

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

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		
	2014 (\$'000)	2013 (\$'000)	Increase/ (decrease) (%)	2014 (\$'000)	2013 (\$'000)	Increase/ (decrease) (%)
Revenue	30,887	25,598	21	105,573	71,238	48
Cost of sales	(24,611)	(18,742)	31	(78,429)	(47,806)	64
Gross profit	6,276	6,856	(8)	27,144	23,432	16
Other gains - net	1,263	418	NM	2,678	661	NM
Expenses						
- Administrative	(3,160)	(5,099)	(38)	(14,100)	(13,052)	8
- Finance	(1,540)	(487)	NM	(3,717)	(1,125)	NM
Profit before income tax	2,839	1,688	68	12,005	9,616	25
Income tax	(374)	107	NM	(1,074)	(433)	NM
Net profit	2,465	1,795	37	10,931	9,483	15
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss						
Currency translation differences arising from consolidation	65	(1,203)	NM ⁽²⁾	(443)	(1,378)	(68)
Total comprehensive income	2,530	592	NM	10,488	8,105	29
Net profit attributable to :						
Equity holders of the Company	2,436	1,593	53	10,324	9,252	12
Non-controlling interests	29	202	(86)	607	231	163
	2,465	1,795	37	10,931	9,483	15
Total comprehensive income attributable to :						
Equity holders of the Company	2,501	390	NM	9,881	7,874	25
Non-controlling interests	29	202	(86)	607	231	163
	2,530	592	NM	10,488	8,105	29

(1) "NM" denotes not meaningful.

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

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

The Group's profit is arrived at after charging / (crediting):

	The Group					
	For the third quarter ended 30 September			For the nine months ended 30 September		
	2014 (\$'000)	2013 (\$'000)	Increase/ (decrease) (%)	2014 (\$'000)	2013 (\$'000)	Increase/ (decrease) (%)
Sale of scrap metals	(123)	(39)	NM	(366)	(142)	NM
(Gain)/loss on sale of property, plant and equipment	(58)	(2)	NM	(61)	(32)	91
Foreign exchange loss/(gain) - net	(98)	(210)	(53)	(223)	(155)	44
Government grants	(71)	(26)	NM	(501)	(89)	NM
Other income ⁽¹⁾	(72)	(149)	(52)	(193)	(243)	(21)
Interest expense	1,540	487	NM	3,717	1,125	NM
Depreciation of property, plant and equipment ⁽²⁾	3,006	1,525	97	9,772	4,257	130
Write-back of allowance for impairment of trade receivables	(191)	-	-	(423)	-	-
Write-back of long outstanding payable	(489)	-	-	(512)	-	-
Rental income	(152)	-	-	(389)	(44)	NM
Under/(over) provision of current income tax in prior financial years	-	(116)	-	72	(63)	NM

Notes:

- (1) Other income relates to miscellaneous income.
- (2) Increase in depreciation of property, plant and equipment was mainly due to depreciation of workshop and office space at 42B Penjuru Road and properties of newly acquired subsidiaries and additions of new machinery and equipment.
- (3) "NM" denotes not meaningful.

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 30 September 2014 (\$'000)	As at 31 December 2013 (\$'000)	As at 30 September 2014 (\$'000)	As at 31 December 2013 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	14,250	22,669	5,331	12,968
Trade and other receivables	91,076	58,879	72,723	29,272
Inventories	11,492	9,043	-	-
	116,818	90,591	78,054	42,240
Non-current assets				
Financial assets, available-for-sale	175	175	-	-
Investments in subsidiaries	-	-	94,251	94,251
Investment in joint venture	881	881	-	-
Property, plant and equipment	171,823	156,793	65	46
Deposits for purchase of property, plant and equipment	801	1,397	-	-
Intangible assets	45,180	45,180	-	-
Club memberships	60	60	-	-
Deferred income tax asset	-	-	524	524
	218,920	204,486	94,840	94,821
Total assets	335,738	295,077	172,894	137,061
LIABILITIES				
Current liabilities				
Trade and other payables	35,626	49,513	49,728	20,179
Borrowings	62,839	28,407	-	-
Current income tax liabilities	1,796	557	-	-
	100,261	78,477	49,728	20,179
Non-current liabilities				
Other payables	9,950	7,850	9,950	7,850
Borrowings	101,128	99,016	49,560	49,391
Deferred income tax liabilities	2,513	3,138	-	-
	113,591	110,004	59,510	57,241
Total liabilities	213,852	188,481	109,238	77,420
NET ASSETS	121,886	106,596	63,656	59,641
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	72,119	58,441	72,119	58,441
Fair value reserves	95	95	-	-
Translation reserves	(2,467)	(2,024)	-	-
Retained earnings / (accumulated losses)	49,018	47,570	(8,463)	1,200
	118,765	104,082	63,656	59,641
Non-controlling interests	3,121	2,514	-	-
Total equity	121,886	106,596	63,656	59,641

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Note to statement of financial position:

Included in the Group's property, plant and equipment are nine properties which are carried at cost less accumulated depreciation. In Q4 FY2013 and Q1 FY2014, the Group engaged third-party valuers, to carry out a valuation of the Group's properties. Set out below are the fair values of the nine properties:

Location	Description	Land Area (sqm)	NBV as at 30 September 2014 (\$'000)	Fair values (\$'000)	Excess of fair values over NBV (\$'000)
7 Tuas View Circuit, Singapore	Office building, dormitory & workshop	8,501	7,195	14,700	7,505
12 Kwong Min Road, Singapore	Office building, dormitory & workshop	4,623	3,183	7,300	4,117
39 Tuas Avenue 13, Singapore	Office building & workshop	3,012	1,882	6,500	4,618
6 Tech Park Crescent, Singapore	Office building, dormitory & workshop	1,718	1,854	5,700	3,846
42E Penjuru Road, Singapore	Waterfront, office building & workshop	19,266	20,926	33,000	12,074
42B Penjuru Road, Singapore	Office building & workshop	16,200	20,833	28,000	7,167
107 Gul Circle, Singapore	Office building & workshop	12,618	5,149	6,500	1,351
11 Tuas Basin Close, Singapore	Waterfront, office building & workshop	14,730	7,856	8,500	644
No.6 Xinghua Gangqu Dadao, Changshu, Jiangsu, China	Office building & workshop	34,433	7,702	8,313	611
Total		115,101	76,580	118,513	41,933

The basis of valuation to determine the fair values of the properties was based on the properties' higher-and-best-use using the Direct Market Comparison Method. The fair values are presented for information purposes only and are not recognised in the Group's financial statements.

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 2014		As at 31 December 2013	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
54,131	8,708	24,107	4,300

Amount repayable after one year

As at 30 September 2014		As at 31 December 2013	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
47,726	53,402	45,000	54,016

Details of any collaterals

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

Finance lease liabilities of the Group are secured by leased machinery and equipment and motor vehicles, as the legal title is retained by the lessor and will be transferred to the Group upon full payment.

The unsecured borrowing that is repayable after one year includes \$49.5 million relating to the proceeds from the issuance of \$50.0 million fixed rate notes due on 12 September 2016 ("Series 1 Notes") under the \$200.0 million multicurrency Medium Term Note programme. The Series 1 Notes bear interest at the fixed rate of 5.75% per annum payable semi-annually in arrears.

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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	
	2014 (\$'000)	2013 (\$'000)	2014 (\$'000)	2013 (\$'000)
Cash flows from operating activities				
Net profit	2,465	1,795	10,931	9,483
Adjustments for:				
- Income tax	374	(107)	1,074	433
- Depreciation of property, plant and equipment	3,006	1,525	9,772	4,257
- Gain on disposal of property, plant and equipment	(58)	(2)	(61)	(32)
- Dividend income on financial assets, available-for-sale	-	-	-	(4)
- Award of FY2013 performance shares	72	-	72	-
- Interest income	-	-	(4)	(4)
- Interest expense	1,540	487	3,717	1,125
- Currency translation differences	96	(819)	(387)	(1,003)
	7,495	2,879	25,114	14,255
Changes in working capital:				
- Trade and other receivables	(2,179)	(9,426)	(32,197)	(18,299)
- Inventories	(2,185)	1,030	(2,449)	206
- Trade and other payables	(5,265)	5,102	(1,170)	4,122
Cash (used in)/generated from operations	(2,134)	(415)	(10,702)	284
Interest received	-	-	4	4
Income tax paid	(173)	206	(459)	53
Net cash (used in)/provided by operating activities	(2,307)	(209)	(11,157)	341
Cash flows from investing activities				
Payments of other payables relating to prior financial years' acquisitions	(2,331)	(500)	(9,985)	(1,909)
Dividend received on financial assets, available-for-sale	-	-	-	4
Proceeds from disposal of property, plant and equipment	272	106	491	323
Proceeds from disposal of club membership	-	-	-	28
Purchase of property, plant and equipment	(5,632)	(11,061)	(21,776)	(31,396)
(Placement)/release of short-term bank deposits pledged	(297)	-	1,565	168
Net cash used in investing activities	(7,988)	(11,455)	(29,705)	(32,782)
Cash flows from financing activities				
Dividend paid	-	-	(8,876)	(2,733)
Interest paid	(1,484)	(325)	(3,548)	(963)
Repayment of bank borrowings	(11,804)	(10,838)	(17,713)	(21,608)
Repayment of finance lease liabilities	(2,829)	(1,127)	(6,533)	(2,867)
Proceeds from bank borrowings	18,366	13,774	60,558	41,857
Proceeds from Series 1 Notes	-	49,335	-	49,335
Proceeds from issuance of subsidiary's shares to non- controlling interests	-	90	-	90
Proceeds from rights issue	11,800	-	11,800	-
Purchase of treasury shares	(44)	-	(44)	(135)
Net cash provided by financing activities	14,005	50,909	35,644	62,976
Net increase/(decrease) in cash and cash equivalents	3,710	39,245	(5,218)	30,535
Cash and cash equivalents at beginning of financial period	5,594	4,812	14,522	13,522
Cash and cash equivalents at end of financial period	9,304	44,057	9,304	44,057

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

	As at 30 September 2014 (\$'000)	As at 30 September 2013 (\$'000)
Cash and bank balances	14,250	50,089
Short-term bank deposits pledged	(3,379)	(5,950)
Bank overdrafts included in borrowings	(1,567)	(82)
	9,304	44,057

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.

STATEMENT OF CHANGES IN EQUITY

Group	Share capital (\$'000)	Treasury shares (\$'000)	Retained earnings / (accumulated losses) (\$'000)	Translation reserves (\$'000)	Fair value reserves (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
Balance as at 1 January 2014	58,576	(135)	47,570	(2,024)	95	104,082	2,514	106,596
- Issue of new shares for acquisition of business in prior financial years*	1,000	-	-	-	-	1,000	-	1,000
- Total comprehensive income	-	-	1,968	8	-	1,976	477	2,453
Balance as at 31 March 2014	59,576	(135)	49,538	(2,016)	95	107,058	2,991	110,049
- Dividend paid	-	-	(8,876)	-	-	(8,876)	-	(8,876)
- Issue of new shares for acquisition of business in prior financial years**	850	-	-	-	-	850	-	850
- Total comprehensive income/(loss)	-	-	5,920	(516)	-	5,404	101	5,505
Balance as at 30 June 2014	60,426	(135)	46,582	(2,532)	95	104,436	3,092	107,528
- Issue of new shares pursuant to rights issue	11,800	-	-	-	-	11,800	-	11,800
- Share buy back	-	(44)	-	-	-	(44)	-	(44)
- Award of FY2013 performance shares to employees	(6)	78	-	-	-	72	-	-
- Total comprehensive income	-	-	2,436	65	-	2,501	29	2,530
Balance as at 30 September 2014	72,220	(101)	49,018	(2,467)	95	118,765	3,121	121,886
Balance as at 1 January 2013	53,976	-	34,582	(253)	47	88,352	1,970	90,322
- Issue of new shares for acquisition of business in prior financial years***	1,000	-	-	-	-	1,000	-	1,000
- Total comprehensive income/(loss)	-	-	2,058	(79)	-	1,979	(89)	1,890
Balance as at 31 March 2013	54,976	-	36,640	(332)	47	91,331	1,881	93,212
- Dividend paid	-	-	(2,733)	-	-	(2,733)	-	(2,733)
- Share buy back	-	(135)	-	-	-	(135)	-	(135)
- Issue of new shares for acquisition of business in prior financial years****	3,600	-	-	-	-	3,600	-	3,600
- Issue of subsidiary's share to non-controlling interest	-	-	-	-	-	-	90	90
- Total comprehensive income/(loss)	-	-	5,601	(96)	-	5,505	118	5,623
Balance as at 30 June 2013	58,576	(135)	39,508	(428)	47	97,568	2,089	99,657
- Total comprehensive income/(loss)	-	-	1,593	(1,203)	-	390	202	592
Balance as at 30 September 2013	58,576	(135)	41,101	(1,631)	47	97,958	2,291	100,249

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	Share capital (\$'000)	Treasury shares (\$'000)	Retained earnings / (accumulated losses) (\$'000)	Total equity (\$'000)
Company				
Balance as at 1 January 2014	58,576	(135)	1,200	59,641
- Issue of new shares for acquisition of business in prior financial years*	1,000	-	-	1,000
- Total comprehensive loss	-	-	(825)	(825)
Balance as at 31 March 2014	59,576	(135)	375	59,816
- Dividend paid	-	-	(8,876)	(8,876)
- Issue of new shares for acquisition of business in prior financial years**	850	-	-	850
- Total comprehensive income	-	-	199	199
Balance as at 30 June 2014	60,426	(135)	(8,302)	51,989
- Issue of new shares pursuant to rights issue	11,800	-	-	11,800
- Share buy back	-	(44)	-	(44)
- Award of FY2013 performance shares to employees	(6)	78	-	72
- Total comprehensive loss	-	-	(161)	(161)
Balance as at 30 September 2014	72,220	(101)	(8,463)	63,656
Balance as at 1 January 2013	53,976	-	(1,530)	52,446
- Issue of new shares for acquisition of business in prior financial years***	1,000	-	-	1,000
- Total comprehensive income	-	-	135	135
Balance as at 31 March 2013	54,976	-	(1,395)	53,581
- Dividend paid	-	-	(2,733)	(2,733)
- Share buy back	-	(135)	-	(135)
- Issue of new shares for acquisition of business in prior financial years****	3,600	-	-	3,600
- Total comprehensive loss	-	-	(279)	(279)
Balance as at 30 June 2013	58,576	(135)	(4,407)	54,034
- Total comprehensive loss	-	-	(1,404)	(1,404)
Balance as at 30 September 2013	58,576	(135)	(5,811)	52,630

* The issue of new shares for acquisition of business in prior financial years relates to 3rd tranche of shares issued for acquisition of Team Assets.

** The issue of new shares for acquisition of business in prior financial years relates to 2nd tranche of shares issued for acquisition of Vac-Tech.

*** The issue of new shares for acquisition of business in previous financial year relates to 2nd tranche of shares issued for acquisition of Team Assets.

**** The issue of new shares for acquisition of business in previous financial year relates to 3rd tranche of shares issued for acquisition of Top Great.

- 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 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.**

The details of the changes in issued share capital of the Company from 1 January 2014 to 30 June 2014 are as follows:-

CHANGES IN ISSUED SHARE CAPITAL

	Number of shares (‘000)	Paid-up capital (S\$‘000)
Issued share capital as at 1 January 2014	293,666	58,441
Issue of new shares for acquisition of business in prior financial years*	2,201	1,000
Issued share capital as at 31 March 2014	295,867	59,441
Issue of new shares for acquisition of business in prior financial years**	1,838	850
Issued share capital as at 30 June 2014	297,705	60,291
Issue of new shares pursuant to rights issue	59,541	11,800
Share buy back	(87)	(44)
Award of FY2013 performance shares to employees	144	72
Issued share capital as at 30 September 2014 excluding treasury shares	357,303	72,119

* *The issue of new shares for acquisition of business in prior financial years relates to 3rd tranche of shares issued for acquisition of Team Assets.*

** *The issue of new shares for acquisition of business in prior financial years relates to 2nd tranche of shares issued for acquisition of Vac-Tech.*

On 16 July 2014, the Company issued and allotted 59,540,977 Rights Shares. The Rights Shares rank *pari passu* in all respects with the previously issued shares.

Save as disclosed above, the Company did not have any outstanding options or convertibles as at 30 June 2014 and 31 December 2013.

- 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 2014	As at 31 December 2013
Total number of issued shares (excluding treasury shares) (in ‘000)	357,303	293,666

- 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 are no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 30 September 2014 except for 143,975 shares that were awarded to employees as performance shares on 11 September 2014,

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.

Except as disclosed in Note 5 below, the Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current financial period compared with those audited financial statements for the financial year ended 31 December 2013.

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.

In the current financial period, the Group and the Company adopted the new Financial Reporting Standards ("FRS") and Amendments to FRS that are effective for annual periods beginning on or after 1 January 2014.

The adoption of the new FRSs and Amendments to FRSs did not result in any substantial change to the Group and the Company's accounting policies nor any material impact on the financial statements of the Group.

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 2014		2013	For the nine months ended 30 September 2014	
				2013	
Earnings attributable to equity holders of the Company (\$'000)	2,436	1,593	10,324	9,252	
Weighted average number of shares outstanding for basic EPS ('000)	353,724	332,985	341,380	328,428	
Basic EPS attributable to equity holders of the Company (SGD cents)	0.69	0.48	3.02	2.82	

Basic EPS is computed by dividing the 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. The comparative weighted average number of ordinary shares outstanding have been adjusted for the effect of the bonus element of 39,319,513 shares in relation to the rights issue completed on 16 July 2014.

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 2014	31 December 2013	30 September 2014	31 December 2013
NAV per ordinary share (SGD cents)	33.24	31.26	17.82	17.91
Number of shares used in computation of NAV per share ('000)	357,303	332,985	357,303	332,985

The comparative number of shares used in computation of NAV per share have been adjusted for the effect of the bonus element of 39,319,513 shares in relation to the rights issue completed on 16 July 2014.

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

YTD September 2014 vs YTD September 2013

Revenue

	FY2014		FY2013	
	(\$'000)	(%)	(\$'000)	(%)
<u>Revenue by segment</u>				
Offshore & Engineering	62,857	59	33,572	47
Marine	32,616	31	31,938	45
Energy Services	10,100	10	5,728	8
	105,573	100	71,238	100

Notes:

- (1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
- (2) Marine includes stearngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.
- (3) Energy Services includes oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior for landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

The overall increase in Group's revenue of \$34.3 million or 48% for the nine months ended 30 September 2014 is explained below:

Offshore & Engineering segment

Revenue from Offshore & Engineering segment increased by \$29.3 million or 87% due to:

- New projects awarded in FY2014 from both new and existing customers.
- Increase in revenue from precision engineering business as orders from major Oil & Gas equipment manufacturers started to come in since Q2 FY2014; and
- Revenue contributions of \$14.8 million from the newly acquired subsidiaries.

These also explain the higher revenue from Offshore & Engineering segment in Q3 FY2014 as compared to Q3 FY2013.

Marine segment

Revenue from Marine segment increased marginally by \$678,000 or 2% mainly due to:

- Better utilisation of waterfront facilities for berthing services
- Increase in revenue from diving services of \$192,000
- Increase in demand for sterngear repair services since Q2 FY2014

However, such increases were tapered down by the decrease in demand for sterngear manufacturing which showed a decrease of \$2.7 million for the nine months ended 30 September 2014 as compared to the nine months ended 30 September 2013. This also explains the lower revenue from the Marine segment in Q3 FY2014 as compared to Q3 FY2013.

Energy Services segment

Revenue from Energy Services increased by \$4.4 million or 76% due to:

- Commencement of jobs since FY2013 Q2 after securing long-term contracts with major Oil & Gas customers; and
- Revenue from new services provided to refineries of \$3.6 million.

These also explain the higher revenue from Energy Services segment in Q3 FY2014 as compared to Q3 FY2013.

Cost of sales, gross profit and gross profit margin

YTD September 2014 vs YTD September 2013

Cost of sales and gross profit increased by \$30.6 million or 64% and \$3.7 million or 16% respectively, in tandem with the increase in revenue.

Gross profit margin decreased from 33% in Q3 FY2013 to 26% in Q3 FY2014 mainly due to:

- Lower margin for Offshore & Engineering projects;
- Higher fixed cost for the properties at 42E and 42B Penjuru Road such as land rental and property tax;
- Higher depreciation for the properties at 42B Penjuru Road and 107 Gul Circle, and overhead cost such as utilities and consumables for the new equipment; and
- Increase in salaries and wages due to increase in headcount.

These also explain the fluctuations in cost of sales, gross profit and gross profit margin in Q3 FY2014 as compared to Q3 FY2013.

Other income

YTD September 2014 vs YTD September 2013

Other income increased by \$2.0 million mainly due to increase in government grants, rental income, sales of scrap, net foreign exchange gain, write-back of allowance for impairment of trade receivables and write back of long-outstanding payables.

These also explain the increase in other income in Q3 FY2014 as compared to Q3 FY2013.

Administrative expenses

YTD September 2014 vs YTD September 2013

The Group's administrative expenses increased by \$1.1 million or 8% due to:

- Administrative expenses of the two newly acquired subsidiaries
- Increase in fixed cost in relation to the new property at 42A Penjuru Road (eg land rent and property tax)
- Increase in other administrative expenses such as depreciation of office space at 42B Penjuru Road, insurance expense, and professional and legal fees.

The decrease in administrative expense in Q3 FY2014 as compared to Q3 FY2013 was mainly due to lower staff cost at managerial level as a result of the Group's integration exercise and decrease in administrative expenses such as professional fees and office repairs and maintenance.

Finance expenses

The increase in Group's finance expenses of \$2.6 million is mainly attributable to interest expense on Series 1 Notes of \$2.3 million. This also explains the higher finance cost in Q3 FY2014 as compared to Q3 FY2013.

Income tax

The Group's income tax represent the current income tax provision calculated based on each subsidiaries effective income tax rates ranging from 5% to 10%.

Net profit

The Group's capacity has increased significantly for the nine months ended 30 September 2014 as compared to the same period of FY2013 resulting in higher cost. Despite this, the Group's net profit increased by \$1.4 million or 15% for the nine months ended 30 September 2014.

REVIEW OF FINANCIAL POSITION

Current assets

The increase in current assets of \$26.2 million from \$90.6 million as at 31 December 2013 to \$116.8 million as at 30 September 2014 is mainly attributable to:

- (a) The decrease in cash and cash equivalents of \$8.4 million or 37% from \$22.7 million as at 31 December 2013 to \$14.3 million as at 30 September 2014 is mainly due to the following:
 - Cash used for working capital purposes;
 - Purchase of property, plant and equipment;
 - Payments of FY2013 dividends; and
 - Payments of deferred considerations in relation to prior years' acquisitions.
- (b) The increase in trade and other receivables by \$32.2 million or 55% from \$58.9 million as at 31 December 2013 to \$91.1 million as at 30 September 2014 is due to increase in revenue for the nine months ended 30 September 2014 of 48%.
- (c) The increase in inventories of \$2.4 million or 27% from \$9.0 million as at 31 December 2013 to \$11.5 million as at 30 September 2014 due to the build up of inventory for projects that are expected to be completed in Q4 FY2014 as well as new projects that will commence in Q4 FY2014.

Non-current assets

The increase in non-current assets of \$14.4 million from \$204.5 million as at 31 December 2013 to \$218.9 million as at 30 September 2014 is attributable to increase in property, plant and equipment and deposits for purchase of property, plant and equipment of \$14.4 million or 9% in relation to:

- Acquisition of workshop land in Johor Bahru Malaysia
- Progressive payment for construction of crane barge to support our offshore activities
- Progressive payment for construction of property at 42A Penjuru Road and dormitory at 7 Tuas View Circuit
- Purchases of commercial vehicles and other machinery and equipment

Current liabilities

The increase in current liabilities of \$21.8 million from \$78.5 million as at 31 December 2013 to \$100.3 million as at 30 September 2014 is due to:

- (a) The decrease in trade and other payables of \$13.9 million as compared to the balance as at 31 December 2013 is mainly due to partial settlement of the deferred consideration in relation to prior years' acquisitions.
- (b) The increase in current borrowings of \$34.4 million as compared to current borrowings as at 31 December 2013 due to utilisation of LC/TR, finance leases, as well as drawdown of short-term loans to finance certain purchases of equipment and for working capital purposes.

Non-current liabilities

The increase in non-current liabilities of \$3.6 million from \$110.0 million as at 31 December 2013 to \$113.6 million as at 30 September 2014 is mainly due to reclassification of the amount due to former shareholders of Vac-Tech from current to non-current payable due to the amendments to the sales and purchase agreement.

REVIEW OF CASHFLOW STATEMENT

The Group has a net cash outflow from operating activities of \$11.2 million mainly due to increase in trade and other receivables of \$32.2 million, increase in inventories of \$2.4 million and decrease and trade and other payables of \$1.2 million offset by the cash operating profit of \$25.1 million.

The Group had a net cash outflow from investing activities of \$29.7 million due mainly to purchases of property, plant and equipment of \$21.8 million and payments of deferred consideration relating to prior financial year's acquisitions of \$10.0 million.

The Group's financing activities provided net cash inflow of \$35.6 million due mainly to the proceeds from rights issue of \$11.8 million and borrowings of \$60.6 million offset by repayments of borrowings and finance lease liabilities, and payments of dividends and interest of \$36.7 million.

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.

Our Offshore & Engineering and Energy Services divisions are extending their leadership and now generate 69% of Group's revenue.

Notwithstanding some slowdown in the Oil & Gas sector, the Group expects the Offshore & Engineering segment to perform with relative stability until end of FY2014.

In the Marine segment, the demands for sterngear repair and maintenance services started to increase in Q2 FY2014 whilst the sterngear manufacturing market remains challenging.

Our Energy Services segment has been growing well and we expect this trend to continue.

Group's order book as at 30 September 2014 stands at \$41.3 million (as at 31 December 2013: \$33.5 million).

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.

Not applicable.

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 nine months ended 30 September 2014. 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 the nine months ended 30 September 2014 to be false or misleading in any material aspect.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sim Soon Ngee Glenn
Executive Chairman and Chief Executive Officer

Wong Boon Huat
Executive Director

10 November 2014
