

**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER (“1Q2019”) IN RESPECT OF THE FINANCIAL PERIOD ENDED 31 MARCH 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**

	<b>Group</b>		<b>Increase/ (decrease) (%)</b>
	<b>1Q2019 (\$'000)</b>	<b>1Q2018 (\$'000)</b>	
<b>Revenue</b>	<b>21,312</b>	15,033	42
Cost of sales	<b>(20,125)</b>	(13,496)	49
<b>Gross profit</b>	<b>1,187</b>	1,537	(23)
Other gains – net	<b>1,070</b>	1,203	(11)
Expenses			
- Administrative	<b>(3,239)</b>	(3,776)	(14)
- Finance	<b>(1,996)</b>	(1,401)	42
Loss before income tax	<b>(2,978)</b>	(2,437)	22
Income tax expense	<b>(115)</b>	(172)	(33)
<b>Net loss</b>	<b>(3,093)</b>	(2,609)	19
<b>Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss</b>			
Currency translation differences arising from consolidation <sup>(1)</sup>	<b>51</b>	(200)	NM
<b>Total comprehensive loss</b>	<b>(3,042)</b>	(2,809)	8
<b>Net (loss)/profit attributable to:</b>			
Equity holders of the Company	<b>(3,912)</b>	(3,034)	29
Non-controlling interests	<b>819</b>	425	93
	<b>(3,093)</b>	(2,609)	19
<b>Total comprehensive (loss)/income attributable to:</b>			
Equity holders of the Company	<b>(3,861)</b>	(3,234)	19
Non-controlling interests	<b>819</b>	425	93
	<b>(3,042)</b>	(2,809)	8

Excluding the non-recurring gain on sale of property, plant and equipment of \$530,000 in 1Q2018, 1Q2019 loss before income tax of \$2,978,000 is similar to 1Q2018 loss of \$2,967,000.

(1) The currency translation loss of \$0.2 million recognised in 1Q2018 as compared to currency translation gain of \$51,000 in 1Q2019 was mainly from translation of foreign currency of a former PRC subsidiary which was disposed in 4Q2018.

(2) “NM” denotes not meaningful.

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

	<b>Group</b>		<b>Increase/ (decrease) (%)</b>
	<b>1Q2019 (\$'000)</b>	<b>1Q2018 (\$'000)</b>	
<u>Included in other (charges)/credits-net:</u>			
- Sale of scrap metals	124	143	(13)
- (Loss)/gain on sale of property, plant and equipment <sup>(1)</sup>	(38)	600	NM
- Foreign exchange loss – net	(8)	(63)	(87)
- Government grants <sup>(2)</sup>	101	214	(53)
- Other income	40	25	60
- Rental income <sup>(3)</sup>	700	284	146
- Write-back of allowance for impairment of trade receivables	5	-	NM
- Write-back of long outstanding payables and accruals	146	-	NM
	<b>1,070</b>	<b>1,203</b>	<b>(11)</b>
<u>Included under finance expenses:</u>			
Interest expenses on:			
- Bank borrowings <sup>(4)</sup>	1,876	1,356	38
- Finance lease liabilities <sup>(5)</sup>	-	39	NM
- Bank overdraft	6	6	NM
- Lease liabilities - leasehold land <sup>(5)</sup>	90	-	NM
- Lease liabilities - hire purchase <sup>(5)</sup>	24	-	NM
	<b>1,996</b>	<b>1,401</b>	<b>42</b>
<u>Included under cost of sales and administrative expenses:</u>			
- Depreciation of property, plant and equipment <sup>(6)</sup>	2,817	3,368	(16)
- Depreciation of ROU assets - leasehold land <sup>(5)</sup>	268	-	NM
- Depreciation of ROU assets - hire purchase <sup>(5)</sup>	196	-	NM
	<b>3,281</b>	<b>3,368</b>	<b>(3)</b>
<u>Included under income tax:</u>			
- Under provision of current income tax in prior financial years	-	74	NM

**Notes:**

- (1) Gain on sale of property, plant and equipment in 1Q2018 mainly arose from an incremental adjustment of \$530,000 to the sales consideration for 11 Tuas Basin Close property upon obtaining the approval of JTC on extension of lease tenure to 31 December 2021.
- (2) The decrease in government grants was mainly due to the receipts in 1Q2018 of the Workpro LED Job Redesign Grant from Singapore National Employers Federation ("SNEF") for \$111,000.
- (3) Increase in rental income for 1Q2019 was mainly related to the increase in leasing activities at 42A Penjuru Road property.
- (4) The increase in interest expense of approximately \$0.5 million, from 1.4million in 1Q2018 when compared to 1Q2019 of \$1.9 million was mainly due to the following:
  - interest expense of approximately \$0.4 million in 1Q2019 in relation to construction loan of 42A Penjuru Road which was previously recognised as borrowing costs capitalised in property, plant and equipment in 1Q2018;
  - higher interest rates for certain term loans as a result of contractual repricing of interest rates.
- (5) The interest expense on lease liabilities and depreciation of right-of-use assets in 1Q2019 were resulted from the adoption of SFRS(I) 16 Leases.
- (6) The decrease in depreciation of property, plant and equipment of approximately \$551,000, from \$3.4 million in 1Q2018 to \$2.8 million in 1Q2019 was mainly due to the following:
  - reduction in depreciation of \$110,000 related to a property disposed in 4Q2018;
  - reduction in depreciation of \$60,000 related to assets classified to disposal group in 4Q2018;
  - reduction of depreciation of \$169,000 related to machineries and equipment disposed in FY2018;
  - reclassification of certain fixed assets under hire purchase as explained in Note 5 above.

**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**

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 March 2019 (\$'000)</b>	<b>As at 31 December 2018 (\$'000)</b>	<b>As at 31 March 2019 (\$'000)</b>	<b>As at 31 December 2018 (\$'000)</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	14,709	16,385	6,360	105
Trade and other receivables	22,875	21,701	60,844	67,399
Inventories	5,290	7,918	-	-
Contract assets	8,534	7,008	492	650
	<b>51,408</b>	<b>53,012</b>	<b>67,696</b>	<b>68,154</b>
Assets of disposal group classified as held-for-sale	84,159	74,347	-	-
	<b>135,567</b>	<b>127,359</b>	<b>67,696</b>	<b>68,154</b>
<b>Non-current assets</b>				
Financial assets, FVOCI	102	102	-	-
Investment in subsidiaries	-	-	69,880	69,880
Property, plant and equipment	136,764	119,990	-	-
Deposits for purchase of property, plant and equipment	-	13	-	-
Intangible assets	9,661	9,661	-	-
	<b>146,527</b>	<b>129,766</b>	<b>69,880</b>	<b>69,880</b>
<b>Total assets</b>	<b>282,094</b>	<b>257,125</b>	<b>137,576</b>	<b>138,034</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	25,521	23,967	25,071	24,383
Contract liabilities	2,760	2,407	-	-
Borrowings	116,263	115,927	54,402	54,402
Current income tax liabilities	1,298	1,214	-	-
	<b>145,842</b>	<b>143,515</b>	<b>79,473</b>	<b>78,785</b>
Liabilities directly associated with disposal group classified as held-for-sale	84,014	74,347	-	-
	<b>229,856</b>	<b>217,862</b>	<b>79,473</b>	<b>78,785</b>
<b>Non-current liabilities</b>				
Borrowings	17,179	1,162	-	-
Deferred income tax liabilities	5,151	5,151	-	-
	<b>22,330</b>	<b>6,313</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>252,186</b>	<b>224,175</b>	<b>79,473</b>	<b>78,785</b>
<b>NET ASSETS</b>	<b>29,908</b>	<b>32,950</b>	<b>58,103</b>	<b>59,249</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	92,077	92,077	92,077	92,077
Fair value reserve	25	25	-	-
Other reserve	509	509	-	-
Translation reserve	(498)	(549)	-	-
Accumulated losses	(70,838)	(66,926)	(33,974)	(32,828)
	<b>21,275</b>	<b>25,136</b>	<b>58,103</b>	<b>59,249</b>
Non-controlling interests	8,633	7,814	-	-
<b>Total equity</b>	<b>29,908</b>	<b>32,950</b>	<b>58,103</b>	<b>59,249</b>

**1 (b)(ii) Aggregate amount of group's borrowings and debt securities.**

**Amount repayable in one year or less, or on demand**

	As at 31 March 2019		As at 31 December 2018	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
<b>Borrowings</b>				
Bank borrowings	102,679	10,618	101,506	12,362
Lease liabilities	1,906	-	-	-
Finance lease liabilities	-	-	2,059	-
Current borrowings	104,585	10,618	103,565	12,362
Bank borrowings included in the disposal group classified as held-for-sale	74,347	-	74,347	-
	178,932	10,618	177,912	12,362

**Amount repayable after one year**

	As at 31 March 2019		As at 31 December 2018	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
<b>Borrowings</b>				
Bank borrowings	-	-	980	-
Lease liabilities	266	-	-	-
Finance lease liabilities	-	-	182	-
Non-current borrowings	266	-	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 (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**

	Group	
	1Q2019	1Q2018
	(\$'000)	(\$'000)
<b>Cash flows from operating activities</b>		
Net loss	(3,093)	(2,609)
Adjustments for:		
➤ Income tax expense	115	172
➤ Depreciation of property, plant and equipment	3,281	3,368
➤ Loss/(gain) on disposal of property, plant and equipment	38	(600)
➤ Interest income	(7)	(2)
➤ Interest expense	1,996	1,401
➤ Currency translation differences	(14)	(139)
	<u>2,316</u>	<u>1,591</u>
Changes in working capital:		
➤ Trade and other receivables	(1,174)	(813)
➤ Inventories	2,628	467
➤ Contract assets	(1,526)	220
➤ Trade and other payables	1,599	(583)
➤ Contract liabilities	353	795
Cash generated from operations	<u>4,196</u>	<u>1,677</u>
Interest received	7	2
Income tax paid	(31)	(58)
<b>Net cash provided by operating activities</b>	<u>4,172</u>	<u>1,621</u>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	-	656
Purchase of property, plant and equipment	(1,728)	(1,382)
Release of short-term bank deposits pledged	135	2,060
<b>Net cash (used in)/provided by investing activities</b>	<u>(1,593)</u>	<u>1,334</u>
<b>Cash flows from financing activities</b>		
Interest paid	(1,859)	(1,930)
Repayment of bank borrowings	(3,211)	(8,280)
Repayment of lease liabilities	(710)	-
Repayment of finance lease liabilities	-	(384)
Proceeds from bank borrowings	1,784	4,585
Dividends paid to non-controlling interests	-	(600)
<b>Net cash used in financing activities</b>	<u>(3,996)</u>	<u>(6,609)</u>
Net decrease in cash and cash equivalents	(1,417)	(3,654)
Cash and cash equivalents at beginning of financial period	<u>15,319</u>	<u>11,601</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>13,902</u>	<u>7,947</u>

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

	As at 31 March 2019 (\$'000)	As at 31 March 2018 (\$'000)
Cash and bank balances	14,709	9,013
Short-term bank deposits pledged	(502)	(657)
Bank overdrafts included in borrowings	(305)	(409)
	<u>13,902</u>	<u>7,947</u>

**MENCAST HOLDINGS LTD.**  
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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 (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
<b>Group</b>									
<b>Balance as at 31 December 2018</b>	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)
<b>Balance as at 31 March 2019</b>	<b>92,280</b>	<b>(203)</b>	<b>(70,838)</b>	<b>25</b>	<b>(498)</b>	<b>509</b>	<b>21,275</b>	<b>8,633</b>	<b>29,908</b>

<b>Group</b>									
<b>Balance as at 1 January 2018</b>	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)
<b>Balance as at 31 March 2018</b>	<b>91,950</b>	<b>(203)</b>	<b>(61,795)</b>	<b>32</b>	<b>(927)</b>	<b>509</b>	<b>29,566</b>	<b>7,140</b>	<b>36,706</b>

	Share capital (\$'000)	Treasury shares (\$'000)	Accumulated losses (\$'000)	Total equity (\$'000)
<b>Company</b>				
<b>Balance as at 1 January 2019</b>	92,280	(203)	(32,828)	59,249
Total comprehensive loss	-	-	(1,146)	(1,146)
<b>Balance as at 31 March 2019</b>	<b>92,280</b>	<b>(203)</b>	<b>(33,974)</b>	<b>58,103</b>

<b>Company</b>				
<b>Balance as at 1 January 2018</b>	91,950	(203)	(29,527)	62,220
Total comprehensive loss	-	-	(1,161)	(1,161)
<b>Balance as at 31 March 2018</b>	<b>91,950</b>	<b>(203)</b>	<b>(30,688)</b>	<b>61,059</b>

- 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.**

There were no changes in the issued share capital of the Company since its last issuance on 5 September 2018.

As at 31 March 2019, the total number of treasury shares held was 455,025 (31 March 2018: 455,025).

The Company has no outstanding options or convertibles as at 31 March 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.**

	<b>As at 31 March 2019</b>	<b>As at 31 December 2018</b>
Total number of issued shares (excluding treasury shares) (in '000)	<b>425,919</b>	<b>425,919</b>

- 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 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/liabilities 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:

	<b>1Q2019</b>
	<b>\$'000</b>
<b><u>Consolidated Statement of Comprehensive Income:</u></b>	
(Decrease) in cost of sales and administrative expenses- rental expenses	(503)
Increase in cost of sales and administrative expenses – depreciation of leasehold land	268
Increase in finance expenses on lease liabilities on leasehold land	90
Increase in EBITDA	503
<b><u>Statement of Financial Position:</u></b>	
Increase in current assets- assets of disposal group classified as held-for-sale	9,812
Increase in non-current assets – property, plant and equipment	17,973
Increase in current liabilities – liabilities directly associated with disposal group classified as held-for-sale	9,667
Increase in current liabilities – lease liabilities	1,060
Increase in non-current liabilities – lease liabilities	16,912

**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:**

	<b>Group</b>	
	<b>1Q2019</b>	<b>1Q2018</b>
Net loss attributable to equity holders of the Company (\$'000)	<b>(3,912)</b>	(3,034)
Weighted average number of shares outstanding for basic and diluted EPS ('000)	<b>425,919</b>	422,240
Basic and diluted EPS attributable to equity holders of the Company (SGD cents)	<b>(0.92)</b>	(0.72)

Basic and Diluted EPS is computed by dividing the net loss attributable to the equity holders of the Group 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 1Q2019 and 1Q2018 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”)**

	<b>Group</b>		<b>Company</b>	
	<b>As at</b>		<b>As at</b>	
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
NAV per ordinary share (SGD cents)	<b>5.00</b>	5.90	<b>13.64</b>	13.91
Number of shares used in computation of NAV per share ('000)	<b>425,919</b>	425,919	<b>425,919</b>	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**

**1Q2019 vs 1Q2018**

**Revenue**

<b><u>Revenue by segment</u></b>	<b>1Q2019</b>		<b>1Q2018</b>	
	<b>(\$'000)</b>	<b>(%)</b>	<b>(\$'000)</b>	<b>(%)</b>
Offshore & Engineering	<b>2,391</b>	<b>11</b>	3,539	24
Marine	<b>13,884</b>	<b>65</b>	7,392	49
Energy Services	<b>5,037</b>	<b>24</b>	4,102	27
	<b>21,312</b>	<b>100</b>	15,033	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 and dredging and reclamation works.
- (3) Energy Services include oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior to landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

Overall, Group's revenue in 1Q2019 rose by 42% or \$6.3 million, from \$15.0 million in 1Q2018 to \$21.3 million in 1Q2019. The increase in revenue was mainly attributable to Marine segment and Energy Services registering an increase in revenue of \$6.5 million and \$0.9 million respectively, offset by reduction in revenue of \$1.1 million from the Offshore & Engineering segment.

**Offshore & Engineering segment**

Revenue from the Offshore & Engineering segment for 1Q2019 declined by \$1.1 million or 32%, from \$3.5 million in 1Q2018 to \$2.4 million in 1Q2019. The decrease in revenue was mainly due to lower work orders in the Offshore structure and fabrication business of \$0.9 million and from precision engineering business of \$0.4 million.

#### Marine segment

Revenue for the Marine segment increased by \$6.5 million or 88% to \$13.9 million in 1Q2019 which was attributable to:

- The new dredging and reclamation business of 51%-owned Mencast-KSE Pte Ltd contributed a revenue of \$6.3 million;
- The segment's MRO (maintenance, repairs and overhaul) services recorded a 19% growth in revenue, from \$3.1 million in 1Q2018 to \$3.7 million revenue in 1Q2019;
- Offset by a lower volume activity of \$0.4 million in diving services.

#### Energy Services segment

Revenue from Energy Services segment increased by 23% growth from \$4.1 million in 1Q2018 to \$5.0 million in 1Q2019, due mainly to increase in revenue contributions of \$0.9 million from the Group's waste treatment plant.

#### **Cost of sales, gross profit and gross profit margin**

Cost of sales increased by 49% or \$6.6 million from \$13.5 million in 1Q2018 to \$20.1 million in 1Q2019, in line with the increase in Group's revenue.

Gross profit in 1Q2019 declined by \$0.4 million when compared to 1Q2018, a result of lower revenue contributions from the Offshore & Engineering segment and diving services which were not sufficient to cover its fixed running costs.

#### **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 \$0.6 million from 1Q2018 of \$3.8 million to \$3.2 million in 1Q2019 mainly due to the following:

- reduction in depreciation of \$110,000 related to a property disposed in 4Q2018;
- reduction in depreciation of \$60,000 related to assets classified to disposal group in 4Q2018;
- reduction in employee compensations and welfare of \$285,000 in Energy Services segment in relation to salaries and bonuses of certain key executives resigned in FY2018; 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.

#### **Finance expenses**

Finance expenses increased by \$0.6 million or 42% from \$1.4 million in 1Q2018 to \$2.0 million in 1Q2019 due to additional finance cost for the amortisation of lease liability of \$90,000 and increase from bank borrowings as explained in details in Note 4 in paragraph 1(a)(ii).

### **Income tax**

Income tax expense of the Group in 1Q2019 arose from the current provision for income tax on the profitable Energy services segment. During 1Q2018 the Group recognised an underprovision of income tax expense from Marine and Offshore & Engineering segments of \$74,000 as disclosed in paragraph 1(a)(ii).

### **Loss before income tax**

Consequent to the above, the Group recorded a loss before income tax of \$3.0 million as compared to \$2.4 million in 1Q2018. Excluding the non-recurring gain on sale of property, plant and equipment of \$530,000 in 1Q2018, 1Q2019 loss before income tax of \$2,978,000 is similar to 1Q2018 loss of \$2,967,000.

## **REVIEW OF FINANCIAL POSITION**

### **Current assets**

The Group's current assets as at 31 March 2019 amounted to \$135.6 million, increased by 6% or \$8.2 million as compared to \$127.3 million as at 31 December 2018. The increase was mainly attributable to the following:

- increase in asset of disposal group classified as held-for-sale of \$9.8 million for initial recognition of right-of-use assets on leasehold land for certain properties to be disposed of; partially offset by
- decrease in cash and cash equivalents of \$1.7 million (please refer to detailed Statement of Cash Flows in paragraph 1(c);
- increase in trade and other receivables and contract assets of \$2.7 million which were in line with the revenue growth from the Marine and Energy Services segments but was offset by reduction in inventories of \$2.6 million owing to a lower revenue and work orders from customers in the Offshore & Engineering segment.

### **Non-current assets**

Non-current assets as at 31 March 2019 increased by \$16.8 million as compared to \$129.8 million as at 31 December 2018 mainly due from the following:

- effects of adoption of SFRS(I) 16 Leases on right-of-use assets on leasehold land of \$18.0 million as at 31 March 2019 as disclosed in paragraph 5;
- additions in property, plant and equipment of \$1.8 million mainly from the dredging and reclamation business; offset by
- depreciation expense on property, plant and equipment.

### **Current liabilities**

As at 31 March 2019, current liabilities increased by \$12.0 million or 6% to \$229.9 million, as compared to \$217.9 million as at 31 December 2018, mainly due to:

- effects of adoption of SFRS(I) 16 Leases on lease liabilities under disposal group of approximately \$9.7 million and \$1.1 million respectively as explained in paragraph 5; and
- increase in trade and other payables and contract liabilities by \$1.9 million mainly due to works done in the dredging and reclamation business.

### **Non-current liabilities**

Non-current liabilities increased by \$16.0 million from \$6.3 million as at 31 December 2018 to \$22.3 million as at 31 March 2019 mainly from the increase in lease liabilities as explained in paragraph 5.

#### **REVIEW OF STATEMENT OF CASH FLOWS**

The Group's cash and cash equivalents as at 31 March 2019 were approximately \$13.9 million as compared to \$7.9 million as at 31 December 2018. The Group reported a net cash inflow from operating activities of \$4.2 million in 1Q2019 due mainly to its operating income before changes in working capital of \$4.2 million.

Net cash used in investing activities was \$1.6 million for 1Q2019 due to purchases of property, plant and equipment mainly from dredging and reclamation business of approximately \$1.3 million and \$0.2 million from the Energy Services segment.

Net cash used in financing activities of \$4.0 million during 1Q2019 was mainly a result of repayments of term loans, lease liabilities and payment of interests of approximately \$5.8 million, offset by proceeds from bank borrowings of \$1.8 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.**

The Group reported increases in revenue as compared to previous year same quarter. There has been encouraging increases in customer's enquiries.

Notwithstanding the improved conditions, the Group expects market conditions to be competitive and pressure on margins will persist. As such, the Group is cautious on its industry outlook.

The Group has outstanding orders amounting to approximately \$39.5 million as at 31 March 2019.

**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 and the reason(s) for the decision.**

No interim dividend has been declared or recommended for the current reporting period ended 31 March 2019 as the Group had registered a loss.

**13 Interested Person Transactions**

<b>Name of Interested Person</b>	<b>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>)</b>	<b>Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to <u>Rule 920</u> (excluding transactions less than \$100,000)</b>
	<b>1Q2019 \$'000</b>	<b>1Q2019 \$'000</b>
<b>Vac-Tech Engineering Pte. Ltd.</b>		
- Rental Charges	200	-
- Waste Disposal	181	-

The Group does not have a 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 first quarter ended 31 March 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 31 March 2019, the Group was in net current liabilities position of \$94.3 million.

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

- a) 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.
- b) 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, has 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. As announced on 5th April 2019, the purchaser had on 3rd April 2019 exercised the option.
- 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. The Group had, on 28th March 2019, received in principle agreement to grant an extension of time until 30th September 2019, subject to the final approval of UOB's credit committee.

Further to the above, the Group wishes to update that UOB has, by way of a letter dated 13th May 2019 and addressed to the Group, agreed to the Group's request for the extension of time until 30 September 2019.

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; and
- 3) The Group is able to generate positive cash flow 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 Glendle  
Executive Chairman and Chief Executive Officer

13 May 2019

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