

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS (“3Q2020” AND “9M2020”) IN RESPECT OF THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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 third quarter ended 30 September			For the nine months ended 30 September		
	3Q2020 (\$'000)	3Q2019 (\$'000) (Restated ³)	Increase/ (decrease) (%)	9M2020 (\$'000)	9M2019 (\$'000) (Restated ³)	Increase/ (decrease) (%)
Continuing Operations						
Revenue	10,671	8,906	20	34,894	30,881	13
Cost of sales	(8,767)	(8,123)	8	(25,300)	(29,267)	(14)
Gross profit	1,904	783	143	9,594	1,614	494
Other gains – net	1,587	2,636	(40)	14,333	4,745	202
Expenses						
- Administrative	(2,590)	(3,212)	(19)	(8,052)	(8,863)	(9)
- Finance	(1,172)	(2,052)	(43)	(4,593)	(6,044)	(24)
Share of profit of associated company	93	77	21	17	77	(78)
(Loss)/profit before income tax	(178)	(1,768)	(90)	11,299	(8,471)	NM
Income tax	-	6	NM	(24)	1	NM
(Loss)/profit from continuing operations	(178)	(1,762)	(90)	11,275	(8,470)	NM
Discontinued operations						
(Loss)/profit from discontinued operations	(535)	(614)	(13)	(2,350)	3,237	NM
Total (loss)/profit	(713)	(2,376)	(70)	8,925	(5,233)	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⁾	(171)	49	NM	(168)	130	NM
Total comprehensive (loss)/gain	(884)	(2,327)	(62)	8,757	(5,103)	NM
Net (loss)/profit attributable to :						
Equity holders of the Company	(469)	(2,205)	(79)	10,079	(6,989)	NM
Non-controlling interests	(244)	(171)	43	(1,154)	1,756	NM
	(713)	(2,376)	(70)	8,925	(5,233)	NM
(Loss)/profit attributable to equity holders of the Company relates to:						
(Loss)/profit from continuing operations	(196)	(2,224)	(91)	11,278	(8,929)	NM
(Loss)/profit from discontinued operations	(273)	19	NM	(1,199)	1,940	NM
	(469)	(2,205)	(79)	10,079	(6,989)	NM
Total comprehensive (loss)/income attributable to :						
Equity holders of the Company	(640)	(2,156)	(70)	9,911	(6,859)	NM
Non-controlling interests	(244)	(171)	43	(1,154)	1,756	NM
	(884)	(2,327)	(62)	8,757	(5,103)	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.

(3) The 3Q2019/9M2019 Consolidated Statement of Comprehensive Income were re-stated in compliance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations following the Group’s decision to sell its 51% equity interest in Mencast-KSE Pte. Ltd. (“MKSE”). Please see full details in Paragraph 8-Discontinued operations and Disposal of Subsidiaries classified as held-for-sale.

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

	Group					
	For the third quarter ended			For the nine months ended		
	30 September			30 September		
	3Q2020	3Q2019	Increase/ (decrease)	9M2020	9M2019	Increase/ (decrease)
	(\$'000)	(\$'000)	(%)	(\$'000)	(\$'000)	(%)
		(Restated)			(Restated)	
Continuing operations:						
<u>Included in Other (charges)/credits – net:</u>						
- Foreign exchange (loss)/gain, net ⁽¹⁾	(117)	51	NM	(76)	35	NM
- Gain on re-measurement of retained investment ⁽²⁾	-	1,456	NM	-	1,456	NM
- Loss on sale/write-off of property, plant and equipment ⁽³⁾	(205)	(167)	23	(205)	(153)	34
- Government grants ⁽⁴⁾	1,239	18	6,783	3,140	208	1,410
- Rental income ⁽⁵⁾	915	810	13	2,816	2,266	24
- Reversal of creditor's balances, net ⁽⁶⁾	(400)	-	NM	8,229	-	NM
- Sale of scrap metals ⁽⁷⁾	101	183	(45)	304	409	(26)
- Write-back of allowance for impairment of trade receivables	-	-	-	-	5	NM
- Write-off of trade receivables	-	-	-	(72)	-	NM
- Write-back of long outstanding payables ⁽⁸⁾	-	39	NM	3	185	(98)
- Other income, net ⁽⁹⁾	54	246	(78)	194	334	(42)
	1,587	2,636	(40)	14,333	4,745	202
<u>Included under finance expenses:</u>						
<u>Interest expenses on:</u>						
- Bank borrowings ⁽¹⁰⁾	1,010	1,939	(48)	4,088	5,706	(28)
- Bank overdraft	5	5	-	14	16	(13)
- Lease liabilities - leasehold land ⁽¹⁰⁾	149	91	64	454	273	66
- Lease liabilities - hire purchase ⁽¹⁰⁾	8	17	(53)	37	49	(24)
	1,172	2,052	(43)	4,593	6,044	(24)
<u>Included under cost of sales and administrative expenses:</u>						
- Depreciation of property, plant and equipment ⁽¹¹⁾	2,161	2,305	(6)	6,447	6,926	(7)
- Depreciation of ROU assets - leasehold land	272	268	1	825	805	2
- Depreciation of ROU assets - hire purchase ⁽¹¹⁾	43	92	(53)	208	266	(22)
	2,476	2,665	(7)	7,480	7,997	(6)
<u>Included under income tax:</u>						
- (Over)/under-provision of current income tax in prior financial years ⁽¹²⁾	-	(5)	NM	24	-	NM
<u>Included in Discontinued operations:</u>						
- Foreign exchange loss, net	-	-	-	-	(12)	NM
- Gain on disposal of a subsidiary classified as held-for-sale ⁽¹³⁾	-	943	NM	-	943	NM
- Government grants	-	-	-	-	(104)	NM
- Loss on sale of property, plant and equipment	-	-	-	-	(156)	NM
- Other income	-	-	-	-	9	NM
- Interest expense from bank borrowings	-	(32)	NM	(11)	(102)	(89)
- Interest expense from lease liabilities- hire purchase	-	-	-	-	(39)	NM
- Depreciation of property, plant and equipment	(153)	(83)	84	(396)	(1,074)	(63)
- Depreciation of ROU assets - hire purchase	-	-	-	-	(221)	NM
	(153)	828	NM	(407)	(756)	(46)

MENCAST HOLDINGS LTD.
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(Company Registration Number: 200802235C)

Notes:

- (1) Foreign exchange loss in 3Q2020/9M2020 was mainly due to weakening of Indonesia Rupiah currency over SGD/USD.
- (2) Gain on re-measurement of retained investment in 3Q2019/9M2019 was due to the retention of 20% equity interest in Vac-Tech Pte. Ltd. ("Vac-Tech"), re-measured at fair value as explained in paragraph 8-Discontinued operations and Disposal of Subsidiaries classified as held-for-sale.
- (3) Loss on disposal of property, plant and equipment in 3Q2020/9M2020 was mainly due to disposal of under-utilised vessel from Marine's diving services.
Loss on sale of property, plant and equipment in 3Q2019/9M2019 was mainly due to the sale of old machinery & equipment arising from the relocation of the Group's propulsion operation to Penjuru property, under the Marine segment.
- (4) Increase in government grant receipts in 3Q2020/9M2020 was mainly due to receipts from:
 - a. Job Support Scheme - \$1.53 million;
 - b. Foreign Workers Levy rebates and waiver - \$0.95 million;
 - c. Property tax rebates - \$0.17 million;
 - d. ASMI's Marine Professional Conversion Programme- \$0.16 million
 - e. SNEF Work Pro - \$0.14 million
- (5) Increase in rental income in 3Q2020/9M2020 was mainly related to the increase in lease rental activities in the Group's properties.
- (6) Gain from reversal of creditor balances, net arose from
 - a. 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 offset with;
 - b. a full and final settlement of \$0.4 million for all claims in connection with a legal suit brought by a sub-contractor against a subsidiary of the Company, as announced on 24 August 2020.
- (7) Decrease in sale of scrap materials in 3Q2020/9M2020 was mainly due to lower scrap sale, in line with a lower revenue in the Marine segment's MRO services.
- (8) Decrease in write-back of long outstanding payables in 9M2020 was mainly due to one-off reversal of long overdue payables of \$146,000 in 9M2019 from the heat exchange business.
- (9) Other income relates to interest income and miscellaneous income/expense.
Other income for 9M2020 was mainly due to the receipt of an insurance claim over a vessel of the Group for \$76,000.
Other income for 9M2019 relates mainly to consultancy and support services of \$180,000 provided by Innovation Centre to external party.
- (10) Please refer to Paragraph 8 "Finance expense" for detailed explanation.
- (11) Decrease in depreciation in PPE during 3Q2020/9M2020 was mainly due to the disposal of certain machinery and vessel as disclosed in Note (3) above.
Decrease in depreciation of ROU assets under hire purchase ("HP") in 3Q2020/9M2020 was mainly due to early settlement.
- (12) For 9M2020, the under-provision of current income tax in prior financial years arose from a Malaysian subsidiary.
- (13) Gain on disposal of non-current assets held-for-sale in 3Q2019/9M2019 was mainly due to disposal of 50% equity interest in Vac-Tech Pte. Ltd. ("Vac-Tech") as explained in Paragraph 8 – Discontinued Operation and Disposal of subsidiaries classified as held-for-sale. The disposal was legally completed in September 2019.

MENCAST HOLDINGS LTD.
(Incorporated in the Republic of Singapore on 30 January 2008)
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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 2020 (\$'000)	As at 31 December 2019 (\$'000)	As at 30 September 2020 (\$'000)	As at 31 December 2019 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	15,650	18,314	3,487	7,934
Trade and other receivables	13,990	14,931	64,990	60,493
Inventories	5,169	4,748	-	-
Contract assets	1,533	2,945	520	636
	36,342	40,938	68,997	69,063
Assets of disposal group classified as held-for-sale	84,370	74,044	-	-
	120,712	114,982	68,997	69,063
Non-current assets				
Financial assets, at FVOCI	95	95	-	-
Investments in subsidiary corporations	-	-	59,956	59,680
Investment in an associate company	4,050	4,033	-	-
Property, plant and equipment	107,369	118,667	224	262
Deposits for purchase of property, plant and equipment	-	6	-	-
Intangible assets	4,781	4,781	-	-
	116,295	127,582	60,180	59,942
Total assets	237,007	242,564	129,177	129,005
LIABILITIES				
Current liabilities				
Trade and other payables	5,133	21,004	26,650	24,486
Contract liabilities	1,567	3,459	-	-
Borrowings	9,377	103,905	1,556	53,348
Current income tax liabilities	805	796	-	-
	16,882	129,164	28,206	77,834
Liabilities directly associated with disposal group classified as held-for-sale	80,667	73,557	-	-
	97,549	202,721	28,206	77,834
Non-current liabilities				
Borrowings	107,208	16,814	51,792	-
Deferred income tax liabilities	3,588	3,588	-	-
	110,796	20,402	51,792	-
Total liabilities	208,345	223,123	79,998	77,834
NET ASSETS	28,662	19,441	49,179	51,171
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	92,588	92,348	92,588	92,348
Fair value reserve	18	18	-	-
Other reserve	-	-	-	-
Translation reserve	(602)	(434)	-	-
Accumulated losses	(65,384)	(75,463)	(43,409)	(41,177)
	26,620	16,469	49,179	51,171
Non-controlling interests	2,042	2,972	-	-
Total equity	28,662	19,441	49,179	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 September 2020		As at 31 December 2019	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	6,872	1,519	91,812	10,416
Lease liabilities – hire purchase	110	-	837	-
Current borrowings	6,982	1,519	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
	73,199	1,519	158,866	10,416

Amount repayable after one year

	As at 30 September 2020		As at 31 December 2019	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	82,230	8,897	-	-
Lease liabilities- hire purchase	140	-	223	-
Non-current borrowings	82,370	8,897	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, certain vessels and machineries, short-term bank deposits and corporate guarantees by the Company.

Certain lease liabilities- hire purchase of the Group are secured by 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.
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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 3Q2020 (\$'000)	3Q2019 (\$'000)	For the nine months ended 30 September 9M2020 (\$'000)	9M2019 (\$'000)
Cash flows from operating activities				
Net (loss)/profit	(713)	(2,376)	8,925	(5,233)
Adjustments for:				
- Income tax	-	(6)	24	240
- Depreciation of property, plant and equipment	2,629	2,748	7,876	9,292
- Award of performance shares to employees	240	181	240	181
- Gain on disposal of a subsidiary classified as held-for-sale	-	(943)	-	(943)
- Gain on re-measurement of retained investment	-	(1,456)	-	(1,456)
- Loss on disposal of property, plant and equipment	205	167	205	309
- Dividend income from financial assets, FVOCI	-	(2)	(4)	(4)
- Reversal of creditor's balances	-	-	(8,629)	-
- Share of profit of associated company	(93)	(77)	(17)	(77)
- Interest income	(20)	(13)	(59)	(35)
- Interest expense	1,172	2,084	4,604	6,185
- Currency translation differences	53	(24)	47	(41)
	3,473	283	13,212	8,418
Changes in working capital:				
- Trade and other receivables	24	344	671	(200)
- Inventories	(212)	(1,191)	(421)	2,852
- Contract assets	(506)	1,739	18	1,284
- Trade and other payables	(1,428)	375	119	(1,401)
- Contract liabilities	(471)	1,204	(1,705)	1,192
Cash generated from operations	880	2,754	11,894	12,145
Interest received	20	13	59	35
Income tax refund/(paid)	-	6	-	(242)
Net cash provided by operating activities	900	2,773	11,953	11,938
Cash flows from investing activities				
Dividend income from financial assets, at FVOCI	-	2	4	4
Proceeds from disposal of non-current assets classified as held-for-sale	-	9,913	-	9,913
Proceeds from disposal of property, plant and equipment	1,215	174	1,223	215
Purchase of property, plant and equipment	(1,115)	(1,304)	(6,511)	(4,375)
Release of short-term bank deposits pledged	-	(1)	(1)	134
Net cash provided by/(used in) investing activities	100	8,784	(5,285)	5,891
Cash flows from financing activities				
Interest paid	(1,093)	(2,004)	(4,216)	(5,878)
Repayment of bank borrowings	(2,275)	(4,903)	(5,273)	(9,738)
Repayment lease liabilities	(581)	(563)	(1,638)	(1,888)
Proceeds from bank borrowings	1,160	863	1,904	3,862
Dividends paid to non-controlling interests	-	(2,700)	-	(4,200)
Net cash used in financing activities	(2,789)	(9,307)	(9,223)	(17,842)
Net (decrease)/increase in cash and cash equivalents	(1,789)	2,250	(2,555)	(13)
Cash and cash equivalents at beginning of financial period	16,747	13,056	17,513	15,319
Cash and cash equivalents at end of financial period	14,958	15,306	14,958	15,306

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

	As at 30 September 2020 (\$'000)	As at 30 September 2019 (\$'000)
Cash and bank balances	15,650	16,123
Short-term bank deposits pledged	(504)	(503)
Bank overdrafts included in borrowings	(311)	(314)
	14,835	15,306
Cash and bank balances reclassified to disposal group	123	-
	14,958	15,306

MENCAST HOLDINGS LTD.
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(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 March 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
Award of performance shares to employees	240	-	-	-	-	-	240	-	240
Incorporation of a new subsidiary	-	-	-	-	-	-	-	224	224
Total comprehensive (loss)/income	-	-	(469)	-	(171)	-	(640)	(244)	(884)
Balance as at 30 September 2020	92,791	(203)	(65,384)	18	(602)	-	26,620	2,042	28,662
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 March 2019	92,280	(203)	(70,838)	25	(498)	509	21,275	8,633	29,908
Total comprehensive (loss)/income	-	-	(872)	-	30	-	(842)	1,108	266
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(1,500)	(1,500)
Balance as at 30 June 2019	92,280	(203)	(71,710)	25	(468)	509	20,433	8,241	28,674
Total comprehensive (loss)/income	-	-	(2,205)	-	49	(509)	(2,665)	(171)	(2,836)
Shares for Directors' fees (in lieu of cash)	90	-	-	-	-	-	90	-	90
Award of performance shares to employees	181	-	-	-	-	-	181	-	181
Disposal of non-controlling interest in a subsidiary	-	-	-	-	-	-	-	(3,403)	(3,403)
Transaction with owners, recognised directly in equity	-	-	(1,464)	-	-	-	(1,464)	1,464	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(2,700)	(2,700)
Balance as at 30 September 2019	92,551	(203)	(75,379)	25	(419)	-	16,575	3,431	20,006

* 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.

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(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 March 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
Award of performance shares to employees	240	-	-	240
Total comprehensive loss	-	-	(591)	(591)
Balance as at 30 September 2020	92,791	(203)	(43,409)	49,179
Balance as at 1 January 2019	92,280	(203)	(32,828)	59,249
Total comprehensive loss	-	-	(1,146)	(1,146)
Balance as at 31 March 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
Total comprehensive loss	-	-	5,294	5,294
Shares for Directors' fees (in lieu of cash)	90	-	-	90
Award of performance shares to employees	181	-	-	181
Balance as at 30 September 2019	92,551	(203)	(29,619)	62,729

- 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.**

The details of the changes in issued share capital of the Company from 1 January 2020 to 30 September 2020 are as follows:

CHANGES IN ISSUED SHARE CAPITAL

	Number of shares (‘000)	Paid-up capital (\$'000)
Issued share capital as at 1 January 2020	428,849	92,348
Award of performance shares to employees	10,434	240
Issued share capital as at 30 September 2020 excluding treasury shares	439,283	92,588

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

The Company has no outstanding options or convertibles as at 30 September 2020 and 30 September 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 September 2020	As at 31 December 2019
Total number of issued shares (excluding treasury shares) (in ‘000)	439,283	428,849

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 30 September 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 third quarter ended 30 September					
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	3Q2020	3Q2020	3Q2020	3Q2019	3Q2019	3Q2019
				(Restated)	(Restated)	
Net (loss)/profit attributable to equity holders of the Company (\$'000)	(196)	(273)	(469)	(2,224)	19	(2,205)
Weighted average number of shares outstanding for basic ('000)	435,376	435,376	435,376	428,339	428,339	428,339
Basic EPS attributable to equity holders of the Company (SGD cents)	(0.05)	(0.06)	(0.11)	(0.52)	0.01	(0.51)
Weighted average number of shares outstanding for basic ('000)	435,376	435,376	435,376	428,339	428,339	428,339
Adjustment for 2019 Performance Shares Award to be issued	1,853	1,853	1,853	-	-	-
Adjusted weighted average number of shares outstanding for Diluted EPS	437,229	437,229	437,229	428,339	428,339	428,339
Diluted EPS attributable to equity holders of the Company (SGD cents)	(0.05)	(0.06)	(0.11)	(0.52)	0.01	(0.51)

	The Group					
	For the nine months ended 30 September					
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	9M2020	9M2020	9M2020	9M2019	9M2019	9M2019
Net profit/(loss) attributable to equity holders of the Company (\$'000)	11,278	(1,199)	10,079	(8,929)	1,940	(6,989)
Weighted average number of shares outstanding for basic EPS ('000)	429,458	429,458	429,458	426,756	426,756	426,756
Basic EPS attributable to equity holders of the Company (SGD cents)	2.63	(0.28)	2.35	(2.09)	0.45	(1.64)
Weighted average number of shares outstanding for basic EPS ('000)	429,458	429,458	429,458	426,756	426,756	426,756
Adjustment for 2019 Performance Shares Award to be issued	1,853	1,853	1,853	-	-	-
Adjusted weighted average number of shares outstanding for Diluted EPS	431,311	431,311	431,311	426,756	426,756	426,756
Diluted EPS attributable to equity holders of the Company (SGD cents)	2.62	(0.28)	2.34	(2.09)	0.45	(1.64)

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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.

NET ASSET VALUE ("NAV")

	Group		Company	
	As at		As at	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
NAV per ordinary share (SGD cents)	6.06	3.84	11.20	11.93
Number of shares used in computation of NAV per share ('000)	439,283	428,849	439,283	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

3Q2020 vs 3Q2019 and 9M2020 vs 9M2019

Revenue

Revenue by Segment	3Q2020		3Q2019		9M2020		9M2019	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Offshore & Engineering	2,080	19	1,971	22	8,265	24	7,050	23
Marine	4,480	42	4,773	54	17,190	49	20,023	65
Energy Services	4,111	39	2,162	24	9,439	27	3,808	12
	10,671	100	8,906	100	34,894	100	30,881	100

Notes:

- (1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
(2) Marine includes sterngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.

- (3) With the sale of Vac-Tech, the remaining business in Energy Services comprise of waste treatment and recovery waste system. Capabilities of waste treatment plant include treatment of waste water, oily sludge, slope, mud oil, contaminated soil, solid wastes and filter cakes.

Overall, the Group recorded a total revenue of \$34.89 million during 9M2020, an increase of \$4.01 million or 13% as compared to \$30.88 million for 9M2019. The increase was mainly attributable to the Energy Services segment and Offshore & Engineering segment generating higher revenue of \$5.63 million and \$1.21 million respectively. This was, however, offset by a decrease in revenue in the Marine segment of \$2.83 million.

Offshore & Engineering segment

The revenue from Offshore & Engineering segment (“O&E”) of \$8.26 million in 9M2020 increased by \$1.21 million or 17%, from \$7.05 million in 9M2019, which was mainly due to:

- higher demands from customers in the precision engineering business resulting in an increase in revenue contribution of approximately 35% or \$1.17 million, to \$4.48 million in 9M2020 as compared to \$3.31 million in 9M2019;
- increase in work orders from the rope access business by approximately \$0.68 million; offset by
- lower work orders in the offshore structure and fabrication business of \$0.82 million, from \$3.02 million to \$2.20 million as it remains affected by slow market sentiment.

3Q2020 revenue from O&E increased by \$0.11 million, mainly due to:

- increase in revenue contribution from offshore structure and fabrication business and rope access business by \$80,000 and \$74,000 respectively; offset by
- decline in revenue from precision engineering business and heat exchange business of \$24,000 and \$21,000 respectively.

Marine segment

Revenue for the Marine segment declined by \$2.83 million or 14%, from \$20.02 million in 9M2019 to \$17.19 million in 9M2020 due to the following:

- decline in the segment’s MRO (maintenance, repairs and overhaul) services by \$1.47 million, from \$8.29 million in 9M2019 to \$6.82 million in 9M2020, due to lower work orders from customers;
- reduction in revenue of approximately \$0.43 million due to lower deliveries for new built propellers; and
- lower work orders from diving services of approximately \$0.93 million.

3Q2020 revenue from Marine segment marginally decline by 1% or \$0.29 million mainly due from decrease in volume of work orders from diving services and MRO services of approximately \$0.45 million and \$0.20 million respectively, offset by increases in the deliveries of new built propeller of approximately \$0.36 million.

Energy Services segment

Revenue from waste management business continues to show volume growth for 9M2020, registering a 148% increase in revenue, from \$3.81 million in 9M2019 to \$9.44 million in 9M2020. The increase was mainly due to a larger customer base as well as higher demands from recurring customers.

These also explained the fluctuation in revenue in 3Q2020 as compared to 3Q2019.

Cost of sales, gross profit and gross profit margin

Cost of sales decreased by 14% or \$3.97 million, from \$29.27 million in 9M2019 to \$25.30 million in 9M2020. Gross profit was up by approximately \$7.98 million or 494%, from \$1.61 million in 9M2019 to \$9.59 million in 9M2020, due mainly to:

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

Consequently, gross profit margin for 9M2020 increased by 22%, from 5% in 9M2019 to 27% in 9M2020.

These also explained the fluctuations in cost of sales, gross profit and gross profit margin in 3Q2020 as compared to 3Q2019.

Other gains/(losses) - net

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

Administrative expenses

Administrative expenses decreased by approximately \$0.81 million or 9%, from \$8.86 million in 9M2019 to \$8.05 million in 9M2020 mainly due to:

- a. lower employees compensation of \$0.34 million arising from natural attrition and a temporary pay-cut across the Group beginning June 2020;
- b. reduction in travelling and transportation expenses of approximately \$0.17 million; and
- c. cost savings of approximately \$0.35 million in relation to the divestment of one of the Group's properties in 4Q2019.

The above also explained the decrease in administrative expenses in 3Q2020 as compared to 3Q2019.

Finance expenses

The overall finance expenses of the Group (as detailed in paragraph 1(a)(ii)) declined by \$1.45 million or 24%, from \$6.04 million in 9M2019 to \$4.59 million mainly due to lower interest expenses arising from a reduction in the Group's borrowings (\$165.99 million as at 9M2020 as compared to \$184.32 million as at 9M2019), in line with the Group's asset divestment exercises since 2019.

This also explained the decrease in finance expenses in 3Q2020 as compared to 3Q2019.

Share of profit of Associated company

Following the completion of the disposal of 50% equity interest in Vac-Tech in previous year, the Group recognised a share of profit of associated company of \$93,000/\$17,000 for the period ended 3Q2020/9M2020 from its 20% retained investment as compared to profit from discontinued operations of Vac-Tech of \$0.94 million/\$3.11 million as of 3Q2020/9M2020.

Income tax

The tax expense of the Group in 9M2020 arose from the under-provision of current income tax in prior years from a Malaysian subsidiary as disclosed in Note 12 of paragraph 1(a)(ii).

There was no provision for current income tax in 3Q2020/9M2020 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 \$11.28 million for 9M2020 as compared to a loss from continuing operation of \$8.47 million for 9M2019.

Excluding the non-recurring gain(net) of \$8.23 million (as explained in Note 6 of paragraph 1(a)(ii)), profit from continuing operations for 9M2020 would have been \$3.05 million, a result of the Group's continuous efforts in expanding the capability and capacity of its waste management business, divestment of non-core assets and restructuring of under-performing operations and businesses.

The Group incurred a loss from continuing operations of \$0.18 million for 3Q2020. Excluding the non-recurring payment for a full and final settlement of \$0.40 million for all claims in relation to a legal suit (as explained in Note 6 of Paragraph 1(a)(ii)) the Group would have generated a profit from continuing operations of \$0.22 million for 3Q2020.

REVIEW OF FINANCIAL POSITION

Current assets

The increase in current assets of \$5.73 million or 5% from \$114.98 million as at 31 December 2019 to \$120.71 million as at 30 September 2020 was mainly due to the following:

- increase in assets of disposal group classified as held-for-sale of \$10.33 million arising from the reclassification of MKSE's current and non-current assets of \$2.00 million and \$8.33 million respectively in connection with the proposed disposal of MKSE;
- increase in inventories of \$0.42 million or 9% mainly due to higher work-in-progress inventories for new built propellers under the Marine segment; offset with
- decrease in cash and cash equivalents of \$2.66 million (please refer to detailed Statement of Cash Flows in paragraph 1(c);
- decrease in trade and other receivables of \$0.94 million was mainly due to reclassification of \$0.48 million to assets of disposal group classified as held-for-sale and utilisation of deposits and prepayments of approximately \$0.41 million; and
- decrease in contract assets of \$1.41 million was mainly related to MKSE being reclassified to assets of disposal group classified as subsidiaries held-for-sale of \$1.39 million.

Non-current assets

The Group's non-current assets of \$116.29 million as at 30 September 2020 was down by 9% or approximately \$11.29 million as compared to \$127.58 million as at 31 December 2019 due to the movement in property, plant and equipment as explained below:

- reclassification of MKSE's fixed assets of \$8.33 million to assets of disposal group classified as held-for-sale as disclosed above;

- depreciation expense on property, plant and equipment and ROU assets of \$7.48 million and \$0.40 million from continuing and discontinued operations respectively;
- disposal during 9M2020 of certain vessel and machinery with a net book value of \$1.43 million; offset by
- additions in property, plant and equipment of \$6.51 million mainly arising from the dredging and reclamation business and Energy Services.

Current liabilities

As at 30 September 2020 the current liabilities of \$97.42 million declined significantly by \$105.30 million or 52% as compared to \$202.72 million as at 31 December 2019, mainly due to:

- reclassification of approximately \$91.13 million of borrowings to non-current liabilities after taking into consideration the Amended Debt Restructuring Agreement (“Amended DRA”) executed on 26 August 2020, whereby borrowings under the Amended DRA were reprofiled with repayment terms that varies from 48 months to 120 months (calculated on the basis of a 240-month period with a final bullet repayment of the balance due and after taking into any adjustments from divestments of certain identified assets in the 120th month). The monthly repayment of principal is scheduled to commence on March 2020;
- net repayment of borrowings during 9M2020 of approximately \$3.37 million mainly due to:
 - full settlement of a term loan of \$1.36 million for the dredging and reclamation business;
 - partial settlement of a term loan of \$1.20 million arising from the sale of a vessel to which the proceed was utilised to pay down a secured loan with a financial institution; and
 - the balance amount of \$0.81 million was related to net settlement of invoice financing due.
- decrease in trade and other payables of \$15.87 million was mainly due to:
 - the reversal of creditor balances of \$8.63 million pertaining to retention sum and insurance bond, as explained in Note (6)a. of Paragraph 1(a)(ii); and
 - reclassification of trade and other payables related to MKSE to disposal group classified as held-for-sale of approximately \$7.29 million;
- the reduction in contract liabilities of \$1.89 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; and
 - reclassification of \$0.19 million to liabilities directly associated with disposal group classified as held-for-sale in relation to proposed disposal of MKSE; offset with
- the increase in liabilities directly associated with disposal group classified as held-for-sale amounted to \$7.11 million, mainly due to reclassifications from the trade and other payables and contract liabilities balances of MKSE, as mentioned above.

Non-current liabilities

The non-current liabilities of the Group increased by \$90.39 million or 443% from \$20.40 million as at 31 December 2019 to \$110.80 million as at 30 September 2020 mainly due to reclassification of current borrowings to non-current liabilities, as explained in the note to current liabilities, as above.

REVIEW OF STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents as at 30 September 2020 were approximately \$14.96 million which include the cash balances of MKSE of \$0.12 million that was reclassified to assets of disposal group classified as held-for-sale. Overall, the cash and cash equivalents decreased by \$2.56 million as shown in paragraph 1(c) Statement of Cash Flows. The Group registered a net cash inflow from operating activities of \$11.95 million during 9M2020 mainly from its operating income before changes in working capital of \$13.21 million, offset with a net decrease in working capital of approximately \$1.32 million.

Net cash used in investing activities was \$5.29 million for 9M2020 mainly arose from capital investments in the dredging and reclamation business and Energy services segment.

Net cash used in financing activities of \$9.22 million during 9M2020 was mainly a result of repayments of term loans, lease liabilities and payment of interests of approximately \$11.13 million, offset by proceeds from bank borrowings of \$1.91 million.

DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES CLASSIFIED AS HELD-FOR-SALE

(A) Disposal of 51% Equity Interest in MKSE

As announced on 02 October 2020, Mencast Investment Holdings Pte. Ltd., a wholly owned subsidiary of the Company, had entered into a Sale and Purchase agreement (“SPA”) for the disposal of 51% equity interest in MKSE, represented by 153,000 shares in MKSE.

Following the Group's decision to sell MKSE and in compliance with SFRS(I) 5 Non-current Assets Held-for-Sale and Discontinued Operations, the assets and liabilities of MKSE 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 as at 30 September 2020. Its financial results have been reclassified to “Discontinued Operations” as of 30 September and its prior periods' financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income. As announced on 12 November 2020, the completion of the proposed disposal of MKSE has taken place on the same date.

(B) Disposal of 50% equity interest in Vac-Tech

As announced on 28 June 2019, Mencast Energy Pte. Ltd., a 70% subsidiary of the Company, entered into a 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.

On 1 July 2019, the control over the subsidiary has been transferred to the purchaser in accordance with the SPA.

The transfer of share certificate signifying the legal completion of the disposal of its 50% equity interest in Vac-Tech took place on 24 September 2019, as announced on the same date.

The disposal of Vac-Tech resulted to gain on re-measurement of retained investment of \$1,456,000 and gain on disposal of a subsidiary classified as held-for-sale of \$943,000 as disclosed in paragraph 1(a)(ii) Note 2 and Note 13 respectively.

The summarised net profit for 9M2020 and 9M2019 from Discontinued Operations are presented as follows:

	9M2020 \$'000 (MKSE)	9M2019 \$'000 (VT + MKSE)
Revenue	2,564	24,300
Cost of sales	<u>(4,881)</u>	<u>(20,438)</u>
Gross (loss)/profit	(2,317)	3,862
Other losses – net	-	680
Expenses		
- Administrative	(22)	(923)
- Finance	<u>(11)</u>	<u>(141)</u>
(Loss)/profit before income tax	(2,350)	3,478
Income tax expense	<u>-</u>	<u>(241)</u>
Total comprehensive (loss)/income, representing net (loss)/profit	<u>(2,350)</u>	<u>3,237</u>

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects the operating environment to remain challenging and uncertain. The circuit breaker measures have eased from lockdown, but movement control and Safe Management Measures are still in place. In addition, our businesses in the marine, offshore, and energy industries have inevitably been affected by reduced global economic activity and lower oil prices.

Slower activity in the Group's Offshore & Engineering and Marine business segments are expected leading to fewer business enquiries, deferment of deliveries and a slow-down in work orders for maintenance, repairs and overhaul services.

This is, however, expected to be partially mitigated by the Group's waste management business under the Energy business segment which has been growing quarter-on-quarter since late 2019. The Group will continue to focus on developing and enhance the capabilities of this segment by ways of increasing its capacity, developing new revenue stream, business collaborations to expand its customer base which will serve to reduce the Group's reliance on the marine, offshore and O&G industry that it operates in.

In terms of operating cash flows, the Group was able to generate a positive cash flows of approximately \$11.9 million for both reporting periods. Amidst the unprecedented COVID-19 situation and uncertain business conditions, the Group will continue to exercise prudence in managing operational costs while selectively investing in growing markets.

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 September 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 September 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 third quarter ended 30 September 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 Loan Restructuring / Net Current Liabilities Position

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 of its lenders, which is critical to the completion of the Group's debt 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) Paragraph 16 of its unaudited financial statements and dividend announcement for the second quarter and six months ended 30 June 2020, as announced on 14 August 2020, detailing the course of actions that the Group had taken in finalising the terms of refinancing under the Debt Restructuring Agreement dated 1st February 2019.
- b) In addition to the above and as announced on 26th August 2020, the Group has entered into an Amendment and Restatement Agreement with the Lenders amending and restating the DRA for the restructuring of the Group's existing debts owed to the Lenders ("Amended DRA"). The terms of the Amended DRA remain largely as per the DRA, with the following material amendments:
 - (i) the restructuring period and the general and principal moratoria have been extended to 28 February 2021;
 - (ii) the property backed restructured term loans have been reprofiled and will be repayable in equal monthly instalments over a 119-month period (but calculated on the basis of a 240-month period) with a final bullet repayment of the balance due after taking into account certain divestments in the 120th month;
 - (iii) the other restructured term loans have been reprofiled and will be repayable in equal monthly instalments over the first 48 months of the repayment period;
 - (iv) all financial covenants under the relevant facility agreements (i.e. clauses pertaining to financial conditions, the breach of which would result in an event of default under such facility agreements) will be waived until 31 March 2022;
 - (v) interest on the outstanding debt due and payable to UOB shall accrue at a lower agreed interest rate for the period from 1 June 2020 to 31 May 2021; and
 - (vi) the Group shall deleverage its debt by at least \$55.00 million on or before 31 March 2022 through the divestment of certain agreed non-core assets and certain identified non-core subsidiaries of the Group.

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 in respect of the Amended DRA;
- 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.

The Company will make appropriate announcements as and when there are material developments.

Prior to the conclusion of the Amended DRA at end August 2020, Group was in net liabilities position of \$87.74 million as at 31 December 2019, \$78.00 million as at 31 March 2020 and \$78.69 million as at 30 June 2020, a result of reclassifying most of the borrowings in non-current liabilities to current liabilities.

This position has, however, been reversed upon entering into an Amendment and Restatement Agreement with the Lenders whereby the outstanding loans have been reprofiled to repayment terms of 4 and 10 years, and accordingly, loans that are due after one year are reclassified from current liabilities to non-current liabilities (details of which are explained in Paragraph 8 under the header “Review of Financial Position”).

Consequently, the Group reported a net current asset position of \$23.16 million as at 30 September 2020.

BY ORDER OF THE BOARD

Sim Soon Ngee Glenndle
Executive Chairman and Chief Executive Officer

13 November 2020
