

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE SECOND QUARTER AND SIX MONTHS (“2Q2020” AND “HY2020”) IN RESPECT OF THE FINANCIAL PERIOD ENDED 30 JUNE 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 second quarter ended 30 June			For the half year ended 30 June		
	2Q2020 (\$'000)	2Q2019 (\$'000)	Increase/ (decrease) (%)	HY2020 (\$'000)	HY2019 (\$'000)	Increase/ (decrease) (%)
Continuing Operations						
Revenue	9,348	16,741	(44)	26,787	33,927	(21)
Cost of sales	(8,201)	(13,711)	(40)	(20,887)	(31,248)	(33)
Gross profit	1,147	3,030	(62)	5,900	2,679	120
Other gains – net	2,794	1,017	175	12,746	2,109	504
Expenses						
- Administrative	(2,651)	(2,859)	(7)	(5,476)	(5,742)	(5)
- Finance	(1,606)	(2,076)	(23)	(3,432)	(4,062)	(16)
Share of profit/(loss) of associated company	70	-	NM	(76)	-	NM
(Loss)/profit before income tax	(246)	(888)	(72)	9,662	(5,016)	NM
Income tax	(24)	(5)	380	(24)	(5)	380
(Loss)/profit from continuing operations	(270)	(893)	(70)	9,638	(5,021)	NM
Discontinued operations						
Profit from discontinued operations	-	1,129	NM	-	2,164	NM
Total (loss)/profit	(270)	236	NM	9,638	(2,857)	NM
Other comprehensive income, net of tax						
Items that will not be reclassified subsequently to profit or loss:						
Currency translation differences arising from consolidation ⁽¹⁾	348	30	1,060	3	81	(96)
Total comprehensive gain/(loss)	78	266	(71)	9,641	(2,776)	NM
Net (loss)/profit attributable to :						
Equity holders of the Company	(157)	(872)	(82)	10,548	(4,784)	NM
Non-controlling interests	(113)	1,108	NM	(910)	1,927	NM
	(270)	236	NM	9,638	(2,857)	NM
(Loss)/profit attributable to equity holders of the Company relates to:						
(Loss)/profit from continuing operations	(157)	(1,425)	(89)	10,548	(5,844)	NM
Profit from discontinued operations	-	553	NM	-	1,060	NM
	(157)	(872)	(82)	10,548	(4,784)	NM
Total comprehensive (loss)/income attributable to :						
Equity holders of the Company	191	(842)	NM	10,551	(4,703)	NM
Non-controlling interests	(113)	1,108	NM	(910)	1,927	NM
	78	266	(71)	9,641	(2,776)	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.

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

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

	Group					
	For the second quarter ended 30 June			For the half year ended 30 June		
	2Q2020 (\$'000)	2Q2019 (\$'000)	Increase/ (decrease) (%)	HY2020 (\$'000)	HY2019 (\$'000)	Increase/ (decrease) (%)
Continuing operations:						
<u>Included in Other (charges)/credits – net:</u>						
- Foreign exchange gain/(loss), net	47	(14)	NM	41	(16)	NM
- Gain on sale/write-off of property, plant and equipment	-	14	NM	-	14	NM
- Government grants ⁽¹⁾	1,673	107	1,464	1,901	190	901
- Rental income ⁽²⁾	936	756	24	1,901	1,456	31
- Reversal of creditor's balances ⁽³⁾	-	-	-	8,629	-	NM
- Sale of scrap metals ⁽⁴⁾	103	102	1	203	226	(10)
- Write-back of allowance for impairment of trade receivables	-	-	-	-	5	NM
- Write-off of trade receivables	-	-	-	(72)	-	NM
- Write-back of long outstanding payables ⁽⁵⁾	-	-	-	3	146	(98)
- Other income, net ⁽⁶⁾	35	52	(33)	140	88	59
	2,794	1,017	175	12,746	2,109	504
<u>Included under finance expenses:</u>						
<u>Interest expenses on:</u>						
- Bank borrowings	1,435	1,961	(27)	3,089	3,837	(19)
- Bank overdraft	4	5	(20)	9	11	(18)
- Lease liabilities - leasehold land	153	92	66	305	182	68
- Lease liabilities - hire purchase	14	18	(22)	29	32	(9)
	1,606	2,076	(23)	3,432	4,062	(16)
<u>Included under cost of sales and administrative expenses:</u>						
- Depreciation of property, plant and equipment	2,276	2,376	(4)	4,529	4,770	(5)
- Depreciation of ROU assets - leasehold land	285	269	6	553	537	3
- Depreciation of ROU assets - hire purchase	82	88	(7)	165	174	(5)
	2,643	2,733	(3)	5,247	5,481	(4)
<u>Included under income tax:</u>						
- Under-provision of current income tax in prior financial years ⁽⁷⁾	24	5	380	24	5	380
Included in Discontinued operations:						
- Foreign exchange loss, net	-	(6)	NM	-	(12)	NM
- Loss on sale of property, plant and equipment	-	(118)	NM	-	(156)	NM
- Government grants	-	(122)	NM	-	(104)	NM
- Other income	-	5	NM	-	9	NM
- Interest expense from lease liabilities- hire purchase	-	(29)	NM	-	(39)	NM
- Depreciation of property, plant and equipment	-	(419)	NM	-	(842)	NM
- Depreciation of ROU assets - hire purchase	-	(111)	NM	-	(221)	NM
	-	(800)	NM	-	(1,365)	NM

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

Notes:

- (1) Increase in government grant receipts in 2Q2020/HY2020 was mainly due to receipts from:
 - a. Job Support Scheme - \$1.0 million;
 - b. Foreign Workers Levy rebates and waiver - \$0.4 million;
 - c. SWDA Skills Future SG - \$0.1 million
 - d. ASMI's Marine Professional Conversion Programme- \$0.1 million.
- (2) Increase in rental income in 2Q2020/HY2020 was mainly related to the increase in lease rental activities in the Group's properties.
- (3) 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.
- (4) Decrease in sale of scrap materials in HY2020 was mainly due to lower scrap sale, in line with a lower revenue in the Marine segment's MRO services.
- (5) Decrease in write-back of long outstanding payables in HY2020 was mainly due to one-off reversal of long overdue payables of \$146,000 in HY2019 from the heat exchange business.
- (6) Other income relates to interest income and miscellaneous income/expense.
The increase in other income for HY2020 was mainly due to the receipt of an insurance claim over a vessel of the Group.
- (7) For 2Q2020/HY2020, the under-provision of current income tax in prior financial years arose from a Malaysian subsidiary.

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 June 2020 (\$'000)	As at 31 December 2019 (\$'000)	As at 30 June 2020 (\$'000)	As at 31 December 2019 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	17,551	18,314	4,367	7,934
Trade and other receivables	14,269	14,931	63,672	60,493
Inventories	4,957	4,748	-	-
Contract assets	2,421	2,945	444	636
	39,198	40,938	68,483	69,063
Assets of disposal group classified as held-for-sale	74,044	74,044	-	-
	113,242	114,982	68,483	69,063
Non-current assets				
Financial assets, at FVOCI	95	95	-	-
Investments in subsidiary corporations	-	-	59,680	59,680
Investment in an associate company	3,957	4,033	-	-
Property, plant and equipment	118,851	118,667	235	262
Deposits for purchase of property, plant and equipment	5	6	-	-
Intangible assets	4,781	4,781	-	-
	127,689	127,582	59,915	59,942
Total assets	240,931	242,564	128,398	129,005
LIABILITIES				
Current liabilities				
Trade and other payables	13,927	21,004	25,520	24,486
Contract liabilities	2,225	3,459	-	-
Borrowings	101,673	103,905	53,348	53,348
Current income tax liabilities	805	796	-	-
	118,630	129,164	78,868	77,834
Liabilities directly associated with disposal group classified as held-for-sale	73,304	73,557	-	-
	191,934	202,721	78,868	77,834
Non-current liabilities				
Borrowings	16,327	16,814	-	-
Deferred income tax liabilities	3,588	3,588	-	-
	19,915	20,402	-	-
Total liabilities	211,849	223,123	78,868	77,834
NET ASSETS	29,082	19,441	49,530	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	(431)	(434)	-	-
Accumulated losses	(64,915)	(75,463)	(42,818)	(41,177)
	27,020	16,469	49,530	51,171
Non-controlling interests	2,062	2,972	-	-
Total equity	29,082	19,441	49,530	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 30 June 2020		As at 31 December 2019	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	89,560	10,416	91,812	10,416
Lease liabilities – hire purchase	825	-	837	-
Current borrowings	90,385	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	10,416
	156,602	10,416	158,866	10,416

Amount repayable after one year

	As at 30 June 2020		As at 31 December 2019	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	-	-	-	-
Lease liabilities- hire purchase	167	-	223	-
Non-current borrowings	167	-	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.

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

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 second quarter ended 30 June		For the half year ended 30 June	
	2Q2020 (\$'000)	2Q2019 (\$'000)	HY2020 (\$'000)	HY2019 (\$'000)
Cash flows from operating activities				
Net loss	(270)	236	9,638	(2,857)
Adjustments for:				
- Income tax	24	131	24	246
- Depreciation of property, plant and equipment	2,643	3,263	5,247	6,544
- Loss on disposal of property, plant and equipment	-	104	-	142
- Dividend income from financial assets, FVOCI	-	(2)	-	(2)
- Reversal of creditor's balances	-	-	(8,629)	-
- Share of profit of associated company	(70)	-	76	-
- Interest income	(19)	(15)	(39)	(22)
- Interest expense	1,606	2,105	3,432	4,101
- Currency translation differences	(85)	(3)	(6)	(17)
	3,829	5,819	9,743	8,135
Changes in working capital:				
- Trade and other receivables	2,269	630	647	(544)
- Inventories	(36)	1,415	(209)	4,043
- Contract assets	1,779	1,071	524	(455)
- Trade and other payables	531	(3,375)	1,547	(1,776)
- Contract liabilities	(598)	(365)	(1,234)	(12)
Cash generated from operations	7,774	5,195	11,018	9,391
Interest received	19	15	39	22
Income tax paid	-	(217)	-	(248)
Net cash provided by operating activities	7,793	4,993	11,057	9,165
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	8	41	8	41
Dividend income from financial assets, at FVOCI	-	2	-	2
Purchase of property, plant and equipment	(2,641)	(1,343)	(5,396)	(3,071)
Release of short-term bank deposits pledged	-	-	(1)	135
Net cash used in investing activities	(2,633)	(1,300)	(5,389)	(2,893)
Cash flows from financing activities				
Interest paid	(1,449)	(2,015)	(3,123)	(3,874)
Repayment of bank borrowings	(1,093)	(1,624)	(2,998)	(4,835)
Repayment lease liabilities	(537)	(615)	(1,057)	(1,325)
Proceeds from bank borrowings	191	1,215	744	2,999
Dividends paid to non-controlling interests	-	(1,500)	-	(1,500)
Net cash used in financing activities	(2,888)	(4,539)	(6,434)	(8,535)
Net increase/(decrease) in cash and cash equivalents	2,272	(846)	(766)	2,263
Cash and cash equivalents at beginning of financial period	14,475	13,902	17,513	15,319
Cash and cash equivalents at end of financial period	16,747	13,056	16,747	13,056

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

	As at 30 June 2020 (\$'000)	As at 30 June 2019 (\$'000)
Cash and bank balances	17,551	12,756
Short-term bank deposits pledged	(504)	(502)
Bank overdrafts included in borrowings	(300)	(315)
	16,747	11,939

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

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital (\$'000)	Treasury shares (\$'000)	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
Total comprehensive (loss)/income	-	-	(157)	-	348	-	191	(113)	78
Balance as at 30 June 2020	92,551	(203)	(64,915)	18	(431)	-	27,020	2,062	29,082
Group									
Balance as at 1 January 2019	92,280	(203)	(66,926)	25	(549)	509	25,136	7,814	32,950
Total comprehensive (loss)/income	-	-	(3,912)	-	51	-	(3,861)	819	(3,042)
Balance as at 31 Mar 2019	92,280	(203)	(70,838)	25	(498)	509	21,275	8,633	29,908
Total comprehensive (loss)/income	-	-	(872)	-	30	-	(842)	1,108	266
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,500)	(1,500)
Balance as at 30 June 2019	92,280	(203)	(71,710)	25	(468)	509	20,433	8,241	28,674

* 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.

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

	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
Total comprehensive loss	-	-	(816)	(816)
Balance as at 30 June 2020	92,551	(203)	(42,818)	49,530
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
Total comprehensive loss	-	-	(939)	(939)
Balance as at 30 June 2019	92,280	(203)	(34,913)	57,164

- 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 30 June 2020, there are no changes in the Company's share capital since its last reporting period ended 31 March 2020.

As at 30 June 2020, the total number of treasury shares held was 455,025 (30 June 2019: 455,025).

The Company has no outstanding options or convertibles as at 30 June 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 30 June 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 30 June 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.

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

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 second quarter ended 30 June					
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	2Q2020	2Q2020	2Q2020	2Q2019	2Q2019	2Q2019
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(157)	-	(157)	(1,425)	553	(872)
Weighted average number of shares outstanding for basic ('000)	428,849	-	428,849	425,919	425,919	425,919
Basic EPS attributable to equity holders of the Company (SGD cents)	(0.04)	-	(0.04)	(0.33)	0.13	(0.20)
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(157)	-	(157)	(1,425)	553	(872)
Adjustment for 2019 Performance Shares Award to be issued	(240)	-	(240)	-	-	-
Adjusted net (loss)/profit to equity holders of the Company for Diluted EPS	(397)	-	(397)	(1,425)	553	(872)
Weighted average number of shares outstanding for basic ('000)	428,849	-	428,849	425,919	425,919	425,919
Adjustment for 2019 Performance Shares Award to be issued	13,338	-	13,338	-	-	-
Adjusted weighted average number of shares outstanding for Diluted EPS	442,187	-	442,187	425,919	425,919	425,919
Diluted EPS attributable to equity holders of the Company (SGD cents)	(0.09)	-	(0.09)	(0.33)	0.13	(0.20)

	The Group					
	For the half year ended 30 June					
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	HY2020	HY2020	HY2020	HY2019	HY2019	HY2019
Net(loss)/profit attributable to equity holders of the Company (\$'000)	10,548	-	10,548	(5,844)	1,060	(4,784)
Weighted average number of shares outstanding for basic EPS ('000)	428,849	-	428,849	425,919	425,919	425,919
Basic EPS attributable to equity holders of the Company (SGD cents)	2.46	-	2.46	(1.37)	0.25	(1.12)

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

	The Group					
	For the half year ended 30 June					
	Continuing operations HY2020	Discontinued operations HY2020	Total HY2020	Continuing operations HY2019	Discontinued operations HY2019	Total HY2019
Net(loss)/profit attributable to equity holders of the Company (\$'000)	10,548	-	10,548	(5,844)	1,060	(4,784)
Adjustment for 2019 Performance Shares Award to be issued	(240)	-	(240)	-	-	-
Adjusted net profit/(loss) to equity holders of the Company for Diluted EPS	10,308	-	10,308	(5,844)	1,060	(4,784)
Weighted average number of shares outstanding for basic EPS ('000)	428,849	-	428,849	425,919	425,919	425,919
Adjustment for 2019 Performance Shares Award to be issued	13,338	-	13,338	-	-	-
Adjusted weighted average number of shares outstanding for Diluted EPS	442,187	-	442,187	425,919	425,919	425,919
Diluted EPS attributable to equity holders of the Company (SGD cents)	2.33	-	2.33	(1.37)	0.25	(1.12)

Basic EPS is computed by dividing the net (loss)/profit 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.

For the purpose of calculating Diluted EPS, (loss)/profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

- 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.

	Group		Company	
	As at		As at	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
NAV per ordinary share (SGD cents)	6.30	3.84	11.55	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

2Q2020 vs 2Q2019 and HY2020 vs HY2019

Revenue

<u>Revenue by Segment</u>	<u>2Q2020</u>		<u>2Q2019</u>		<u>HY2020</u>		<u>HY2019</u>	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Offshore & Engineering	2,907	31	2,688	16	6,185	23	5,079	15
Marine	4,248	45	13,318	80	15,274	57	27,202	80
Energy Services	2,193	24	735	4	5,328	20	1,646	5
	9,348	100	16,741	100	26,787	100	33,927	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) 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.

Group's revenue for HY2020 decreased by \$7.14 million or 21% to \$26.79 million as compared to \$33.93 million in HY2019. The decrease was largely attributable to a decline of approximately \$11.93 million in revenue for the Marine segment, offset by an increase in work volume in the Energy Services segment and Offshore & Engineering segment.

Offshore & Engineering segment

The revenue from Offshore & Engineering segment ("O&E") of \$6.18 million in HY2020 rose by \$1.11 million or 22% as compared to \$5.08 million during HY2019 mainly due to:

- increase in revenue contribution from precision engineering business by \$1.20 million or 54% from \$2.22 million in HY2019 to \$3.42 million during HY2020;
- increase in work orders from the rope access business by approximately \$0.61 million; offset by
- lower work orders in the offshore structure and fabrication business, from \$2.31 million in HY2019 to \$1.41 million in HY2020.

These also explain the \$0.22 million increase in revenue from Offshore & Engineering segment in 2Q2020 as compared to 2Q2019.

Marine segment

Revenue for the Marine segment declined by \$11.93 million or 44%, from \$27.20 million during HY2019 to \$15.27 million in HY2020 due to the following:

- decrease in revenue contribution from dredging and reclamation business by \$9.39 million from \$11.95 million in HY2019 to \$2.56 million in HY2020 primarily due to a temporary suspension of business activities during the circuit breaker period;
- decline in the segment's MRO (maintenance, repairs and overhaul) services by \$1.27 million to \$4.69 million in HY2020 as compared to \$5.96 million in HY2019 due to lower orders from customers; and
- revenue for new built propellers and diving services reduced by \$0.80 million and \$0.47 million respectively.

2Q2020 revenue from Marine segment were adversely impacted by workforce and supply chain disruptions associated with Covid-19. Overall, it registered a decline of \$9.07 million or 68% from \$13.32 million in 2Q2019 to \$4.25 million in 2Q2020, mainly due to:

- decrease in dredging and reclamation revenue by \$5.60 million arising from the temporary suspension of business activities during the circuit breaker period;
- decrease in revenue for new built propellers by approximately 60% or \$2.58 million as compared to \$4.31 million in 2Q2019 arising from lower deliveries;
- lower work orders from customers under the MRO services and diving services by \$0.42 million and \$0.47 million respectively.

Energy Services segment

Revenue from the waste management business in HY2020 rose by \$3.68 million from \$1.65 million in HY2019 to \$5.33 million in HY2020, due mainly to a larger customer base as well as higher demands from recurring customers.

These also explained the fluctuation in revenue in 2Q2020 as compared to 2Q2019.

Cost of sales, gross profit and gross profit margin

Cost of sales decreased by 33% or \$10.36 million, from \$31.25 million in HY2019 to \$20.89 million in HY2020, which is in line with the decline in revenue from the dredging and reclamation business.

Gross profit in HY2020 of \$5.90 million was higher by \$3.22 million when compared to HY2019 of \$2.68 million due mainly to:

- higher gross profit contribution from the Energy segment waste management business and from O&E segment's precision engineering business and rope access services; mitigated by
- a gross loss from the dredging and reclamation business and lower gross margin from the offshore structure and fabrication business.

Consequently, gross profit margin for HY2020 increased by 14%, from 8% in HY2019 to 22% in HY2020.

These also explained the fluctuations in cost of sales, gross profit and gross profit margin in 2Q2020 as compared to 2Q2019.

Other gains/(losses) - net

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

Administrative expenses

Administrative expenses decreased marginally by approximately \$0.27 million or 5%, from \$5.74 million in HY2019 to \$5.48 million in HY2020 mainly due to lower employees compensation as a result of temporary pay-cut across the Group beginning June 2020 and reduction in travelling and transportation expenses.

The above also explained the decrease in administrative expenses in 2Q2020 as compared to 2Q2019.

Finance expenses

The overall finance expenses of the Group (as detailed in paragraph 1(a)(ii)) declined by \$0.63 million or 16%, from \$4.06 million in HY2019 to \$3.43 million due mainly to lower interest expenses arising from a reduction in the Group's borrowings (\$167.2 million as at HY2020 as compared to \$189.4 million as at HY2019), in line with the Group's asset divestment exercises undertaken in 2019.

This also explained the decrease in finance expenses in 2Q2020 as compared to 2Q2019.

Share of profit of Associated company

Following the completion of disposal of 50% equity interest in Vac-Tech in prior year, the Group recognised a share of profit/(loss) of associated company of \$70,000/(\$76,000) for the period ended 2Q2020/HY2020 from its 20% retained investment as compared to profit from discontinued operations of Vac-Tech of \$1.13 million/\$2.16 million as of 2Q2020/HY2020.

Income tax

The tax expense of the Group in HY2020/2Q2020 arose from the under-provision of current income tax in prior years as disclosed in paragraph 1(a)(ii).

There was no provision for current income tax in HY2020/2Q2020 as the Group has unrecognised tax losses and capital allowance as at balance sheet date that can be carried forward and utilised 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 \$9.64 million for HY2020 as compared to a loss from continuing operation of \$5.02 million for HY2019.

Excluding the non-recurring gain of \$8.63 million (as explained in Note 3 of paragraph 1(a)(ii)), profit from continuing operations for HY2020 would have been \$1.01 million, a result of the Group's continuous efforts in restructuring the businesses of its under-performing businesses.

The Group's total loss for 2Q2020 was \$270,000 which was mainly attributed to the cessation of dredging and reclamation business activities of the Group during the circuit breaker period in early April 2020.

REVIEW OF FINANCIAL POSITION

Current assets

The decrease in current assets of \$1.74 million or 2% from \$114.98 million as at 31 December 2019 to \$113.24 million as at 30 June 2020 was mainly due to the following:

- decrease in trade and other receivables of \$0.67 million was mainly due to higher collection of receivables, a result of intensified monitoring and follow up efforts;
- the reduction in contract assets of \$0.52 million was a result of higher billings to customers where the right to payment had become unconditional. These billings were mainly related to the Group's diving business;
- decrease in cash and cash equivalents of \$0.76 million (please refer to detailed Statement of Cash Flows in paragraph 1(c)); offset with
- increase in inventories of \$0.21 million or 4% was mainly due to higher work-in-progress inventories for new built propellers under the Marine segment.

Non-current assets

Overall, the Group's non-current assets of \$127.69 million remains stable for the period/year ended 30 June 2020 and 31 December 2019 due to the following:

- additions in property, plant and equipment of \$5.40 million mainly arose from the purchase of a dredger of \$4.1 million and capital expenditures incurred by the Energy Services segment of approximately \$1.04 million; offset by
- depreciation expense on property, plant and equipment and ROU assets of \$5.25 million;
- decrease in investment in an associated company by \$0.08 million as explained above.

Current liabilities

Current liabilities as at 30 June 2020 decreased by \$10.79 million or 5%, from \$202.72 million as at 31 December 2019 to \$191.93 million as at 30 June 2020, mainly due to:

- decrease in trade and other payables of \$7.08 million was mainly due to the reversal of creditor balances of \$8.63 million pertaining to retention sum and insurance bond, as explained in Paragraph 1(a)(ii) (3), and a net increase in payable balances of \$1.55 million due to slower payments;
- net reduction in current bank borrowings of \$2.25 million due to full settlement of a term loan of \$1.36 million for the dredging and reclamation business. The balance amount of \$0.89 million was related to settlement of invoice financing due; and
- the reduction in contract liabilities of \$1.23 million was mainly related to the reversal of advance payments received from customers upon the delivery of finished goods and completion of work orders for the Marine segment and Offshore & Engineering segment respectively.

Non-current liabilities

Non-current liabilities of the Group decreased by \$0.49 million, from \$20.40 million as at 31 December 2019 to \$19.91 million as at 30 June 2020, mainly due to a decrease in lease liabilities arising from monthly amortisation and repayment of JTC leases and hire purchases.

REVIEW OF STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents as at 30 June 2020 were approximately \$16.75 million. The Group registered a net cash inflow from operating activities of \$11.06 million during HY2020 mainly from its operating income before changes in working capital of \$9.74 million and additional \$1.28 million from the net changes in working capital as explained above.

Net cash used in investing activities was \$5.39 million for HY2020 mainly arose from the capital investments in dredging and reclamation business and Energy services segment as explained in non-current assets.

Net cash used in financing activities of \$6.43 million during HY2020 was mainly a result of repayments of term loans, lease liabilities and payment of interests of approximately \$7.18 million, offset by proceeds from bank borrowings of \$0.75 million.

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

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" as of 30 June 2019 and its prior period/year financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income. On 1 July 2019, the control over the subsidiary has been transferred to the purchaser 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 HY2019 from Discontinued Operations are presented as follows:

	HY2019 \$'000
Revenue	9,832
Cost of sales	<u>(6,335)</u>
Gross profit	3,497
Other losses – net	(263)
Expenses	
- Administrative	(790)
- Finance	<u>(39)</u>
Profit before income tax	2,405
Income tax expense	<u>(241)</u>
Total comprehensive income, representing net profit	<u>2,164</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 COVID-19 pandemic has severely impacted the global economy and brought about significant market volatility. Though the Group does not operate in the worst affected areas, our businesses serving largely the marine, offshore, oil and gas, energy industries have inevitably been affected by reduced global economic activity, lower oil prices, as well as work and movement restrictions in many countries, including Singapore.

So far this year, the Group's MRO services ("Maintenance, Repairs & Overhaul) and waste management business have remained largely operational, albeit with a reduced workforce. However, dredging and reclamation activities were ceased during the Phase 2 Circuit Breaker Period.

Slower activity in the Offshore and Marine sectors are expected to lead to fewer business enquiries, deferment of deliveries and a slow-down in work orders. The precautionary measures since the onset of the COVID-19 outbreak is also likely to increase costs, which include the cost of procedures to meet Safe Management Measures.

Amidst the unprecedented and uncertain business conditions, the Group will continue to monitor closely on the evolving situation and actively exercise prudence in managing operational costs.

The Group will continue to develop and enhance the capabilities of growth areas such as its waste management business which has continued to provide a diversified revenue stream with growing contributions. This segment is expected to increase capacity to meet its expanding customer base and will serve to reduce the Group's reliance on the marine, offshore and O&G industry that it currently operates in.

The Group will continue to monitor the development of the COVID-19 outbreak and 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 30 June 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 30 June 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 second quarter ended 30 June 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 \$78.7 million as at 30 June 2020.

As announced in the Group's quarterly results announcements over the past and previous financial year, the ability of the Group to continue as a going concern is contingent upon the continual support from its 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 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 include 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 finalisation 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, RSMCA, in respect of its refinancing under the DRA, 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.

Further to our announcement on 12 June 2020, we update that our discussions with the lenders have progressed substantially. Lawyers representing the Company and lenders are currently at the final stage of drafting the legal documents for the revised debt refinancing plan.

The Company is mindful of the 31st August 2020 deadline in relation thereto the extension of time and is expending all efforts to conclude a definitive agreement by this date. However, at the date of this announcement, there is no definitive agreement 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. 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.

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

14 August 2020
