



**NORDIC**  
Group Limited

**NORDIC GROUP LIMITED**

(Company Registration Number: 201007399N)

### 3Q2018 Financial Statement and Dividend Announcement

#### PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

**1(a) An income statement and statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year**

#### UNAUDITED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	3Q2018	3Q2017	Change	9M2018	9M2017	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<b>Revenue</b>	21,385	26,814	(20)	70,169	70,784	(1)
Cost of sales	(15,697)	(17,749)	(12)	(50,476)	(47,551)	6
<b>Gross profit</b>	<b>5,688</b>	<b>9,065</b>	(37)	<b>19,693</b>	<b>23,233</b>	(15)
Interest income	146	51	187	266	117	127
Distribution costs	(158)	(117)	35	(514)	(341)	51
Administrative expenses	(2,795)	(3,247)	(14)	(8,545)	(8,338)	2
Finance costs	(435)	(456)	(5)	(1,111)	(915)	21
Other gains / (losses)	1,117	(284)	(493)	2,242	(739)	(403)
<b>Profit before tax from continuing operations</b>	<b>3,563</b>	<b>5,012</b>	(29)	<b>12,031</b>	<b>13,017</b>	(8)
Income tax expense	(246)	(624)	(61)	(924)	(2,098)	(56)
<b>Profit for the period</b>	<b>3,317</b>	<b>4,388</b>	(24)	<b>11,107</b>	<b>10,919</b>	2
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified Subsequently to profit or loss:</b>						
Exchange differences on translating foreign operations, net of tax	(197)	26	(858)	(187)	(29)	(545)
<b>Total comprehensive income for the period</b>	<b>3,120</b>	<b>4,414</b>	(29)	<b>10,920</b>	<b>10,890</b>	(*)
 Profit attributable to owners of the parent	 3,317	 4,388	 (24)	 11,107	 10,919	 2
 Total comprehensive income attributable to owners of the parent	 3,120	 4,414	 (29)	 10,920	 10,890	 (*)

- \* less than 1%

**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:

		3Q2018 \$'000	3Q2017 \$'000	Change %	9M2018 \$'000	9M2017 \$'000	Change %
1	Interest income	146	51	186	266	117	127
2	Interest on borrowings	(435)	(456)	(5)	(1,111)	(915)	21
3	Depreciation	(678)	(915)	(26)	(1,955)	(2,263)	(14)
4	Foreign exchange gain/(loss)	8	(348)	(102)	464	(1,153)	(140)
5	Gain/(loss) on disposal of properties, plant and equipment	333	3	nm	484	(6)	nm
6	Other income	91	11	727	427	65	557
7	Other payables written back in respect of Ensure acquisition	640	-	nm	640	-	nm
8	Government grant income	45	50	(10)	227	349	(35)

nm – not meaningful

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

**STATEMENTS OF FINANCIAL POSITION**

	Group		Company	
	30/09/2018 S\$'000	31/12/2017 S\$'000	30/09/2018 \$'000	31/12/2017 S\$'000
<b>Assets</b>				
<b><u>Non-current assets</u></b>				
Property, plant and equipment	28,779	22,716	6,433	-
Investment in subsidiaries	-	-	1,350	1,350
Goodwill	29,552	29,552	-	-
<b>Total non-current assets</b>	<b>58,331</b>	<b>52,268</b>	<b>7,783</b>	<b>1,350</b>
<b><u>Current assets</u></b>				
Asset held-for-sale	8,076	13,419	-	-
Inventories	9,898	13,287	-	3,614
Trade and other receivables	24,213	24,287	11,719	11,312
Other assets	14,648	7,757	533	315
Cash and cash equivalents	35,748	40,291	20,525	12,698
<b>Total current assets</b>	<b>92,583</b>	<b>99,041</b>	<b>32,777</b>	<b>27,939</b>
<b>Total assets</b>	<b>150,914</b>	<b>151,309</b>	<b>40,560</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	(1,439)	(1,303)	(1,439)	(1,303)
Retained earnings	59,577	54,963	8,870	7,096
Other reserves	328	515	-	-
<b>Total equity</b>	<b>80,905</b>	<b>76,614</b>	<b>29,870</b>	<b>28,232</b>
<b><u>Non-current liabilities</u></b>				
Deferred tax liabilities	3,086	3,098	-	-
Other financial liabilities	6,855	7,974	-	-
Other payables	3,973	5,701	-	-
<b>Total non-current liabilities</b>	<b>13,914</b>	<b>16,773</b>	<b>-</b>	<b>-</b>
<b><u>Current liabilities</u></b>				
Liabilities held for sale under FRS 105	8,403	12,245	-	-
Income tax payable	894	1,430	19	95
Trade and other payables	13,235	16,798	871	962
Other financial liabilities-current	33,553	26,951	9,800	-
Other liabilities	10	498	-	-
<b>Total current liabilities</b>	<b>56,095</b>	<b>57,922</b>	<b>10,690</b>	<b>1,057</b>
<b>Total liabilities</b>	<b>70,009</b>	<b>74,695</b>	<b>10,690</b>	<b>1,057</b>
<b>Total equity and liabilities</b>	<b>150,914</b>	<b>151,309</b>	<b>40,560</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 September 2018		As at 31 December 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
27,771	14,185	21,404	17,792

##### Amount repayable after one year

As at 30 September 2018		As at 31 December 2017	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
6,855	-	7,974	-

##### Details of any collateral

1. Charge on 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 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>3Q2018 \$'000</b>	<b>3Q2017 \$'000</b>	<b>9M2018 \$'000</b>	<b>9M2017 \$'000</b>
<b>Cash flows from operating activities:</b>				
Profit before tax	3,563	5,012	12,031	13,017
Adjustments for:				
Depreciation expense	678	915	1,955	2,263
Loss / (gain) on disposal of plant and equipment	(333)	(3)	(484)	6
Interest income	(146)	(51)	(266)	(117)
Interest expense	435	456	1,111	915
Unrealised foreign exchange loss/(gain)	110	156	(549)	365
Operating cash flows before changes in working capital	4,307	6,485	13,798	16,449
Inventories	43	(1,146)	3,389	(3,853)
Trade and other receivables	(473)	(223)	74	3,690
Other assets	(2,812)	1,564	(6,891)	657
Trade and other payables	(416)	(259)	(5,291)	(866)
Other liabilities	(153)	(172)	(488)	(3,894)
Cash generated from operations	496	6,249	4,591	12,183
Income tax paid	(626)	(681)	(1,467)	(1,878)
<b>Net cash (used in) / generated from operating activities</b>	<b>(130)</b>	<b>5,568</b>	<b>3,124</b>	<b>10,305</b>
<b>Cash flows from investing activities:</b>				
Acquisition of subsidiaries	-	-	-	8,824
Purchase of property, plant and equipment	(1,001)	(417)	(8,223)	(1,165)
Proceeds from disposal of plant and equipment	2,508	(18)	5,959	109
Interest received	146	51	266	117
<b>Net cash (used in) / generated from investing activities</b>	<b>1,653</b>	<b>(384)</b>	<b>(1,998)</b>	<b>7,885</b>
<b>Cash flows from financing activities:</b>				
Other financial liabilities	(2,311)	(2,591)	(8,240)	(10,336)
Increase from new borrowings	-	-	10,000	5,000
Decrease in finance leases	(40)	(34)	(170)	(93)
Dividends paid	(3,062)	(2,566)	(6,493)	(5,440)
Purchase of treasury shares	(97)	-	(136)	(24)
Interest paid	(435)	(456)	(1,111)	(915)
<b>Net cash used in financing activities</b>	<b>(5,945)</b>	<b>(5,647)</b>	<b>(6,150)</b>	<b>(11,808)</b>
<b>Net increase / (decrease) in cash</b>	<b>(4,422)</b>	<b>(463)</b>	<b>(5,024)</b>	<b>6,382</b>
<b>Effect of foreign exchange rate adjustments</b>	<b>(290)</b>	<b>(30)</b>	<b>481</b>	<b>(246)</b>
<b>Cash balance at beginning of period</b>	<b>40,460</b>	<b>38,954</b>	<b>40,291</b>	<b>32,325</b>
<b>Cash at end of period</b>	<b>35,748</b>	<b>38,461</b>	<b>35,748</b>	<b>38,461</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 9M2018.

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>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	<u>9,224</u>	<u>9,224</u>
Goodwill arising on consolidation		<u>7,449</u>
Purchase consideration		16,673
Amount payable to vendor of the acquired subsidiary		(10,893)
Cash of subsidiaries acquired		<u>(14,604)</u>
Net cash flow from acquisition of subsidiaries		<u>(8,824)</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 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					Total equity
	Issued capital	Foreign currency translation reserve	Retained earnings	Statutory reserves	Treasury shares	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	
<b>Group - Q3</b>						
<u>Balance at 1 July 2018</u>	22,439	290	59,322	235	(1,342)	80,944
Total comprehensive income for the period	-	(197)	3,317	-	-	3,120
Dividends paid	-	-	(3,062)	-	-	(3,062)
Purchase of treasury shares	-	-	-	-	(97)	(97)
<b>Balance at 30 September 2018</b>	22,439	93	59,577	235	(1,439)	80,905
<b>Group - Q3</b>						
<u>Balance at 1 July 2017</u>	22,439	217	48,794	235	(1,303)	70,382
Total comprehensive income for the period	-	26	4,388	-	-	4,414
Dividend paid	-	-	(2,566)	-	-	(2,566)
Purchase of treasury shares	-	-	-	-	-	-
<b>Balance at 30 September 2017</b>	22,439	243	50,616	235	(1,303)	72,230
<b>Group – 9M2018</b>						
<u>Balance at 1 January 2018</u>	22,439	280	54,963	235	(1,303)	76,614
Total comprehensive income for the period	-	(187)	11,107	-	-	10,920
Dividend paid	-	-	(6,493)	-	-	(6,493)
Purchase of treasury shares	-	-	-	-	(136)	(136)
<b>Balance at 30 September 2018</b>	22,439	93	59,577	235	(1,439)	80,905
<b>Group – 9M2017</b>						
<u>Balance at 1 January 2017</u>	22,439	272	45,137	235	(1,279)	66,804
Total comprehensive income for the period	-	(29)	10,919	-	-	10,890
Dividend paid	-	-	(5,440)	-	-	(5,440)
Purchase of treasury shares	-	-	-	-	(24)	(24)
<b>Balance at 30 September 2017</b>	22,439	243	50,616	235	(1,303)	72,230

	Issued capital	Retained earnings	Treasury shares	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Company - Q3</b>				
<u>Balance at 1 July 2018</u>	22,439	11,748	(1,342)	32,845
Total comprehensive income for the period	-	184	-	184
Purchase of treasury shares	-	-	(97)	(97)
Dividend paid	-	(3,062)	-	(3,062)
<b>Balance as at 30 September 2018</b>	22,439	8,870	(1,439)	29,870
<b>Company - Q3</b>				
<u>Balance at 1 July 2017</u>	22,439	10,193	(1,303)	31,329
Total comprehensive income for the period	-	2,433	-	2,433
Purchase of treasury shares	-	-	-	-
Dividends paid	-	(5,440)	-	(5,440)
<b>Balance as at 30 September 2017</b>	22,439	7,186	(1,303)	28,322
<b>Company- 9 months</b>				
<u>Balance at 1 January 2018</u>	22,439	7,096	(1,303)	28,232
Total comprehensive income for the period	-	8,267	-	8,267
Dividends paid	-	(6,493)	-	(6,493)
Purchase of treasury shares	-	-	(136)	(136)
<b>Balance as at 30 September 2018</b>	22,439	8,870	(1,439)	29,870
<b>Company -9 months</b>				
<u>Balance at 1 January 2017</u>	22,439	6,275	(1,279)	27,435
Total comprehensive income for the period	-	6,351	-	6,351
Purchase of treasury shares	-	-	(24)	(24)
Dividends paid	-	(5,440)	-	(5,440)
<b>Balance as at 30 September 2017</b>	22,439	7,186	(1,303)	28,322

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares or cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

	3Q2018		2Q2018	
Issued and paid up capital	No. of shares	S\$'000	No. of shares	S\$'000
As at beginning of period	393,044,900	21,097	393,059,900	21,105
Less: Treasury shares bought during the period	(208,300)	(97)	(15,000)	(8)
<b>Total issued share capital excluding treasury shares as at end of period</b>	392,836,600	21,000	393,044,900	21,097

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 392,836,600 ordinary shares (31 December 2017: 393,112,900 ordinary shares).

As at 30 September 2018, the Company holds 7,163,400 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 208,300 treasury shares during the quarter under review, there was no 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 September 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**

	3Q2018	3Q2017	9M2018	9M2017
<b><u>The Group</u></b>				
Net profit after tax attributable to equity holders of the Company (\$'000)	3,317	4,388	11,107	10,919
Weighted average number of ordinary shares (excluding Treasury Shares) ('000)	392,992	393,256	393,047	393,149
Earnings per share - basic/fully diluted (cents)	0.8	1.1	2.8	2.8

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	
	30/09/2018	31/12/2017	30/09/2018	31/12/2017
Net asset value (\$'000)	80,905	76,614	29,870	28,232
Number of ordinary shares(excluding Treasury Shares) ('000)	392,837	393,113	392,837	393,113
Net asset value per share (cents)	20.6	19.5	7.6	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 September 2018 ("3Q2018")**

**Revenue**

Our revenue decreased by approximately \$5.4 million or 20%, from approximately \$26.8 million in 3Q2017 to approximately \$21.4 million in 3Q2018 due to decrease in revenue in project and maintenance services segment.

Business segment	3Q2018 \$'000	3Q2017 \$'000	Change \$'000	Change %
Project services	11,828	16,394	(4,566)	(28)
Maintenance services	9,557	10,420	(863)	(8)
<b>Total</b>	<b>21,385</b>	<b>26,814</b>	<b>(5,429)</b>	<b>(20)</b>

**Gross profit and gross profit margin**

Gross profit for 3Q2018 decreased approximately \$3.4 million or 37% from \$9.1 million in 3Q2017 to \$5.7 million in 3Q2018. Similarly, gross profit margin decreased from 33.8% in 3Q2017 to 26.6% in 3Q2018. The decrease in gross profit margin is due to lower sales.

### **Distribution costs**

Distribution costs increased approximately \$41,000 or 35% from approximately \$117,000 in 3Q2017 to \$158,000 in 3Q2018, mainly due to higher marketing costs incurred.

### **Administrative expenses**

Administrative expenses decreased approximately \$0.5 million or 14% from \$3.2 million in 3Q2017 to \$2.8 million in 3Q2018, mainly due to lower depreciation charge from the properties held for sale.

### **Finance costs**

Interest expense remained constant at \$0.4m.

### **Other gains and losses**

For 3Q2018, other gains of approximately \$1.1 million was recorded. This was mainly due to gain on disposal of property, plant and equipment of approximately \$0.3 million; other income of approximately \$0.1 million; and write back of other payables in respect of the Ensure acquisition of approximately \$0.6 million.

For 3Q2017, other losses of approximately \$0.3 million was recorded. This was mainly due to foreign exchange losses of approximately \$0.3 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 7% in 3Q2018 compared to 12% in 3Q2017. The lower effective tax rate was due to the utilization of carried forward capital allowances and merger & acquisition allowance.

## **Review of performance for 9 months ended 30 September 2018 ("9M2018")**

### **Revenue**

Our revenue decreased by approximately \$0.6 million or 1%, from approximately \$70.8 million in 9M2017 to approximately \$70.2 million in 9M2018. The decrease was mainly due to decrease in project services. This decrease was offset by increase in maintenance services and others segment. The increase in others segment was due to sale of carbon allowances.

<b>Business segment</b>	<b>9M2018 \$'000</b>	<b>9M2017 \$'000</b>	<b>Change \$'000</b>	<b>Change %</b>
Project services	38,683	43,899	(5,216)	(12)
Maintenance services	27,699	25,498	2,201	9
Others	3,787	1,387	2,400	173
<b>Total</b>	<b>70,169</b>	<b>70,784</b>	<b>(615)</b>	<b>(1)</b>

### **Gross profit and gross profit margin**

Gross profit for 9M2018 decreased approximately \$3.5 million or 15% from \$23.2 million in 9M2017 to \$19.7 million in 9M2018. Similarly, gross profit margin decreased from 32.8% in 9M2017 to 28.1% in 9M2018. The decrease in gross profit margin is due to lower sales. Excluding the sale of carbon allowances, the gross profit margin for 9M2018 is 29.4%.

## **Distribution costs**

Distribution costs increased approximately \$173,000 or 51% from approximately \$341,000 in 9M2017 to \$514,000 in 9M2018, mainly due to higher marketing costs incurred.

## **Administrative expenses**

Administrative expenses increased approximately \$0.2 million or 2% from \$8.3 million in 9M2017 to \$8.5 million in 9M2018. This was mainly due to higher administrative expenses contributed by Ensure.

## **Finance costs**

Interest expense increased approximately \$196,000 or 2%, from approximately \$0.9 million in 9M2017 to approximately \$1.1 million in 9M2018 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 9M2018, other gains of approximately \$2.2 million was recorded. This was mainly due to foreign exchange gain of approximately \$0.4 million, gain on disposal of properties, plant and equipment of approximately \$0.5 million, other income of approximately \$0.4 million, write back of other payables owing to Ensure vendors of approximately \$0.6 million and government grant income of approximately \$0.2 million.

For 9M2017, other losses of approximately \$0.7 million was recorded. This was mainly due to foreign exchange losses of approximately \$1.1 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 9M2018 compared to 16% in 9M2017. 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 September 2018 compared to 31 December 2017)**

### **Non-current assets**

Non-current assets increased approximately \$6.1 million or 12% from approximately \$52.3 million as at 31 December 2017 to approximately \$58.3 million as at 30 September 2018. The increase was mainly due to the acquisition of our property at 2 Tuas Ave 10 of approximately \$6.4 million, offset by depreciation charge for the period under review.

### **Current assets**

Current assets decreased approximately \$6.5 million or 7%, from approximately \$99.0 million as at 31 December 2017 to approximately \$92.6 million as at 30 September 2018. The decrease was mainly due to decrease in asset held-for-sale of approximately \$5.3 million with the sale of one of our properties at 42 Tech Park Crescent and 5 Kwong Min Road, decrease in inventories \$3.4 million due to sale of carbon allowances, decrease in cash and cash equivalents of approximately \$4.5 million. These decreases were offset by increases in other assets of approximately \$6.9 million.

### **Current liabilities**

Current liabilities decreased approximately \$1.8 million or 3%, from approximately \$57.9 million as at 31 December 2017 to approximately \$56.1 million as at 30 September 2018 mainly due to a decrease in liabilities held for sale under FRS105 of approximately \$3.8 million, decrease in income tax payable of approximately \$0.5 million, decrease in trade and other payables of approximately \$3.6 million and decrease in other liabilities of approximately \$0.5 million. These decreases are offset by an increase in financial liabilities of approximately \$6.6 million mainly from the drawdown of the loan to pay for our property at 2 Tuas Ave 10.

### **Non-current liabilities**

Non-current liabilities decreased by approximately \$2.9 million or 17%, from approximately \$16.8 million as at 31 December 2017 to approximately \$13.9 million as at 30 September 2018 mainly due to the repayment of financial liabilities of approximately \$1.1 million and decrease of other payables of approximately \$1.7 million.

## **Equity**

Our capital and reserves increased by approximately \$4.3 million or 5.6% from \$76.6 million as at 31 December 2017 to \$80.9 million as at 30 September 2018 mainly due to net profit from 9M2018 of approximately \$11.1 million offset by dividend payment of \$6.5 million.

## **Statement of Cash Flows Review**

### **3Q2018**

We continued to maintain a healthy cash position with approximately \$35.8 million in cash and cash equivalents as at the end of 3Q2018.

In 3Q2018, net cash used in operating activities amounted to approximately \$0.1 million compared to net cash from operating activities of approximately \$5.6 million in 3Q2017. We generated net cash of approximately \$4.3 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$3.8 million. This was mainly due to cash outflow from increase in trade and other receivables of approximately \$0.5 million; increase in other assets of approximately \$2.8 million, decrease in trade and other payables of approximately \$0.4 million and decrease in other liabilities of approximately \$0.2 million. Our operating cash flow from operations was reduced by income taxes payment of approximately \$0.6 million.

Net cash of approximately \$1.7 million generated from investing activities was mainly due to proceeds from disposal of property, plant and equipment of approximately \$2.5 million. This was offset by the purchase of property, plant and equipment of approximately \$1.0 million.

Net cash of approximately \$5.9 million was used in financing activities. This was mainly due to repayment of bank borrowings of approximately \$2.3 million; dividend payment and interest cost of \$3.1 million and \$0.5 million respectively.

### **9M2018**

In 9M2018, net cash from operating activities amounted to approximately \$3.1 million compared to approximately \$10.3 million in 9M2017. We generated net cash of approximately \$13.8 million from operating profits before working capital changes. Net cash used in working capital amounted to approximately \$9.2 million. This was mainly due to cash outflow from increase in other assets of approximately \$6.9 million; decrease in trade and other payables of approximately \$5.3 million and decrease in other liabilities of approximately \$0.5 million. These cash outflows were offset by cash inflow from decrease in inventories of approximately \$3.4 million. Our operating cash flow from operations was reduced by income taxes payment of approximately \$1.5 million.

Net cash of approximately \$2.0 million used in investing activities was mainly due to purchase and renovation of our property at 2 Tuas Ave 10 of approximately \$8.2 million. This cash outflow was offset by cash inflow from the proceeds of approximately \$6.0 million from the disposal of 42 Tech Park Crescent and 5 Kwong Min Road.

Net cash of approximately \$6.2 million was used in financing activities. This was mainly due to the repayment of financial liabilities of approximately \$8.2 million; dividend payment of approximately \$6.5 million and interest cost of approximately \$1.1 million. These cash outflows were offset by cash inflow from the drawdown of bank borrowings of \$10 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 \$104.3 million as at 30 September 2018 comprising \$48.6 million from Projects Services segment and \$55.7 million from Maintenance Services segment. 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 uncertainty in the economies due to the trade war between U.S.A and China, the Group's growth will be affected.

However, the Group is optimistic with the contract wins secured to date, the prudent cost and risk management initiatives undertaken and the opportunities for further M&A, the Group will continue to deliver value to shareholders.

The Group remains positive over the long-term prospects in the marine, offshore oil and gas industries, petrochemical sectors, pharmaceutical and infrastructure industries.

**11. Dividend**

**(a) Current Financial Period Reported on 30 September 2018**

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

**(b) Corresponding Period of the Immediately Preceding Financial Year**

**Any dividend declared for the corresponding period of the immediately preceding financial year?** No

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12. If no dividend has been declared/recommendeded, a statement to that effect**

Not applicable.

**13. Interested Person Transactions**

The Company has not obtained a general mandate from shareholders for interested person transactions. The Company did not have any interested person transactions during the period under review (excluding transactions less than \$100,000).

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

The Board of Directors (“the Board”) hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board which may render the interim financial statement for the financial period ended 30 September 2018 to be false or misleading in any material aspect.

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

**Chang Yeh Hong**  
**Executive Chairman**  
**9 November 2018**