,395) | (25,948) | (25,929) |
| Other reserves | 9,862 | 9,633 | 10,911 | 10,911 |
| Equity attributable to owners of the Parent | <u>64,116</u> | <u>66,055</u> | <u>54,817</u> | <u>55,799</u> |
| Non-controlling interests | 2,424 | 1,973 | - | - |
| Total equity | <u>66,540</u> | <u>68,028</u> | <u>54,817</u> | <u>55,799</u> |
| Non-current liabilities | | | | |
| Deferred tax liabilities | 856 | 905 | 24 | 24 |
| Non-current portion of finance leases | 641 | 720 | - | - |
| Bank borrowings | 36,236 | 35,131 | - | - |
| Other non-financial liabilities | 23,631 | 24,072 | - | - |
| Total non-current liabilities | <u>61,364</u> | <u>60,828</u> | <u>24</u> | <u>24</u> |
| Current liabilities | | | | |
| Income tax payable | 1,917 | 1,852 | 324 | 324 |
| Trade and other payables | 27,617 | 33,481 | 4,070 | 2,785 |
| Due to customers on construction contracts | 4,102 | 2,886 | - | - |
| Current portion of finance leases | 307 | 313 | - | - |
| Bank borrowings | 12,010 | 7,928 | - | - |
| Other non-financial liabilities | 2,077 | 1,842 | - | - |
| Total current liabilities | <u>48,030</u> | <u>48,302</u> | <u>4,394</u> | <u>3,109</u> |
| Total liabilities | <u>109,394</u> | <u>109,130</u> | <u>4,418</u> | <u>3,133</u> |
| Total liabilities and equity | <u>175,934</u> | <u>177,158</u> | <u>59,235</u> | <u>58,932</u> |

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-Dec-15 | | As at 30-Sep-15 | |
|---------------------|-----------------------|---------------------|-----------------------|
| Secured (\$'000) | Unsecured (\$'000) | Secured (\$'000) | Unsecured (\$'000) |
| 3,271 | 9,045 | 3,125 | 5,116 |

Amount repayable after one year

| As at 31-Dec-15 | | As at 30-Sep-15 | |
|---------------------|-----------------------|---------------------|-----------------------|
| Secured (\$'000) | Unsecured (\$'000) | Secured (\$'000) | Unsecured (\$'000) |
| 36,107 | 770 | 34,460 | 1,391 |

Details of collateral

The above secured liabilities are secured by the vessels and fixed deposits of the subsidiaries.

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

| In S\$'000 | 3 months ended | |
|--|----------------|-----------|
| | 31-Dec-15 | 31-Dec-14 |
| Operating activities | | |
| (Loss) Profit before tax | (1,138) | 367 |
| Adjustments for: | | |
| Amortisation expense | 292 | 292 |
| Depreciation expenses | 1,520 | 1,947 |
| Loss on disposal of property, plant and equipment | 8 | (11) |
| Interest income | (11) | (9) |
| Interest expense | 730 | 853 |
| Amortisation of deferred capital gain | (206) | - |
| Reversal of inventories written off | - | (23) |
| Share-based payments | - | 72 |
| Share of loss of associates | 57 | 140 |
| Foreign exchange loss (gain) | 772 | (1,057) |
| Operating cash flows before changes in working capital | 2,024 | 2,571 |
| Inventories | (54) | (27) |
| Trade and other receivables | 3,334 | 952 |
| Other assets and balance on construction contract costs | (2,805) | (3,616) |
| Trade and other payables | (5,729) | 259 |
| Other liabilities and due to customers on construction contracts | 1,216 | (13) |
| Net cash flows (used in) from operations | (2,014) | 126 |
| Income taxes refund | 64 | 54 |
| Net cash flows (used in) from operating activities | (1,950) | 180 |
| Investing activities | | |
| Purchase of plant and equipment (Note A) | (2,238) | (433) |
| Finance lease receivables | 2,589 | 219 |
| Interest received | 11 | 9 |
| Net cash generated used in investing activities | 362 | (205) |
| Financing activities | | |
| Dividends paid to non-controlling interest | - | (390) |
| Purchase of treasury shares | (963) | - |
| Net movements in amounts due to related parties | (2,582) | 1,653 |
| Increase in bank borrowings | 3,242 | 2,646 |
| Repayment of obligations under finance leases | (85) | (54) |
| Cash pledged | 45 | (9) |
| Interest paid | (730) | (853) |
| Net cash generated from financing activities | (1,073) | 2,993 |
| Net (decrease) increase in cash and cash equivalents | (2,661) | 2,968 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (190) | 19 |
| Cash and cash equivalents at beginning of period | 7,615 | 2,948 |
| Cash and cash equivalents at end of period | 4,764 | 5,935 |

Notes

A. Purchase of plant and equipment:

In 1Q-16, the Group acquired plant and equipment with an aggregate cost of \$5,198,000 (1Q-15: \$433,000) of which \$2,960,000 (1Q15: \$Nil) was acquired under property loan arrangement.

B. Cash and cash equivalents at end of period comprise of:

| In S\$'000 | 1Q-16 | 1Q-15 |
|---------------------------|----------|---------|
| Cash and bank balances | 20,503 | 11,809 |
| Less: Bank overdraft | (1,372) | (1,216) |
| Less: Cash pledged | (14,367) | (4,658) |
| Cash and cash equivalents | 4,764 | 5,935 |

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

| <u>In S\$'000</u> | <u>Total equity</u> | <u>Attributable to Parent Sub-total</u> | <u>Share capital</u> | <u>Accumulated losses</u> | <u>Currency translation reserve</u> | <u>Hedging reserve</u> | <u>Warrants reserve</u> | <u>Non-controlling interests</u> |
|--|---------------------|---|----------------------|---------------------------|-------------------------------------|------------------------|-------------------------|----------------------------------|
| Group | | | | | | | | |
| 3 months | | | | | | | | |
| Balance at 1 October 2015 | 68,028 | 66,055 | 70,817 | (14,395) | (126) | (1,152) | 10,911 | 1,973 |
| Total comprehensive (loss) income for the period | (525) | (976) | - | (1,205) | (117) | 346 | - | 451 |
| Purchase of treasury shares | (963) | (963) | (963) | - | - | - | - | - |
| Balance at 31 December 2015 | <u>66,540</u> | <u>64,116</u> | <u>69,854</u> | <u>(15,600)</u> | <u>(243)</u> | <u>(806)</u> | <u>10,911</u> | <u>2,424</u> |
| Balance at 1 October 2014 | 72,541 | 68,534 | 74,137 | (15,472) | (125) | (917) | 10,911 | 4,007 |
| Total comprehensive (loss) income for the period | (227) | (811) | - | (593) | 10 | (228) | - | 584 |
| Dividend paid to non-controlling interests | (390) | - | - | - | - | - | - | (390) |
| Balance at 31 December 2014 | <u>71,924</u> | <u>67,723</u> | <u>74,137</u> | <u>(16,065)</u> | <u>(115)</u> | <u>(1,145)</u> | <u>10,911</u> | <u>4,201</u> |

| <u>In S\$'000</u> | <u>Total equity</u> | <u>Share capital</u> | <u>Accumulated losses</u> | <u>Warrants reserve</u> |
|---|---------------------|----------------------|---------------------------|-------------------------|
| Company | | | | |
| 3 months | | | | |
| Balance at 1 October 2015 | 55,799 | 70,817 | (25,929) | 10,911 |
| Total comprehensive loss for the period | (19) | - | (19) | - |
| Purchase of treasury shares | (963) | (963) | - | - |
| Balance at 31 December 2015 | <u>54,817</u> | <u>69,854</u> | <u>(25,948)</u> | <u>10,911</u> |
| Balance at 1 October 2014 | 73,997 | 74,137 | (11,051) | 10,911 |
| Total comprehensive income for the period | 379 | - | 379 | - |
| Balance at 31 December 2014 | <u>74,376</u> | <u>74,137</u> | <u>(10,672)</u> | <u>10,911</u> |

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 share capital

There were no movements in the Company's issued share capital for the quarter ended 31 December 2015 (1Q15: Nil).

As at 31 December 2015, the Company's total issued share capital is \$69,854,000 divided into 228,717,675 (31 December 2014: 234,932,975) shares.

Treasury shares

In 1Q-16, the Company purchased 1,477,500 (1Q-15: Nil) treasury shares.

As at 31 December 2015, the Company has 6,272,300 (31 December 2014: 57,000) shares being held as treasury shares.

Warrants

At 31 December 2015, there were 89,805,082 outstanding warrants. Each warrant carried the right to subscribe for one new share in the capital of the Company at an exercise price of \$0.25. The warrants may be exercisable on the market day immediately preceding the third anniversary of the date of issue of the warrants i.e. 9 December 2016.

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.

| | Number of ordinary shares | |
|--------------------|---------------------------|--------------------|
| | 31-Dec-15 | 30-Sep-15 |
| Issued and paid up | <u>228,717,675</u> | <u>230,195,175</u> |

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.

Not applicable.

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

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

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 Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with those used in the audited financial statements for the financial year ended 30 September 2015.

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 new and revised Singapore Financial Reporting Standards ("FRS") for accounting periods beginning 1 October 2015, where applicable.

The adoption of new / revised FRS and INT FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior 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

Loss per ordinary share

(based on consolidated net loss attributable to owners of the Parent)

| | 3 months ended | |
|-----------------|----------------|---------------|
| | 31-Dec-15 | 31-Dec-14 |
| | Cents | Cents |
| - Basic | (0.53) | (0.25) |
| - Fully diluted | <u>(0.53)</u> | <u>(0.25)</u> |

Basic loss per ordinary share is computed based on the weighted average number of shares in issue during the period of 228,740,654 (1Q-15: 234,932,975).

There is no dilutive effect from the share warrants as they are anti-dilutive because their conversion to ordinary shares would decrease loss per share.

7. Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

| | Group | | Company | |
|-----------------------------------|--------------|--------------|--------------|--------------|
| | 31-Dec-15 | 30-Sep-15 | 31-Dec-15 | 30-Sep-15 |
| | Cents | Cents | Cents | Cents |
| Net Asset Value ("NAV") per share | <u>28.03</u> | <u>28.70</u> | <u>23.97</u> | <u>24.24</u> |

The NAV per share as at 31 December 2015 is calculated based on 228,717,675 (30 September 2015: 230,195,175) ordinary shares.

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**

First Quarter 2016 ("1Q16") versus First Quarter 2015 ("1Q15")

The Group's revenue decreased by \$3.4 million from \$18.6 million to \$15.2 million in 1Q16 compared to the same period a year ago mainly due to weak market demand.

The decline in gross profit was in line with the decrease in revenue and gross profit margins improved from 41% to 44% quarter on quarter.

Other gains in 1Q16 reduced by \$1.2 million as there was a foreign exchange gain of \$1.1 million reported in 1Q15. Foreign exchange for 1Q16 was a loss of \$0.3 million and this was reported as other losses.

Administrative expenses reduced by \$0.5 million quarter on quarter mainly due to a decline in depreciation expenses and reversal of some staff costs. The decrease in depreciation was mainly due to deconsolidation of Vina Offshore Engineering Co., Ltd, business closure of M2E Corp (Suzhou) Co., Ltd and disposal of the property and certain assets at 72 Loyang Way under the sale and leaseback transaction in the third quarter of FY2015. In this quarter, there was an amortisation of deferred capital gain of about \$0.2 million from the sale and leaseback being offset against the leaseback rental of approximately \$2.0 million.

Other losses in 1Q16 mainly made up foreign exchange loss and amortization of intangible assets.

Finance costs mainly consist of vessels financing and interests on bank borrowings.

Overall, the Group posted a loss after tax of \$1.1 million compared to a profit of \$0.1 million for the corresponding period in FY2015.

Cash flows

The Group had deficit cash flows from operations in 1Q16 primarily due to lower operating profit.

The Group has increased its bank borrowings to fund the acquisition of 70 Loyang Way in October 2015 under a 51% owned subsidiary.

As at 31 December 2015, the Group's working capital was \$31.1 million, a decrease of \$3.7 million from \$34.8 million at 30 September 2015, mainly due to lower operating profit.

Statement of Financial Position Review (as at 31 December 2015 compared to 30 September 2015)

Property, Plant & Equipment

The increase in property, plant and equipment was mainly attributable to the acquisition of 70 Loyang Way.

Trade and Other Receivables

Trade and other receivables decreased by \$1.3 million from \$45.2 million at 30 September 2015 to \$43.9 million at 31 December 2015 mainly due to lower revenue in this quarter.

Finance Lease Receivables

As at 30 September 2015, the Group had finance leasing arrangement of \$2.6 million for certain tugboats and vessels. In October 2015, the tugboats and vessels were sold to a third party for full settlement of the finance lease receivable.

Cash and Bank Balances

The decrease in cash and bank balances from \$23.4 million at 30 September 2015 to \$20.5 million at 31 December 2015 mainly due to negative net cash flows from operations.

Other non-financial liabilities

Other non-financial liabilities included deferred gain arising from the sale and leaseback of the property in FY2015 amounting to \$25.4 million (30 September 2015: \$25.8 million) and is amortised over 15 year lease period with effect from May 2016.

Trade and Other Payables

Trade and other payables decreased by \$5.9 million from \$33.5 million at 30 September 2015 to \$27.6 million at 31 December 2015 mainly due to repayment of debts.

Bank Borrowings

Bank borrowings increased by \$5.2 million from \$43.0 million at 30 September 2015 to \$48.2 million at 31 December 2015 due to property loan for 70 Loyang Way and higher utilization of bank trade facilities.

Gearing Ratio

The gearing ratio (total debts less cash and bank balances / total equity) has increased from 0.3 as at 30 September 2015 to 0.4 as at 31 December 2015 mainly due to the new property loan taken by a 51% owned subsidiary.

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

Not applicable.

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

The current global economic and financial environment poses major challenges for companies, and as such, the Group's businesses may be affected. However, the Group remains cautiously optimistic for FY2016 by growing gas compressor leasing and liftboat businesses.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None

(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 dividend has been declared or recommend for the period.

13. Interested Person Transactions

The Group has not obtained a general mandate from shareholders for Interested Person Transactions.

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

The Directors hereby confirm that, to the best of their knowledge, nothing has come to the attention of Board of directors which may render the interim financial statement for the first quarter ended 31 December 2015 to be false or misleading in any material aspect.

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

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

BY ORDER OF THE BOARD

**Robin Ting Yew Sue
Executive Chairman
4 February 2016**