

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER (“1Q2020”) IN RESPECT OF THE FINANCIAL PERIOD ENDED 31 MARCH 2020

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

	Group		
	For the first quarter ended 31 March		
	1Q2020	1Q2019	Increase/ (decrease)
	(\$'000)	(\$'000) (Restated)	(%)
Continuing Operations			
Revenue	17,439	17,186	1
Cost of sales	(12,686)	(17,537)	(28)
Gross profit/(loss)	4,753	(351)	NM
Other gains – net	9,952	1,092	811
Expenses			
- Administrative	(2,825)	(2,883)	(2)
- Finance	(1,826)	(1,986)	(8)
Share of loss of associated company	(146)	-	NM
Profit/(loss) before income tax	9,908	(4,128)	NM
Income tax	-	-	NM
Profit/(loss) from continuing operations	9,908	(4,128)	NM
Discontinued operations			
Profit from discontinued operations	-	1,035	NM
Total profit/(loss)	9,908	(3,093)	NM
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation ⁽¹⁾	(345)	51	NM
Total comprehensive income/(loss)	9,563	(3,042)	NM
Net profit/(loss) attributable to :			
Equity holders of the Company	10,705	(3,912)	NM
Non-controlling interests	(797)	819	NM
	9,908	(3,093)	NM
Profit/(loss) attributable to equity holders of the Company relates to:			
Profit/(loss) from continuing operations	10,705	(4,419)	NM
Profit from discontinued operations	-	507	NM
	10,705	(3,912)	NM
Total comprehensive income/(loss) attributable to :			
Equity holders of the Company	10,360	(3,861)	NM
Non-controlling interests	(797)	819	NM
	9,563	(3,042)	NM

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

(2) “NM” denotes not meaningful.

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

Group		
For the first quarter ended 31 March		
1Q2020	1Q2019	Increase/
(\$'000)	(\$'000)	(decrease)
	(Restated)	(%)
Continuing operations:		
<u>Included in Other (charges)/credits – net:</u>		
- Foreign exchange loss, net	(6)	200
- Government grants ⁽¹⁾	228	175
- Rental income ⁽²⁾	965	38
- Sale of scrap metals ⁽³⁾	100	(19)
- Write-back of allowance for impairment of trade receivables	-	NM
- Reversal of creditor balances ⁽⁴⁾	8,629	NM
- Write-back of long outstanding payables	3	NM
- Write-off of trade receivables	(72)	NM
- Other income, net ⁽⁵⁾	105	192
	9,952	1,092
		811
<u>Included under finance expenses:</u>		
Interest expenses on:		
- Bank borrowings	1,654	1,876
- Bank overdraft	5	6
- Lease liabilities - leasehold land	152	90
- Lease liabilities - hire purchase	15	14
	1,826	1,986
		(8)
<u>Included under cost of sales and administrative expenses:</u>		
- Depreciation of property, plant and equipment	2,253	2,394
- Depreciation of ROU assets - leasehold land	268	268
- Depreciation of ROU assets - hire purchase	83	86
Depreciation expense	2,604	2,748
		(6)
		-
		(3)
<u>Included in Discontinued operations:</u>		
- Foreign exchange gain/(loss), net	-	(6)
- Gain/(loss) on sale of property, plant and equipment	-	(38)
- Government grants	-	18
- Other income	-	4
- Interest expense from lease liabilities- hire purchase	-	(10)
- Depreciation of property, plant and equipment	-	(423)
- Depreciation of ROU assets - hire purchase	-	(110)
	-	(565)
		NM

Notes:

- (1) Increase in government grant receipts in 1Q2020 was mainly due to receipts from Association of Singapore Marine Industries through its Marine Professional Conversion Programme of \$155,000.
- (2) Increase in rental income in 1Q2020 was mainly related to the increase in lease rental activities in the Group's properties.
- (3) Decrease in sale of scrap materials in 1Q2020 was mainly due to lower scrap sale, in line with a lower revenue in the Marine segment's MRO services.
- (4) The gain was due to the reversal of creditor balances arising from a dispute between a subsidiary of the Group and a main contractor in connection to the construction of a 4-storey factory and an 11-storey office building at 42A Penjuru Road. As announced on 2 March 2020, the dispute has been settled by way of a settlement agreement on the same date. The reversal of the creditor balances pertained to retention sum and the drawdown of insurance bond in prior year.
- (5) Increase in other income relates mainly to a receipt of an insurance claim of \$75,000 arising from a certain vessel.

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

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 31 March 2020 (\$'000)	As at 31 December 2019 (\$'000)	As at 31 March 2020 (\$'000)	As at 31 December 2019 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	15,281	18,314	5,287	7,934
Trade and other receivables	16,553	14,931	62,730	60,493
Inventories	4,921	4,748	-	-
Contract assets	4,200	2,945	759	636
	40,955	40,938	68,776	69,063
Assets of disposal group classified as held-for-sale	74,044	74,044	-	-
	114,999	114,982	68,776	69,063
Non-current assets				
Financial assets, FVOCI	95	95	-	-
Investment in subsidiaries	-	-	59,680	59,680
Investment in associated company	3,887	4,033	-	-
Property, plant and equipment	118,395	118,667	250	262
Deposits for purchase of property, plant and equipment	5	6	-	-
Intangible assets	4,781	4,781	-	-
	127,163	127,582	59,930	59,942
Total assets	242,162	242,564	128,706	129,005
LIABILITIES				
Current liabilities				
Trade and other payables	13,390	21,004	25,012	24,486
Contract liabilities	2,823	3,459	-	-
Borrowings	102,559	103,905	53,348	53,348
Current income tax liabilities	796	796	-	-
	119,568	129,164	78,360	77,834
Liabilities directly associated with disposal group classified as held-for-sale	73,431	73,557	-	-
	192,999	202,721	78,360	77,834
Non-current liabilities				
Borrowings	16,571	16,814	-	-
Deferred income tax liabilities	3,588	3,588	-	-
	20,159	20,402	-	-
Total liabilities	213,158	223,123	78,360	77,834
NET ASSETS	29,004	19,441	50,346	51,171
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	92,348	92,348	92,348	92,348
Fair value reserve	18	18	-	-
Other reserve	-	-	-	-
Translation reserve	(779)	(434)	-	-
Accumulated losses	(64,758)	(75,463)	(42,002)	(41,177)
	26,829	16,469	50,346	51,171
Non-controlling interests	2,175	2,972	-	-
Total equity	29,004	19,441	50,346	51,171

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 March 2020		As at 31 December 2019	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	90,464	10,416	91,812	10,416
Lease liabilities – hire purchase	831	-	837	-
Current borrowings	91,295	10,416	92,649	10,416
Included in the disposal group classified as held-for-sale:				
-Bank borrowings	66,217	-	66,217	-
	66,217	-	66,217	-
	157,512	10,416	158,866	10,416

Amount repayable after one year

	As at 31 March 2020		As at 31 December 2019	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	-	-	-	-
Lease liabilities- hire purchase	195	-	223	-
Non-current borrowings	195	-	223	-

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 and corporate guarantees by the Company.

Certain lease liabilities- hire purchase 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

	Group	
	1Q2020	1Q2019
	(\$'000)	(\$'000)
Cash flows from operating activities		
Net profit/(loss)	9,908	(3,093)
Adjustments for:		
- Income tax expense	-	115
- Depreciation of property, plant and equipment	2,604	3,281
- Loss on disposal of property, plant and equipment	-	38
- Share of profit of associated company	146	-
- Reversal of creditor balances	(8,629)	-
- Interest income	(20)	(7)
- Interest expense	1,826	1,996
- Currency translation differences	79	(14)
	<u>5,914</u>	<u>2,316</u>
Changes in working capital:		
- Trade and other receivables	(1,622)	(1,174)
- Inventories	(173)	2,628
- Contract assets	(1,255)	(1,526)
- Trade and other payables	1,016	1,599
- Contract liabilities	(636)	353
Cash generated from operations	<u>3,244</u>	<u>4,196</u>
Interest received	20	7
Income tax paid	-	(31)
Net cash provided by operating activities	<u>3,264</u>	<u>4,172</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,755)	(1,728)
(Placement)/release of short-term bank deposits pledged	(1)	135
Net cash used in investing activities	<u>(2,756)</u>	<u>(1,593)</u>
Cash flows from financing activities		
Interest paid	(1,674)	(1,859)
Repayment of bank borrowings	(1,905)	(3,211)
Repayment of lease liabilities	(520)	(710)
Proceeds from bank borrowings	553	1,784
Net cash used in financing activities	<u>(3,546)</u>	<u>(3,996)</u>
Net decrease in cash and cash equivalents	<u>(3,038)</u>	<u>(1,417)</u>
Cash and cash equivalents at beginning of financial period	<u>17,513</u>	<u>15,319</u>
Cash and cash equivalents at end of financial period	<u>14,475</u>	<u>13,902</u>

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

	As at	As at
	31 March	31 March
	2020	2019
	(\$'000)	(\$'000)
Cash and bank balances	15,281	14,709
Short-term bank deposits pledged	(504)	(502)
Bank overdrafts included in borrowings	(302)	(305)
	<u>14,475</u>	<u>13,902</u>

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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)	Accumulated losses (\$'000)	Fair value reserve* (\$'000)	Translation reserve* (\$'000)	Other reserve* ⁽¹⁾ (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
Group									
Balance as at 1 January 2020	92,551	(203)	(75,463)	18	(434)	-	16,469	2,972	19,441
Total comprehensive income/(loss)	-	-	10,705	-	(345)	-	10,360	(797)	9,563
Balance as at 31 Mar 2020	92,551	(203)	(64,758)	18	(779)	-	26,829	2,175	29,004
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

	Share capital (\$'000)	Treasury shares (\$'000)	Accumulated losses (\$'000)	Total equity (\$'000)
Company				
Balance as at 1 January 2020	92,551	(203)	(41,177)	51,171
Total comprehensive loss	-	-	(825)	(825)
Balance as at 31 Mar 2020	92,551	(203)	(42,002)	50,346
Balance as at 1 January 2019	92,280	(203)	(32,828)	59,249
Total comprehensive loss	-	-	(1,146)	(1,146)
Balance as at 31 Mar 2019	92,280	(203)	(33,974)	58,103

* Fair value, translation and other reserves are not available for distribution.

⁽¹⁾ 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 control prior to 2019. During 2019, the Group completed the disposal of Vac-Tech and the amount in other reserve was reversed in full and included in the calculation of gain on disposal of non-current assets held-for-sale.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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.**

As at 31 March 2020, there are no changes in the Company's share capital since its last reporting period ended 31 December 2019.

As at 31 March 2020, the total number of treasury shares held was 455,025 (31 March 2019: 455,025).

The Company has no outstanding options or convertibles as at 31 March 2020 and 31 December 2019.

- 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 31 March 2020	As at 31 December 2019
Total number of issued shares (excluding treasury shares) (in '000)	<u>428,849</u>	<u>428,849</u>

- 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 31 March 2020.

- 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 modifications or emphasis of a matter).

Not applicable.

3.a Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

- (a) Updates on the efforts taken to resolve each outstanding audit issue.**
- (b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.**

This is not required for any audit issue that is a material uncertainty relating to going concern

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/year compared with the audited financial statements for the financial year ended 31 December 2019, 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 2020.

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.

Not applicable.

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 first quarter ended 31 March					
	Continuing operations 1Q2020	Discontinued operations 1Q2020	Total 1Q2020	Continuing operations 1Q2019	Discontinued operations 1Q2019	Total 1Q2019
Net earnings/(loss) attributable to equity holders of the Company (\$'000)	10,705	-	10,705	(4,419)	507	(3,912)
Weighted average number of shares outstanding for basic and diluted EPS ('000)	428,849	428,849	428,849	425,919	425,919	425,919
Basic and diluted EPS attributable to equity holders of the Company (SGD cents)	2.50	-	2.50	(1.04)	0.12	(0.92)

Basic and Diluted EPS is computed by dividing the net (loss)/earnings 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 1Q2020 and 1Q2019 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	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
NAV per ordinary share (SGD cents)	6.26	3.84	11.74	11.93
Number of shares used in computation of NAV per share ('000)	428,849	428,849	428,849	428,849

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

1Q2020 vs 1Q2019

Revenue

<u>Revenue by segment</u>	1Q2020		1Q2019	
	(\$'000)	(%)	(\$'000) (Restated)	(%)
Offshore & Engineering	3,278	19	2,391	14
Marine	11,026	63	13,884	81
Energy Services	3,135	18	911	5
	17,439	100	17,186	100

Notes:

- (1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
- (2) Marine includes sterngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.
- (3) With the sale of Vac-Tech, the remaining business in Energy Services 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 \$17.4 million in 1Q2020, slightly higher by \$0.2 million than the revenue of \$17.2 million in 1Q2019. Revenue for Offshore & Engineering segment increased by \$0.9 million or 37% to \$3.3 million while the Energy Services segment rose by more than two-fold or \$2.2 million in 1Q2020. These increases were, however, affected by the decline in revenue from Marine segment of \$2.9 million.

Offshore & Engineering segment

The improvement in revenue for the Offshore & Engineering segment was mainly due to increase in volume of work from the rope access business and precision engineering business, each contributing higher revenue of approximately \$0.6 million in the current reporting quarter. Offshore structure and steel fabrication business remains weak with a revenue drop of \$0.3 million.

Marine segment

Revenue for the Marine segment declined by \$2.9 million or 21%, from \$13.9 million in 1Q2019 to \$11.0 million in 1Q2020 which was attributable to:

- decrease in revenue contribution from dredging and reclamation business by \$3.8 million to \$2.6 million in 1Q2020 as compared to \$6.4 million in 1Q2019 due mainly to a delay on reclamation progress;
- decline in the segment's MRO (maintenance, repairs and overhaul) services by \$0.8 million, from \$3.7 million in 1Q2019 to \$2.9 million in 1Q2020 due to lower orders from customers; mitigated by
- increase in revenue for new built propellers of \$1.8 million, from \$2.6 million in 1Q2019 to \$4.4 million in 1Q2020.

Energy Services segment

Revenue from the waste treatment business in 1Q2020 rose by \$2.2 million, from \$0.9 million in 1Q2019 to \$3.1 million in 1Q2020, due mainly to a larger customer base, as well as higher demands from recurring customers.

Cost of sales, gross profit and gross profit margin

Cost of sales decreased by 28% or \$4.8 million, from \$17.5 million in 1Q2019 to \$12.7 million in 1Q2020, mainly due to the reduction in revenue from the dredging and reclamation business.

The Group reported a gross profit of \$4.8 million in 1Q2020 as compared to a gross loss of \$0.3 million in 1Q2019, due mainly to increased revenue stream from the Energy Services segment. Deliveries of new built propellers had also contributed positively to the Group's gross profitability but was negated by slower activities in the dredging and reclamation business.

Consequently, the Group's gross profit margin as a percentage over revenue was 27% in 1Q2020 as compared to a negative margin of 2% in last year same quarter.

Other gains/(losses) - net

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

Administrative expenses

Administrative expenses remain comparable at \$2.8 million for both 1Q2020 and 1Q2019.

Finance expenses

The Group's finance expenses reduced by \$160,000 or 8%, from \$2.0 million in 1Q2019 to approximately \$1.8 million in 1Q2020. The decrease was mainly due to lower interest arising from the settlement of certain bank borrowings in conjunction with the Group's asset divestment exercises.

Share of loss of associated company

Following the disposal of 50% equity interest in Vac-Tech at end of 2Q2019, the Group recognised a share of loss of associated company of \$146,000 in 1Q2020 as compared to nil in 1Q2019 due to Vac-Tech's results being presented under "Discontinued Operations in 1Q2019 as disclosed in paragraph 1(a)(i).

Income tax

There was no provision for income tax in 1Q2020 as the Group has unrecognised tax losses and capital allowance as at balance sheet date that can be carried forward and utilized to offset future taxable income subject to meeting certain statutory requirements.

Profit from continuing operations

Consequent to the above, the Group recorded a profit of \$9.9 million in 1Q2020 as compared to a loss of \$4.1 million in 1Q2019. Excluding the non-recurring gain of \$8.6 million (as explained in Note 4 of paragraph 1(a)(ii)), profit from continuing operations would have been \$1.3 million, a result of the Group's continuous efforts in restructuring the businesses of its loss-making subsidiaries, to which some have turnaround while others are able to contain their losses in this current reporting period.

REVIEW OF FINANCIAL POSITION

Current assets

Overall, the Group's current assets of \$115.0 million remains relatively the same for the period / year ended 31 March 2020 and 31 December 2019.

- increase in trade and other receivables and contract assets of \$2.9 million was mainly due to increase in trade receivables for recent deliveries of new builtpropellers and higher revenue from the Energy Services;
- decrease in cash and cash equivalents of \$3.0 million (please refer to detailed Statement of Cash Flows in paragraph 1(c)).

Non-current assets

The Group's non-current assets reduced by \$0.4 million, from \$127.6 million as at 31 December 2019 to \$127.2 million as at 31 March 2020, mainly due from the following:

- decrease in investment in an associated company by \$0.1 million as explained above;
- depreciation expense on property, plant and equipment and ROU assets (hire purchase) amounting to \$2.6 million;
- foreign currency translation loss of \$0.4 million arising from translation of Indonesian Rupiah's property, plant and equipment to Singapore reporting currency; offset by
- additions in property, plant and equipment of \$2.7 million mainly arose from the purchase of a dredger of \$2.3 million and capital expenditures incurred by the Energy Services segment of approximately \$0.3 million.

Current liabilities

As at 31 March 2020, current liabilities decreased by \$9.7 million or 5% to \$193.0 million, as compared to \$202.7 million as at 31 December 2019, mainly due to:

- decrease in trade and other payables and contract liabilities of \$8.3 million mainly due to the reversal of creditor balances of \$8.6 million pertaining to retention sum and insurance bond, as explained in Paragraph 1(a)(ii) (4);
- reduction in current bank borrowings by \$1.3 million due to full repayment of term loans under dredging and reclamation business.

Non-current liabilities

Non-current liabilities of the Group remained relatively the same for both reporting periods at approximately \$20.2 million.

REVIEW OF STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents as at 31 March 2020 were approximately \$14.5 million. The Group reported a net cash inflow from operating activities of \$3.3 million in 1Q2020 due mainly to its operating income before changes in working capital of \$5.9 million and net decrease on working capital of \$2.7 million.

Net cash used in investing activities was \$2.7 million for 1Q2020 mainly due to purchase of property, plant and equipment in the dredging and reclamation business, as explained previously in the non-current assets.

Net cash used in financing activities of \$3.5 million during 1Q2020 was mainly a result of repayments of term loans, lease liabilities and payment of interests of approximately \$4.1 million, offset by proceeds from bank borrowings of \$0.6 million.

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

- (i) On 28 June 2019, Mencast Energy Pte. Ltd. ("**Mencast Energy**"), a 70% subsidiary of the Company, entered into a Sale and Purchase agreement ("**SPA**") for the disposal of 50% equity interest in Vac-Tech, represented by 1,500,000 shares in 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 year reported on and the prior year financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income. Subsequently, the control over the subsidiary has been transferred to the purchaser on 1 July 2019 in accordance with the SPA.

However, the transfer of share certificate signifying the legal completion of the disposal of its 50% equity interest in Vac-Tech occurred on 24 September 2019.

The summarised net profit for 1Q2019 from Discontinued Operations are presented as follows:

	1Q2019 \$'000
Revenue	4,126
Cost of sales	<u>(2,588)</u>
Gross profit	1,538
Other losses – net	(22)
Expenses	
- Administrative	(356)
- Finance	<u>(10)</u>
Profit before income tax	1,150
Income tax expense	<u>(115)</u>
Total comprehensive income, representing net profit	<u><u>1,035</u></u>

- 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 refers to the circuit breaker measures announced by the Singapore government on 3 April 2020 and the extension as well as tightening of the circuit breaker measures on 21 April 2020. It wishes to provide updates in respect of its business operations amid the Covid-19 outbreak and the preventive measures that it has undertaken in line with the various advisories issued by Singapore relevant authorities.

Preventive measures

The Group has put in place various preventive measures since the onset of the COVID-19 outbreak. These include, but not limited to, temperature screening, distribution of re-useable masks to all workers, frequent cleaning and disinfecting, splitting the workers and office staff into different teams to minimise contact, safe distancing measures, working from home, where possible, for certain key functions, including the finance, procurement, HR and operation teams.

Tighter measures were further introduced on 21 April 2020 which include the closure of more work premises and particularly on the restriction of movement of workers residing in dormitories. Daily necessities and catered food were provided to those foreign workers who were not able to leave their dormitories. As at date of this announcement, there are no positive cases amongst the foreign workers under the employment of the Group.

Business Operations

The Group's MRO services ("Maintenance, Repairs & Overhaul) and waste management business are considered essential services and are permitted to operate during the circuit breaker, albeit with a reduced workforce.

On the contrary, certain aspects of the Group's business such as the dredging and reclamation business is considered non-essential and hence, activities had been suspended temporarily.

Outlook

While the Group is not directly involved in the sectors most severely affected by COVID-19, our businesses serving largely the marine, offshore, oil and gas, energy industries have inevitably been affected by the fall in global economic activity, lockdowns in various countries, disruptions to the workforce and supply chains, as well as the sharp drop in oil prices.

Against this backdrop, the remaining period for FY2020 will be challenging as business activities and orders are expected to slow down given that many of our customers will be operating on a reduced capacity.

While the extent of the above impact cannot be determined at this juncture, the Group wishes to set out the financial impacts on near-term financial results based on available information and preliminary review of the management accounts of the Group are as follows:

- Reduction in revenue, largely due to the suspension of certain part of the Group's business during the circuit breaker period, lower demands from customers arising from operating at a lower capacity.
- Longer collection cycle.
- Certain fixed costs such as wages and overheads that have to be paid even though the Group's workforce is not at its full capacity.
- The Group's staff costs and wages are, however, partially mitigated by various support measures such as Job Support Scheme, foreign workers levy introduced by the Singapore government.
- Consequent to the above, operating income is expected to be affected leading to lower cash flow from operations.

Amid these unprecedented and uncertain business conditions, the Group's utmost priority is adopting cost control measures and taking a prudent approach in managing its cash flow to conserve cash. There are plans that the Group is considering to undertake to meet this objective:

- Rationalising of business processes to lower operating cost and overheads;

- To further intensify its on-going efforts to re-organise or re-structure its loss making subsidiaries;
- Review of current wage structure in line with expected revenue reduction or lower work activities;
- Review and deferring required capital expenditures;
- Deferment of lease rental payment, subject to relevant approvals.

The Group will continue to monitor the development of the COVID-19 outbreak and the Company will make appropriate announcement(s) to keep shareholders updated on any material developments.

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) Record date

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

No dividend has been declared or recommended for the current reporting period ended 31 March 2020 as the Company has no distributable reserves.

13 Interested Person Transactions

There were no interested person transactions, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company during the financial period ended 31 March 2020. The Company does not have a general mandate from shareholders for 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 first quarter ended 31 March 2020 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

The Group was in net current liabilities position of \$78.0 million as at 31 March 2020.

As announced in the Group's quarterly results announcements over the past financial year, the ability of the Group to continue as a going concern is contingent upon the continual support from the lenders, which is critical to the completion of the Group's financing restructuring exercise as well as the completion of the planned divestment of certain of the Group's assets.

In light of the Group's debt restructuring exercise, it had pursued and/or completed the following course of actions. The Group refers to:

- a) its announcement dated 1st February 2019 where it 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 the same announcement.
- b) The Company wishes to highlight that the current DRA had expired on 29th February 2020. This DRA requires the Group to meet an asset disposal timeline. The Group has not met this timeline due to market conditions.
- c) The Company had, on 19 February 2020, engaged RSM Corporate Advisory Pte Ltd ("RSMCA"), as its financial advisor to carry out a review of the financial position of the Group and to assist the Group in the development of alternative options and solutions in terms of a revised debt refinancing plan. This also includes transaction support service in relation to the disposal of assets identified for sale for purpose of reducing the Group's borrowings.
- d) As announced by the Company on 28 February 2020 as part of its unaudited financial statements and dividend announcement for the full year ended 31 December 2019, the Company had sought for and obtained the consent of the Lenders to an extension of the deadline of the DRA to 31 March 2020.
- e) As announced on 1st April 2020, the Company had subsequently requested from the Lenders for a further extension of time, from the 31 March 2020 deadline, to complete the Disposal and the Associated Deleveraging (including and in relation thereto, the finalization of the terms of refinancing under the DRA). UOB had by way of an email dated 26 March 2020, informed the Company that it is in principle agreeable to grant an extension of time until 31 August 2020, subject to the final approval of UOB's credit committee. The Company's advisor in respect of its refinancing under the DRA, RSMCA, had by way of an email to the Company dated 30 March 2020, informed the Company that the Lenders (other than one Lender) had all agreed to the Company's request for the extension of time until 31 August 2020. Neither the Company nor RSMCA had, as at the date and time of this announcement, received any negative response from the remaining Lender on the request for extension of time.
- f) As at current reporting date, the Company, together with its advisor, are in active discussions with its Lenders on the above.

In this regard, the Board has considered the feasibility of the above measures and are of the view that preparing the financial statements using the going concern basis remains appropriate. 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 revised debt refinancing plan;
- 2) The divestment of those identifiable properties and assets;
- 3) The Group is able to generate positive cash flows from operations and no further deterioration to the Group's net current liabilities position.

No definitive agreements in relation to the DRA or any debt refinancing plan and/or assets divestment have been entered into by the Group as at the date of this announcement. There can be no assurance or reasonable certainty that any discussions or any refinancing options will materialise or be successfully concluded. The Company will make appropriate announcements as and when there is any material development.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Sim Soon Ngee Glenndle
Executive Chairman and Chief Executive Officer

13 May 2020
