

UNAUDITED THIRD QUARTER AND NINE MONTHS ("3Q2019" AND "9M2019") FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group					
	For the third quarter ended 30 September			For the nine months ended 30 September		
	3Q2019 (\$'000)	3Q2018 (\$'000) (Restated)	Increase/ (decrease) (%)	9M2019 (\$'000)	9M2018 (\$'000) (Restated)	Increase/ (decrease) (%)
Continuing Operations						
Revenue	11,422	15,467	(26)	45,349	38,787	17
Cost of sales	(12,122)	(14,035)	(14)	(43,370)	(35,171)	23
Gross (loss)/profit	(700)	1,432	NM	1,979	3,616	(45)
Other gains – net	3,579	1,899	88	5,688	3,897	46
Expenses						
- Administrative	(3,254)	(3,781)	(14)	(8,996)	(10,323)	(13)
- Finance	(2,084)	(1,495)	39	(6,146)	(4,290)	43
Share of profit of associated company	77	-	NM	77	-	NM
Loss before income tax	(2,382)	(1,945)	22	(7,398)	(7,100)	4
Income tax	6	(92)	NM	1	(172)	NM
Loss from continuing operations	(2,376)	(2,037)	17	(7,397)	(7,272)	2
Discontinued operations						
Loss/profit from discontinued operations	-	(40)	NM	2,164	918	136
Total loss	(2,376)	(2,077)	14	(5,233)	(6,354)	(18)
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss						
Currency translation differences arising from consolidation ⁽¹⁾	49	(347)	NM	130	(597)	NM
Total comprehensive loss	(2,327)	(2,424)	(4)	(5,103)	(6,951)	(27)
Net (loss)/profit attributable to :						
Equity holders of the Company	(2,205)	(2,176)	1	(6,989)	(6,936)	(1)
Non-controlling interests	(171)	99	NM	1,756	582	202
	(2,376)	(2,077)	14	(5,233)	(6,354)	(18)
(Loss)/profit attributable to equity holders of the Company relates to:						
Loss/profit from continuing operations	(2,205)	(2,156)	2	(8,049)	(7,386)	9
Loss/profit from discontinued operations	-	(20)	NM	1,060	450	136
	(2,205)	(2,176)	1	(6,989)	(6,936)	1
Total comprehensive (loss)/income attributable to :						
Equity holders of the Company	(2,156)	(2,523)	(15)	(6,859)	(7,533)	(9)
Non-controlling interests	(171)	99	NM	1,756	582	202
	(2,327)	(2,424)	(4)	(5,103)	(6,951)	(27)

(1) The currency translation difference arising from consolidation relates mainly to the fluctuations of Indonesian Rupiah and Chinese Renminbi against Singapore Dollar.

(2) "NM" denotes not meaningful.

1(a)(ii) Notes to statement of comprehensive income

	The Group					
	For the third quarter ended 30 September			For the nine months ended 30 September		
	3Q2019 (\$'000)	3Q2018 (\$'000) (Restated)	Increase/ (decrease) (%)	9M2019 (\$'000)	9M2018 (\$'000) (Restated)	Increase/ (decrease) (%)
<u>Continuing operations:</u>						
<u>Included in Other (charges)/credits – net:</u>						
- Foreign exchange gain/(loss), net	51	(47)	NM	35	(206)	NM
- Gain on disposal of non-current assets held-for-sale ⁽¹⁾	943	-	NM	943	-	NM
- Gain on remeasurement of retained investment ⁽²⁾	1,456	-	NM	1,456	-	NM
- (Loss)/gain on sale/write-off of property, plant and equipment ⁽³⁾	(167)	202	NM	(153)	763	NM
- Government grants ⁽⁴⁾	18	715	(97)	208	1,359	(85)
- Impairment of trade receivables	-	-	-	-	(2)	NM
- Rental income ⁽⁵⁾	810	589	38	2,266	1,204	88
- Sale of scrap metals ⁽⁶⁾	183	368	(50)	409	692	(41)
- Write-back of allowance for impairment of trade receivables	-	-	-	5	-	NM
- Write-back of long outstanding payables	39	16	144	185	66	180
- Other income, net ⁽⁷⁾	246	56	339	334	21	1,490
	3,579	1,899	88	5,688	3,897	46
<u>Included under finance expenses:</u>						
<u>Interest expenses on:</u>						
- Bank borrowings ⁽⁸⁾	1,971	1,475	34	5,808	4,226	37
- Finance lease liabilities ⁽⁹⁾	-	12	NM	-	42	NM
- Bank overdraft	5	8	(38)	16	22	(27)
- Lease liabilities - leasehold land ⁽⁹⁾	91	-	NM	273	-	NM
- Lease liabilities - hire purchase ⁽⁹⁾	17	-	NM	49	-	NM
	2,084	1,495	39	6,146	4,290	43
<u>Included under cost of sales and administrative expenses:</u>						
- Depreciation of property, plant and equipment ⁽¹⁰⁾	2,388	2,662	(10)	7,158	8,230	(13)
- Depreciation of ROU assets - leasehold land ⁽⁹⁾	268	-	NM	805	-	NM
- Depreciation of ROU assets - hire purchase ⁽⁹⁾	92	-	NM	266	-	NM
	2,748	2,662	3	8,229	8,230	-
<u>Included under income tax:</u>						
- (Over)/under provision of current income tax in prior financial years ⁽¹¹⁾	(5)	(36)	(86)	-	38	NM
- (Over)/under provision of deferred income tax in prior financial years ⁽¹¹⁾	-	(4)	NM	-	(4)	NM
<u>Included in Discontinued operations:</u>						
- Foreign exchange gain/(loss), net	-	21	NM	(12)	28	NM
- Loss on sale of property, plant and equipment	-	-	-	(156)	(6)	2,500
- Government grants	-	2	NM	(104)	(85)	22
- Sale of scrap metals	-	-	-	-	2	NM
- Other income ⁽⁷⁾	-	4	NM	9	7	29
- Interest expense from finance lease liabilities	-	(21)	NM	-	(65)	NM
- Interest expense from lease liabilities- hire purchase ⁽⁹⁾	-	-	-	(39)	-	NM
- Depreciation of property, plant and equipment ⁽¹⁰⁾	-	(535)	NM	(842)	(1,659)	(49)
- Depreciation of ROU assets - hire purchase ⁽⁹⁾	-	-	-	(221)	-	NM
	-	(529)	NM	(1,365)	(1,778)	(23)

Notes:

- (1) Gain on disposal of non-current assets held-for-sale in 3Q2019/9M2019 was due to the disposal of 50% equity interest in Vac-Tech as explained in Paragraph 8 – Discontinued Operation and Disposal of a subsidiary classified as held-for-sale.
- (2) Gain on remeasurement of retained investment in 3Q2019/9M2019 was due to the retention of 20% equity interest in Vac-Tech, re-measured at fair value as explained in Note 1 above.
- (3) Loss on sale of property, plant and equipment in 3Q2019/9M2019 was mainly due to the sale of old machinery & equipment arising from the relocation of the Group's propulsion operation to Penjuru property, under the Marine segment.
 In 3Q2018, a gain of \$192,000 was for the disposal of under utilised machinery and equipment in the Group's overseas operation. Gain on the sale of property, plant and equipment in 9M2018 arose mainly from an incremental adjustment of \$530,000 to the sales consideration for 11 Tuas Basin Close property upon successfully obtaining the approval of JTC on extension of lease tenure to 31 December 2021.
- (4) The reduction in government grants of \$697,000 in 3Q2019 and \$1.2 million in 9M2019 was mainly due to the absence of grant receipts from Workpro LED Job Redesign programme and Marine Professional Conversion Programme.
- (5) Increase in rental income for 3Q2019 and 9M2019 was mainly related to the increase in lease rental activities in Group's properties.
- (6) Decrease in sale of scrap materials in 3Q2019 and 9M2019 was mainly due to lower scrap sale, in line with a lower revenue in the Marine segment's MRO services.
- (7) Other income relates mainly to heavy vehicle parking ("VPC") income, interest income and miscellaneous income/expense.
- (8) Increase in interest expense in 3Q2019/9M2019 was mainly due to the following:
 - expensing of interest of \$0.4 million in 3Q2019 and \$1.2 million in 9M2019 in relation to a construction loan for 42A Penjuru Road property. During 3Q2018/9M2018, such interest expense was recognised as borrowing costs capitalised in property, plant and equipment.
 - higher interest rates for certain term loans as a result of contractual repricing of interest rates.
- (9) The interest expense on lease liabilities and depreciation of right-of-use assets in 3Q2019/9M2019 arose from the adoption of SFRS(I) 16 *Leases*.
- (10) The decrease in depreciation of property, plant and equipment in 3Q2019/9M2019 was mainly due to the following:
 - reduction in depreciation of nil/\$234,000 in 3Q2019/9M2019 in relation to a China property classified under disposal group in HY2018 and subsequently disposed in 4Q2018;
 - reduction in depreciation of \$63,000/\$184,000 in 3Q2019/9M2019 in relation to assets classified to disposal group in 4Q2018;
 - reduction of depreciation of \$178,000/\$622,000 in 3Q2019/9M2019 in relation to disposal of machinery and equipment in FY2018;
 - reclassification of certain fixed assets under hire purchase as explained in Note 9 above.
- (11) Under provision of current income tax in prior financial years arose from foreign subsidiaries.

- 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.**

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 30 September 2019 (\$'000)	As at 31 December 2018 (\$'000)	As at 30 September 2019 (\$'000)	As at 31 December 2018 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	16,123	16,385	8,370	105
Trade and other receivables	18,681	21,701	60,652	67,399
Inventories	5,066	7,918	-	-
Contract assets	2,597	7,008	595	650
	42,467	53,012	69,617	68,154
Assets of disposal group classified as held-for-sale	84,159	74,347	-	-
	126,626	127,359	69,617	68,154
Non-current assets				
Financial assets, FVOCI	102	102	-	-
Investment in subsidiaries	-	-	69,880	69,880
Investment in associated company	3,802	-	-	-
Property, plant and equipment	123,251	119,990	259	-
Deposits for purchase of property, plant and equipment	5	13	-	-
Intangible assets	4,781	9,661	-	-
	131,941	129,766	70,139	69,880
Total assets	258,567	257,125	139,756	138,034
LIABILITIES				
Current liabilities				
Trade and other payables	19,054	23,967	23,679	24,383
Contract liabilities	3,599	2,407	-	-
Borrowings	110,795	115,927	53,348	54,402
Current income tax liabilities	827	1,214	-	-
	134,275	143,515	77,027	78,785
Liabilities directly associated with disposal group classified as held-for-sale	83,724	74,347	-	-
	217,999	217,862	77,027	78,785
Non-current liabilities				
Borrowings	16,614	1,162	-	-
Deferred income tax liabilities	3,948	5,151	-	-
	20,562	6,313	-	-
Total liabilities	238,561	224,175	77,027	78,785
NET ASSETS	20,006	32,950	62,729	59,249
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	92,348	92,077	92,348	92,077
Fair value reserve	25	25	-	-
Other reserve	-	509	-	-
Translation reserve	(419)	(549)	-	-
Accumulated losses	(75,379)	(66,926)	(29,619)	(32,828)
	16,575	25,136	62,729	59,249
Non-controlling interests	3,431	7,814	-	-
Total equity	20,006	32,950	62,729	59,249

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 2019		As at 31 December 2018	
Borrowings	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Bank borrowings	98,441	10,416	101,506	12,362
Lease liabilities – hire purchase	866	-	-	-
Finance lease liabilities	-	-	2,059	-
Current borrowings	99,307	10,416	103,565	12,362
Included in the disposal group classified as held-for-sale:				
- Bank borrowings	74,347	-	74,347	-
	74,347	-	74,347	-
	173,654	10,416	177,912	12,362

Amount repayable after one year

	As at 30 September 2019		As at 31 December 2018	
Borrowings	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Bank borrowings	-	-	980	-
Lease liabilities- hire purchase	250	-	-	-
Finance lease liabilities	-	-	182	-
Non-current borrowings	250	-	1,162	-

The Group's borrowings disclosed above do not include the lease liabilities on leasehold land arising from SFRS(I)16.

Details of any collaterals

The bank borrowings are secured by the Group's leasehold buildings, vessels, certain short-term bank deposits, trade receivables and corporate guarantees by the Company.

Certain lease liabilities- hire purchase (FY2018: Finance lease liabilities) of the Group are secured by leased machinery and equipment, motor vehicles and office equipment, as the legal title is retained by the lessor and will be transferred to the Group upon full payment.

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group			
	For the third quarter ended 30 September		For the nine months ended 30 September	
	3Q2019	3Q2018	9M2019	9M2018
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Cash flows from operating activities				
Net loss	(2,376)	(2,077)	(5,233)	(6,354)
Adjustments for:				
- Income tax	(6)	159	240	358
- Depreciation of property, plant and equipment	2,748	3,197	9,292	9,889
- Gain on disposal of non-current assets held-for-sale	(943)	-	(943)	-
- Gain on remeasurement of retained investment	(1,456)	-	(1,456)	-
- Loss/(gain) on disposal of property, plant and equipment	167	(202)	309	(757)
- Share of profit of associated company	(77)	-	(77)	-
- Award of performance shares to employees	181	240	181	240
- Interest income	(13)	(7)	(35)	(21)
- Interest expense	2,084	1,516	6,185	4,355
- Currency translation differences	(24)	54	(41)	(47)
	285	2,880	8,422	7,663
Changes in working capital:				
- Trade and other receivables	342	(863)	(204)	710
- Inventories	(1,191)	2,072	2,852	1,326
- Contract assets	1,739	(2,653)	1,284	(3,843)
- Trade and other payables	375	2,989	(1,401)	3,511
- Contract liabilities	1,204	(701)	1,192	(476)
Cash generated from operations	2,754	3,724	12,145	8,891
Interest received	13	7	35	21
Income tax refund/(paid)	6	(179)	(242)	(433)
Net cash provided by operating activities	2,773	3,552	11,938	8,479
Cash flows from investing activities				
Proceeds from disposal of non-current assets	9,913	-	9,913	-
Proceeds from disposal of property, plant and equipment	174	207	215	1,434
Dividend income from financial assets, at FVOCI	2	-	4	-
Purchase of property, plant and equipment	(1,304)	(3,900)	(4,375)	(5,637)
(Placement)/release of short-term bank deposits pledged	(1)	73	134	2,080
Net cash provided by/(used in) investing activities	8,784	(3,620)	5,891	(2,123)
Cash flows from financing activities				
Interest paid	(2,004)	(2,355)	(5,878)	(5,377)
Repayment of bank borrowings	(4,903)	(688)	(9,738)	(14,081)
Repayment of finance lease liabilities	-	(309)	-	(1,009)
Repayment of lease liabilities - hire purchase	(563)	-	(1,888)	-
Proceeds from bank borrowings	863	4,888	3,862	12,835
Proceeds from issuance of subsidiary's shares to non-controlling interest	-	-	-	147
Dividends paid to non-controlling interests	(2,700)	-	(4,200)	(900)
Net cash (used in)/provided by financing activities	(9,307)	1,536	(17,842)	(8,385)
Net (decrease)/increase in cash and cash equivalents	2,250	1,468	(13)	(2,029)
Cash and cash equivalents at beginning of financial period	13,056	8,104	15,319	11,601
Cash and cash equivalents at end of financial period	15,306	9,572	15,306	9,572

(1) Cash and cash equivalents, for the purpose of presenting consolidated statement of cash flows, consist of :

	As at 30 September 2019 (\$'000)	As at 30 September 2018 (\$'000)
Cash and bank balances	16,123	10,580
Short-term bank deposits pledged	(503)	(637)
Bank overdrafts included in borrowings	(314)	(432)
	15,306	9,511
Cash and bank balances reclassified to disposal group	-	61
	15,306	9,572

MENCAST HOLDINGS LTD.
(Incorporated in the Republic of Singapore on 30 January 2008)
(Company Registration Number: 200802235C)

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.

	Share capital (\$'000)	Treasury shares (\$'000)	Retained profits/ (accumulated losses) (\$'000)	Fair value reserve (\$'000)	Translation reserve (\$'000)	Other reserve ^(a) (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
Group									
Balance as at 1 January 2019	92,280	(203)	(66,926)	25	(549)	509	25,136	7,814	32,950
Total comprehensive (loss)/income	-	-	(3,912)	-	51	-	(3,861)	819	(3,042)
Balance as at 31 Mar 2019	92,280	(203)	(70,838)	25	(498)	509	21,275	8,633	29,908
Total comprehensive (loss)/income	-	-	(872)	-	30	-	(842)	1,108	266
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,500)	(1,500)
Balance as at 30 June 2019	92,280	(203)	(71,710)	25	(468)	509	20,433	8,241	28,674
Total comprehensive (loss)/income	-	-	(2,205)	-	49	(509)	(2,665)	(171)	(2,836)
Shares for Directors' fees (in lieu of cash)	90	-	-	-	-	-	90	-	90
Award of performance shares to employees	181	-	-	-	-	-	181	-	181
Disposal of non-controlling interest in a subsidiary	-	-	-	-	-	-	-	(3,403)	(3,403)
Transaction with owners, recognised directly in equity	-	-	(1,464)	-	-	-	(1,464)	1,464	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(2,700)	(2,700)
Balance as at 30 September 2019	92,551	(203)	(75,379)	25	(419)	-	16,575	3,431	20,006
Balance as at 1 January 2018	91,950	(203)	(58,761)	32	(727)	509	32,800	7,315	40,115
Total comprehensive (loss)/income	-	-	(3,034)	-	(200)	-	(3,234)	425	(2,809)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(600)	(600)
Balance as at 31 March 2018	91,950	(203)	(61,795)	32	(927)	509	29,566	7,140	36,706
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(300)	(300)
Incorporation of a new subsidiary	-	-	-	-	-	-	-	147	147
Total comprehensive (loss)/income	-	-	(1,726)	-	(50)	-	(1,776)	58	(1,718)
Balance as at 30 June 2018	91,950	(203)	(63,521)	32	(977)	509	27,790	7,045	34,835
Total comprehensive (loss)/income	-	-	(2,176)	-	(347)	-	(2,523)	99	(2,424)
Shares for Directors' fees (in lieu of cash)	90	-	-	-	-	-	90	-	90
Award of performance shares to employees	240	-	-	-	-	-	240	-	240
Balance as at 30 September 2018	92,280	(203)	(65,697)	32	(1,324)	509	25,597	7,144	32,741

^(a) Differences between consideration and the change in carrying amounts of non-controlling interest in respect of partial disposal of a subsidiary corporation without loss of controls.

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Company

Balance as at 1 January 2019

Total comprehensive loss

Balance as at 31 Mar 2019

Total comprehensive loss

Balance as at 30 June 2019

Total comprehensive income

Shares for Directors' fees (in lieu of cash)

Award of performance shares to employees

Balance as at 30 September 2019

Balance as at 1 January 2018

Total comprehensive loss

Balance as at 31 Mar 2018

Total comprehensive loss

Balance as at 30 June 2018

Total comprehensive loss

Shares for Directors' fees (in lieu of cash)

Award of performance shares to employees

Balance as at 30 September 2018

Share capital (\$'000)	Treasury shares (\$'000)	Accumulated losses (\$'000)	Total equity (\$'000)
92,280	(203)	(32,828)	59,249
-	-	(1,146)	(1,146)
92,280	(203)	(33,974)	58,103
-	-	(939)	(939)
92,280	(203)	(34,913)	57,164
-	-	5,294	5,294
90	-	-	90
181	-	-	181
92,551	(203)	(29,619)	62,729
91,950	(203)	(29,527)	62,220
-	-	(1,161)	(1,161)
91,950	(203)	(30,688)	61,059
-	-	(269)	(269)
91,950	(203)	(30,957)	60,790
-	-	(1,114)	(1,114)
90	-	-	90
240	-	-	240
92,280	(203)	(32,071)	60,006

- 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 well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.**

The details of the changes in issued share capital of the Company from 1 January 2019 to 30 September 2019 are as follows:

CHANGES IN ISSUED SHARE CAPITAL

	Number of shares (‘000)	Paid-up capital (\$'000)
Issued share capital as at 1 January 2019	425,919	92,077
Shares for Directors' fees (in lieu of cash)	930	90
Award of performance shares to employees	2,000	181
Issued share capital as at 30 September 2019 excluding treasury shares	428,849	92,348

As at 30 September 2019, the total number of treasury shares held was 455,025 (30 September 2018: 455,025).

The Company has no outstanding options or convertibles as at 30 September 2019 and 31 December 2018.

- 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.**

	As at 30 September 2019	As at 31 December 2018
Total number of issued shares (excluding treasury shares) (in '000)	428,849	425,919

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 30 September 2019.

- 1(d)(v) A statement showing all sales, transfers, disposals, cancellation and/or use of subsidiary holdings 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 auditing standard or practice.

The figures have not been audited or reviewed by the independent auditor.

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 Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared with the audited financial statements for the financial year ended 31 December 2018, except that the Group and the Company have adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") and all new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019.

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

The Group has adopted SFRS(I) 16 *Leases* retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period as permitted under the specific transition provisions in the standard. Under the new standard, the Group has recognised right-of-use ("ROU") assets and lease liabilities except for short-term and low-value leases. The accounting for lessors did not change significantly.

On the adoption of SFRS(1) 16, the associated ROU assets for certain machinery and equipment, motor vehicles and office equipment held under finance leases in FY2018 were restated as at 1 January 2019 with the carrying amount of \$6,185,000 to ROU assets.

Also, the Group recognised ROU assets equal to lease liabilities of approximately \$28.1 million in relation to leasehold land which had previously been classified as 'operating leases' under the principles of FRS 17 *Leases*. These liabilities were measured at present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. Subsequent to initial recognition, the Group depreciates the ROU assets over the remaining lease term and recognise interest expenses on the lease liabilities.

In accordance with the standard, the ROU assets and lease liabilities were presented under property, plant and equipment and borrowings respectively, unless the costs and liabilities are included in the carrying amount of another asset/liability applying other applicable Standards.

The adoption of SFRS(I) 16 resulted in an increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation ("EBITDA") and gearing ratio. The impact on the statement of comprehensive income and balance sheet is as follow:

	9M2019
	\$'000
<u>Consolidated Statement of Comprehensive Income:</u>	
(Decrease) in cost of sales and administrative expenses- rental expenses	(1,513)
Increase in cost of sales and administrative expenses – depreciation of leasehold land	804
Increase in finance expenses on lease liabilities on leasehold land	273
Increase in EBITDA	1,513
<u>Statement of Financial Position:</u>	
Increase in current assets- assets of disposal group classified as held-for-sale	9,812
Increase in non-current assets – property, plant and equipment	17,436
Increase in current liabilities – liabilities directly associated with disposal group classified as held-for-sale	9,377
Increase in current liabilities – lease liabilities	1,072
Increase in non-current liabilities – lease liabilities	16,364

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:

	The Group					
	For the third quarter ended 30 September					
	Continuing operations 3Q2019	Discontinued operations 3Q2019	Total 3Q2019	Continuing operations 3Q2018	Discontinued operations 3Q2018	Total 3Q2018
Net (loss)/earnings attributable to equity holders of the Company (\$'000)	(2,205)	-	(2,205)	(2,156)	(20)	(2,176)
Weighted average number of shares outstanding for basic and diluted EPS ('000)	428,339	428,339	428,339	423,239	423,239	423,239
Basic and diluted EPS attributable to equity holders of the Company (SGD cents)	(0.51)	-	(0.51)	(0.51)	-	(0.51)

	The Group					
	For the nine months ended 30 September					
	Continuing operations 9M2019	Discontinued operations 9M2019	Total 9M2019	Continuing operations 9M2018	Discontinued operations 9M2018	Total 9M2018
Net(loss)/earnings attributable to equity holders of the Company (\$'000)	(8,049)	1,060	(6,989)	(7,386)	450	(6,936)
Weighted average number of shares outstanding for basic and diluted EPS ('000)	426,735	426,735	426,735	422,576	422,576	422,576
Basic and diluted EPS attributable to equity holders of the Company (SGD cents)	(1.89)	0.25	(1.64)	(1.75)	0.11	(1.64)

Basic and Diluted EPS is computed by dividing the net loss attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding at the end of the respective financial period.

There are no dilutive potential ordinary shares for the financial period ended 3Q2019/3Q2018 and 9M2019/9M2018 respectively.

- 7** **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

NET ASSET VALUE ("NAV")

	Group		Company	
	As at		As at	
	30 September 2019	31 December 2018	30 September 2019	31 December 2018
NAV per ordinary share (SGD cents)	3.86	5.90	14.63	13.91
Number of shares used in computation of NAV per share ('000)	428,849	425,919	428,849	425,919

- 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.

REVIEW OF INCOME STATEMENT OF THE GROUP – CONTINUING OPERATIONS

9M2019 vs 9M2018 and 3Q2019 vs 3Q2018

Revenue

<u>Revenue by segment</u>	3Q2019 (\$'000)	(%)	3Q2018 (\$'000) (Restated)	(%)	9M2019 (\$'000)	(%)	9M2018 (\$'000) (Restated)	(%)
Offshore & Engineering	1,971	17	3,353	22	7,050	16	11,147	29
Marine	7,289	64	11,568	75	34,491	76	27,089	70
Energy Services	2,162	19	546	3	3,808	8	551	1
	11,422	100	15,467	100	45,349	100	38,787	100

Notes:

- (1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
- (2) Marine includes stearn gear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.
- (3) With the proposed sale of Vac-Tech, the remaining business in Energy Services would comprise of waste treatment and recovery waste system. Capabilities of waste treatment plant include treatment of waste water, oily sludge, slope, mud oil, contaminated soil, solid wastes and filter cakes.

The Group registered a total revenue of \$45.3 million in 9M2019, 17% higher than the revenue of \$38.8 million in 9M2018. The increase was largely attributable to the Marine segment and Energy Services segment registering an increase in revenue of \$7.4 million and \$3.3 million respectively, but was affected by lower revenue of \$4.1 million from the Offshore & Engineering segment.

Offshore & Engineering segment

The Offshore & Engineering segment continued to be affected by slow market sentiment with revenue declined by \$4.1 million or 37%, from \$11.1 million in 9M2018 to \$7.0 million in 9M2019. The reduction in revenue was mainly due to lower work orders in its offshore structure and fabrication of \$3.1 million and precision engineering business of \$1.2 million.

These also explain the lower revenue from Offshore & Engineering segment in 3Q2019 as compared to 3Q2018.

Marine segment

Revenue for the Marine segment rose by \$7.4 million or 27% to \$34.5 million in 9M2019 which was attributable to:

- the dredging and reclamation business contributing a revenue of \$14.5 million in 9M2019 as compared to \$3.2 million in 9M2018; offset by
- decline in the segment's MRO (maintenance, repairs and overhaul) services by \$3.3 million to \$8.3 million in 9M2019 due to lower orders from customers; and
- lower volume activity of \$0.2 million in diving services.

3Q2019 revenue from Marine segment of \$7.3 million decreased by \$4.3 million or 37% as compared to \$11.6 million in 3Q2018 due to:

- lower works order from customers under MRO services by \$2.0 million;
- revenue from new built propellers posted a decline of \$1.5 million from \$3.0 million in 3Q2018 to \$1.4 million in 3Q2019;
- lower volume of activity in dredging and reclamation services of \$672,000 or 21% to \$2.5 million in 3Q2019.

Energy Services segment

In view of the disposal of 50% equity interest in Vac-Tech, the remaining business of this segment comprise of waste treatment and recovery waste system.

Revenue from the waste treatment business in 9M2019 increased by \$3.3 million from \$0.5 million in 9M2018 to \$3.8 million, due mainly to a larger customer base.

These also explained the fluctuation in revenue in 3Q2019 as compared to Q2018.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by 23% or \$8.2 million from \$35.2 million in 9M2018 to \$43.4 million in 9M2019, in line with the increase in Group's revenue.

Gross profit in 9M2019 decreased by \$1.6 million when compared to 9M2018, due mainly to lower revenue from offshore structure and fabrication and precision engineering business as mentioned above offset with higher gross profit from Energy segment's waste treatment services.

Consequently, the gross profit margin declined by 4.9% from 9.3% in 9M2018 to 4.4% in 9M2019 due to Offshore & Engineering segment and diving services which were not sufficient to cover its fixed running costs.

These also explained the fluctuations in cost of sales, gross profit and gross profit margin in 3Q2019 as compared to 3Q2018.

Other gains/(losses) - net

Detailed explanations of these gains/(losses) were highlighted in paragraph 1(a)(ii).

Administrative expenses

The Group's administrative expenses decreased by approximately \$1.3 million from 9M2018 of \$10.3 million to \$9.0 million in 9M2019 mainly due to the following:

- cost savings of approximately \$645,000 from the disposal of a China subsidiary in 4Q2018;
- reduction in depreciation of \$181,000 due mainly to assets classified to disposal group in 4Q2018;
- decrease in professional and legal fees of \$185,000; and
- effects of adoption of SFRS(I) 16 on the rental expense of leasehold land, offset with additional depreciation expenses and amortisation of finance expense as disclosed in paragraph 5.

The above also explained the decrease in administrative expenses in 3Q2019 as compared to 3Q2018.

Finance expenses

Finance expenses increased by \$1.9 million or 43% from \$4.3 million in 9M2018 to \$6.1 million in 9M2019, due mainly to the expensing of \$1.2 million interest in connection to a construction loan for 42A Penjuru Road property as opposed to capitalising the said interest to property, plant and equipment in 9M2018. Additional finance cost in respect of the amortisation of lease liability of \$273,000 was also included in 9M2019, as explained in Notes 8 and 9 in paragraph 1(a)(ii).

This also explained the increase in finance expenses in 3Q2019 as compared to 3Q2018.

Income tax

The tax expense of the Group in 3Q2019/9M2019 arose from the over-provision of current income tax in prior years as disclosed in paragraph 1(a)(ii). The tax expense in 3Q2018/9M2018 arose from the under-provision of current income tax in prior years from foreign subsidiaries.

Loss from continuing operations

Consequent to the above, the Group recorded a loss from continuing operations of \$7.4 million in 9M2019 as compared to \$7.3 million in 9M2018. Loss for 3Q2019 was \$2.4 million as compared to \$2.0 million in corresponding period last year.

REVIEW OF FINANCIAL POSITION

Current assets

The Group's current assets as at 30 September 2019 amounted to \$126.6 million which remain comparable to \$127.4 million as at 31 December 2018. The \$0.7 million decrease was mainly attributable to the following:

- decrease in cash and cash equivalents of \$0.3 million (please refer to detailed Statement of Cash Flows in paragraph 1(c);
- decrease in trade and other receivables and contract assets of \$7.4 million was mainly related to disposal of a Singapore subsidiary;
- decrease in inventories of \$2.9 million or 36% was mainly due to deliveries of new built propellers to customers in 9M2019 under the Marine segment; offset with
- increase in asset of disposal group classified as held-for-sale of \$9.8 million arising from recognition of right-of-use assets on leasehold land of \$9.8 million for certain properties that have been identified to be disposed of.

Non-current assets

The Group's non-current assets of \$131.9 million as at 30 September 2019 was up by \$2.2 million as compared to \$129.8 million as at 31 December 2018 due to the following:

- initial recognition of investment in associated company for the 20% retained investment after the completion of disposal of 50% equity interest in Vac-Tech;
- property, plant and equipment increased by \$3.3 million, from \$120.0 million to \$123.3 million, mainly due to:
 - following the adoption of SFRS(1) 16 Leases on 1 January 2019, most of the leases where the Group is the lessee was brought into the balance sheet as right-of-use assets valued at \$17.4 million as at 30 September 2019, as disclosed in paragraph 5;
 - additions in property, plant and equipment of \$3.5 million mainly arising from the dredging and reclamation business and capital expenditure from Energy segment of approximately \$0.8 million; offset by
 - deconsolidation of fixed assets and goodwill of \$14.7 million related to disposal of Vac-Tech; and
 - depreciation expense on property, plant and equipment and ROU assets (hire purchase) from continuing operation of \$8.2 million.

Current liabilities

Overall, the current liabilities as at 30 September 2019 of \$218.0 million is relatively similar to \$217.9 million as at 31 December 2018 due to:

- deconsolidation of a subsidiary's current liabilities of approximately \$4.7 million in 3Q2019;
- reduction in current bank borrowings of \$5.1 million arising from the payment of certain loans after the disposal of subsidiaries; offset with
- increase in lease liabilities of \$10.4 million arising from the adoption of SFRS(I) 16, of which approximately \$9.4 million is related to those properties owned by the Group which were identified for sale and thus accounted for in liabilities directly associated with disposal group classified as held-for-sale. The balance amount of \$1.0 million was classified under current borrowings (refer to paragraph 5 for detailed explanation);

Non-current liabilities

Non-current liabilities increased by \$14.2 million from \$6.3 million as at 31 December 2018 to \$20.5 million as at 30 September 2019. The increase was mainly due to the recognition of lease liabilities of \$16.4 million upon adoption of SFRS(I) 16 Leases (refer to paragraph 5 for detailed explanation), offset with the deconsolidation of non-current liabilities of \$1.2 million after disposal of Vac-Tech as explained above.

REVIEW OF STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents as at 30 September 2019 were approximately \$15.3 million. The Group reported a net cash inflow from operating activities of \$11.9 million in 9M2019 due mainly to its operating income before changes in working capital of \$8.4 million and decrease in inventories by \$2.9 million mainly from delivery of new built propellers during the current reporting period.

Net cash provided by investing activities was \$5.9 million for 9M2019 mainly arose from the:

- net proceeds from disposal of a subsidiary classified as held-for-sale of \$9.9 million; offset with
- purchase of property, plant and equipment for:
 - dredging and reclamation business of approximately \$1.5 million;
 - asset enhancement of waste treatment plant of \$0.8 million.
 - capital expenditures of \$1.2 million incurred by Vac-Tech

Net cash used in financing activities of \$17.8 million during 9M2019 was mainly a result of repayments of term loans, lease liabilities and payment of interests of approximately \$17.5 million and dividend payment of \$4.2 million, offset by proceeds from bank borrowings of \$3.9 million.

DISCONTINUED OPERATIONS AND DISPOSAL OF A SUBSIDIARY CLASSIFIED AS HELD-FOR-SALE

As previously announced on 28 June 2019, Mencast Energy Pte. Ltd. ("Mencast Energy") entered into a sale and purchase agreement for the disposal of 50% equity interest in Vac-Tech Engineering Pte Ltd ("Vac-Tech"). Prior to disposal, Mencast Energy holds 2.1 million shares in Vac-Tech representing 70% of its existing issued and paid-up share capital.

As at 30 June 2019, following the Group's decision to sell Vac-Tech and in compliance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*, the assets and liabilities of Vac-Tech including the goodwill arising from its consolidation were classified as Assets of disposal group classified as held-for-sale and Liabilities directly associated with disposal group classified as held-for-sale respectively on the consolidated balance sheet. Its financial results have been reclassified to "Discontinued Operations" for the current financial period reported on and the prior period financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income. The change in classification and presentation has no effect to the profit or loss after tax and net asset value of the Group.

On 24 September 2019, Mencast Energy had completed the disposal of its 50% equity interest in Vac-Tech. The gain on its disposal and its retained investment of 20% were presented in paragraph 1(a)(ii).

The summarised net profit for 9M2019 and 9M2018 from Discontinued Operations are presented as follows:

	9M2019	9M2018
	\$'000	\$'000
Revenue	9,832	10,545
Cost of sales	(6,335)	(7,826)
Gross profit	3,497	2,719
Other losses – net	(263)	(54)
Expenses		
- Administrative	(790)	(1,496)
- Finance	(39)	(65)
Profit before income tax	2,405	1,104
Income tax expense	(241)	(186)
Total comprehensive income, representing net profit	2,164	918

- 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 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.**

The Group expects the outlook of the marine, offshore, O&G industry to remain largely unchanged. It expects market conditions to remain challenging and competitive to which pressure on margins will persist. The Group will continue to exercise prudence and place greater emphasis on operational costs savings.

Following the sale of Vac Tech, the Group is focusing on expanding the capacity of its waste treatment plants to serve its growing customer base in the Energy segment. This initiative will take time to develop and is expected to diversify our business instead of relying on the existing industry / markets that the Group is currently serving.

- 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 interim dividend has been declared or recommended for the current reporting period ended 30 September 2019 as the Group had registered a loss.

13 Interested Person Transactions

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u>)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than \$100,000)
	9M2019 \$'000	9M2019 \$'000
Vac-Tech Engineering Pte. Ltd.		
- Rental Charges	267	-
- Waste Disposal	284	-

The Group has no general mandate from its shareholders for recurring interested person transactions.

14 Negative Assurance on Interim Financial Statements

To the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements of the Group and the Company for the nine months ended 30 September 2019 to be false or misleading in any material aspect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

16 Net Current Liabilities Position and Loan Restructuring

As at 30 September 2019, the Group was in net current liabilities position of \$91.4 million.

The Group had pursued and/or completed the following course of actions:

- As announced on 15th February 2019, the proposed disposal of Changshu Honghua was completed upon receipt of the third and final tranche of the purchase consideration.
- As announced on 1st February 2019, the Group had completed its debt restructuring exercise by entering into a Debt Restructuring Agreement (the "DRA") with its lenders. The material terms of the DRA were highlighted in previous announcement dated 1st February 2019.

- c) The Group, had on 25th March 2019, granted to an independent third party purchaser an option to purchase one of the Group's properties situated at 7 Tuas View Circuit, Singapore 637642 for a consideration of \$13.5 million. On 3rd April 2019, the purchaser had exercised the option. As announced on 31st October 2019, the disposal has been completed and the Group received a net proceed of \$13.3 million (excluding GST). Had this amount been applied to the repayment of bank borrowings at the end of the current reporting period, the Group's borrowings would have reduced from \$184.3 million to \$171.0 million
- d) As announced on 1st April 2019, the Group had written to UOB to request for an extension of time (from 31 March 2019 to 30th September 2019) to complete the sale of certain identified properties and to deleverage the debt under the Group's existing facility agreements with the Lenders by an agreed amount. UOB has, by way of a letter dated 13th May 2019, agreed to the Group's request for the extension of time until 30 September 2019. Further to this, the Group had on 11 September 2019 written to UOB to seek for a further extension of time until February 2020. As announced on 26th September 2019, the Group had obtained the written consent from UOB by way of a letter dated 24th September 2019.
- e) As announced on 28 June 2019, Mencast Energy Pte Ltd, a 70% owned subsidiary of the Company, entered into a sale and purchase agreement ("SPA") with Grand Victor Corp Pte. Ltd. for the disposal of 50% equity interest in Vac-Tech Engineering Pte Ltd ("Vac-Tech"), represented by 1,500,000 shares in Vac-Tech, on the terms and conditions of the SPA. Net proceeds from the proposed disposal is intended to be applied towards the repayment of bank borrowings and working capital requirements of the Group. As announced on 24th September 2019, the disposal was completed on the said date and the Group had utilised \$3.5 million to pay down its bank borrowings.

Pursuant to the above, the Board is of the view that the Group is able to meet its obligations as and when they fall due. The validity of the going concern assumption is contingent upon:

- 1) The continual support from its lenders which is critical to the completion of the Group's debt restructuring plans;
- 2) The planned divestment of those identifiable properties and assets;
- 3) The Group is able to generate positive cash flows from operations in conjunction with the moratorium of loan principal repayments during the debt restructuring period.

The Company will make appropriate announcements as and when there is any material development.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Executive Chairman and Chief Executive Officer

14 November 2019
