

UNAUDITED HALF YEAR FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2009

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PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Background

Mencast Holdings Ltd. (the "**Company**") was incorporated in the Republic of Singapore on 30 January 2008 under the Companies Act (Chapter 50) of Singapore as a private limited company. The group, comprising the Company and its subsidiaries (the "**Group**"), was formed pursuant to a restructuring exercise (the "**Restructuring Exercise**") undertaken to streamline and rationalise the corporate structure and shareholding structure of the Group prior to the Company's listing on SGX Catalist. Please refer to the Company's offer document dated 17 June 2008 for further details on the Restructuring Exercise.

The Company was admitted to the SGX Catalist on 25 June 2008. For the purpose of this announcement, the comparative results of the Group for the six-month period ended 30 June 2008 ("**HY2008**") has been prepared on the assumption that the Group structure following the completion of the Restructuring Exercise has been in place since 1 January 2005.

CONSOLIDATED INCOME STATEMENT

	Group		Increase / (Decrease) (%)
	Six months ended 30 June 2009 (S\$'000)	30 June 2008 (S\$'000)	
Revenue	14,017	13,169	6.4
Cost of sales	(6,889)	(6,936)	(0.7)
Gross profit	7,128	6,233	14.4
Other gain	102	3	NM
Expenses			
- Administrative expenses	(2,173)	(1,493)	45.5
- Finance costs	(100)	(42)	138.1
- IPO expenses	-	(303)	NM
Profit before income tax	4,957	4,398	12.7
Income tax expense	(950)	(854)	11.2
Net profit	4,007	3,544	13.1
Comprehensive income	4,007	3,544	13.1

NM : Not Meaningful

1(a)(ii) Notes to income statement

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

	Group		Increase / (Decrease) (%)
	Six months ended 30 June 2009 (S\$'000)	30 June 2008 (S\$'000)	
Depreciation on property, plant and equipment ⁽¹⁾	637	435	46.4
Other income ⁽²⁾	98	-	NM ⁽⁵⁾
Interest income	4	-	NM ⁽⁵⁾
Gain on sale of property, plant and equipment	-	(3)	NM ⁽⁵⁾
Interest expense ⁽³⁾	100	42	138.1
Foreign exchange gain ⁽⁴⁾	(66)	-	NM ⁽⁵⁾

Notes:

- (1) The increase in depreciation on property, plant and equipment was due to the additions to property, plant and equipment made after 30 June 2008.
- (2) The other income comprises sale of scrap metal of S\$18,000 and grants from the Singapore government under the Jobs Credit Scheme of S\$80,000.
- (3) The increase in interest expense was due to interest on the bank loans drawdown for the purchase of the new plant located at No. 12 Kwong Min Road.
- (4) The foreign exchange gains were due to appreciation of the S\$ against the US\$ in relation to US\$ payments made to overseas suppliers for purchase of raw materials.
- (5) "NM" denotes not meaningful.

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1(b)(i) A balance sheet (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 2009 (S\$'000)	As at 31 December 2008 (S\$'000)	As at 30 June 2009 (S\$'000)	As at 31 December 2008 (S\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	9,883	8,107	4,083	4,369
Trade and other receivables	7,310	4,868	1,346	1,298
Inventories	2,068	2,818	-	-
Other current assets	259	324	40	-
	<u>19,520</u>	<u>16,117</u>	<u>5,469</u>	<u>5,667</u>
Non-current Assets				
Property, plant and equipment	19,609	17,050	-	-
Deposits for purchase of property, plant and equipment	281	657	-	-
Investments in subsidiaries	-	-	12,500	12,500
	<u>19,890</u>	<u>17,707</u>	<u>12,500</u>	<u>12,500</u>
Total Assets	<u>39,410</u>	<u>33,824</u>	<u>17,969</u>	<u>18,167</u>
LIABILITIES				
Current liabilities				
Trade and other payables	5,487	6,402	1,194	886
Borrowings	2,069	1,854	-	-
Current income tax liabilities	1,546	1,342	-	-
	<u>9,102</u>	<u>9,598</u>	<u>1,194</u>	<u>886</u>
Non-current liabilities				
Borrowings	6,487	2,937	-	-
Deferred income tax liabilities	558	558	-	-
	<u>7,045</u>	<u>3,495</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>16,147</u>	<u>13,093</u>	<u>1,194</u>	<u>886</u>
NET ASSETS	<u>23,263</u>	<u>20,731</u>	<u>16,775</u>	<u>17,281</u>
EQUITY				
Share capital	17,899	17,899	17,899	17,899
Retained earnings	5,364	2,832	(1,124)	(618)
Total Equity	<u>23,263</u>	<u>20,731</u>	<u>16,775</u>	<u>17,281</u>

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 2009		As at 31 December 2008	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
2,069	-	1,854	-

Amount repayable after one year

As at 30 June 2009		As at 31 December 2008	
Secured (S\$'000)	Unsecured (S\$'000)	Secured (S\$'000)	Unsecured (S\$'000)
6,487	-	2,937	-

Details of any collaterals

The bank loans of the Group are secured by the Group's properties located at No. 7 Tuas View Circuit and No. 12 Kwong Min Road. The finance lease liabilities of the Group are secured by certain equipment of the Company's subsidiaries. The bank loans and finance lease liabilities of the Group are also secured by corporate guarantees provided by the Company.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CASH FLOWS

	Group	
	Six-months ended	
	30 June 2009	30 June 2008
	(\$'000)	(\$'000)
Cash flows from operating activities		
Net profit	4,007	3,544
Adjustments for:-		
Income tax	950	854
Depreciation on property, plant and equipment	637	435
Gain on disposal of property, plant and equipment	-	3
Interest expense	100	42
	5,694	4,878
Changes in working capital: -		
Trade and other receivables	(2,442)	(1,227)
Inventories	750	1,095
Other current assets	65	(914)
Trade and other payables	(915)	51
Cash generated from operations	3,152	3,883
Income tax paid	(746)	(652)
Net cash from operating activities	2,406	3,231
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,450)	(1,886)
Proceeds from disposal of property, plant and equipment	-	3
Net cash used in investing activities	(1,450)	(1,883)
Cash flows from financing activities		
Repayment of bank loan	(85)	-
Repayment of finance lease liabilities	(520)	(320)
Proceeds from bank loan	3,000	-
Interest paid	(100)	(42)
Proceeds from share issue net of share issuance costs	-	5,683
Dividend paid	(1,475)	(1,000)
Net cash from financing activities	820	4,321
Net increase in cash and bank balances	1,776	5,669
Cash and bank balances at beginning of the period	8,107	2,243
Cash and bank balances at end of the period	9,883	7,912

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

STATEMENT OF CHANGES IN EQUITY

Group	Share capital (S\$'000)	Retained earnings (S\$'000)	Total (S\$'000)
Balance as at 1 January 2009	17,899	2,832	20,731
Comprehensive income for the financial period	-	4,007	4,007
Dividend	-	(1,475)	(1,475)
Balance as at 30 June 2009	17,899	5,364	23,263
Balance as at 1 January 2008	-	-	-
Share issue for acquisition of subsidiaries	12,500	-	12,500
Issue of shares	6,300	-	6,300
Share issue expenses ⁽¹⁾	(901)	-	(901)
Dividend declared ⁽²⁾	-	(3,000)	(3,000)
Comprehensive income for the financial period	-	3,544	3,544
Balance as at 30 June 2008	17,899	544	18,443
Company			
Balance as at 1 January 2009	17,899	(618)	17,281
Comprehensive loss for the financial period	-	(506)	(506)
Balance as at 30 June 2009	17,899	(1,124)	16,775
Balance as at 1 January 2008	-	-	-
Share issue for acquisition of subsidiaries	12,500	-	12,500
Issue of shares	6,300	-	6,300
Share issue expenses	(901)	-	(901)
Comprehensive loss for the financial period	-	(303)	(303)
Balance as at 30 June 2008	17,899	(303)	17,596

Notes:

- (1) As at 30 June 2008, S\$617,000.00 of the share issue expenses have not been paid.
- (2) The dividend declared of S\$3,000,000 relates to the special final dividend declared by the Company's subsidiary, Mencast Marine Pte Ltd, in respect of the financial year ended 31 December 2007, which will be paid to the then shareholders of Mencast Marine Pte Ltd. As at 30 June 2009, S\$1,500,000 of the said dividend had been paid with the balance amount to be paid in the current financial year ending 31 December 2009.

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the Company's share capital during the current financial period.

The Company has no shares that may be issued on conversion of outstanding convertibles or treasury shares 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.

- 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 2009	As at 31 December 2008
Total number of issued shares (excluding treasury shares)	147,500,000	147,500,000

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

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the independent auditor.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the six-month financial period ended 30 June 2009 ("HY2009") compared to those for the audited financial statements of the Group for the financial year ended 31 December 2008.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current year, the Group adopted the new/revised Financial Reporting Standards (“**FRS**”) and Interpretations of FRS (“**INT FRS**”) that are effective for annual periods beginning on or after 1 January 2009. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The following are the new or amended FRS that are relevant to the Group:

FRS 1 (Revised)	Presentation of Financial Statements
FRS 23 (Revised)	Borrowing Costs
FRS 108	Operating Segments

The adoption of the above FRS did not result in any substantial change to the Group’s accounting policies nor any significant impact on the financial statements.

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.

EARNINGS PER SHARE (“EPS”)

	Group	
	HY2009	HY2008
Earnings attributable to equity holders of the Company (S\$’000)	4,007	3,544
Basic EPS attributable to equity holders of the Company (SGD cents)	2.72	2.82
Weighted average number of shares used in computation of basic EPS	147,500,000	125,741,758

Basic EPS is computed by dividing the earnings attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary share outstanding as at the end of the respective financial period.

The change in the weighted average number of shares used to compute the EPS for the six-month period ended 30 June 2008 was due to the new ordinary shares in the capital of the Company issued pursuant to the initial public offering of the Company.

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- 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 30 June 2009	As at 31 December 2008	As at 30 June 2009	As at 31 December 2008
NAV per ordinary share (SGD cents)	15.7	14.1	11.4	11.7
Number of shares used in computation of NAV per share	147,500,000	147,500,000	147,500,000	147,500,000

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

HY2009 vs HY2008

Revenue

	HY2009		HY2008		Increase/ (decrease)
	(\$'000)	%	(\$'000)	%	%
Sterngear Manufacturing	8,789	62.7	7,058	53.6	24.5
Sterngear Services	5,228	37.3	6,111	46.4	(14.4)
Total	14,017	100.0	13,169	100.0	6.4

The Group's revenue increased by approximately S\$0.8 million or 6.4% from S\$13.2 million in HY2008 to S\$14.0 million in HY2009 due to an increase in revenue from sterngear manufacturing by approximately S\$1.7 million or 24.5% in HY2009 as compared to HY2008, offset by the decrease in revenue from sterngear services by approximately S\$0.9 million or 14.4% in HY2009 as compared to HY2008.

Revenue from sterngear manufacturing had increased due mainly to our strong order book at the end of last financial year.

Revenue from sterngear services had decreased as a result of the deferment of repair work by shipowners and shipbuilders generally during this difficult economic climate.

Gross profit and gross profit margin

The Group's gross profit increased by approximately S\$0.9 million or 14.4% from S\$6.2 million in HY2008 to S\$7.1 million in HY2009. Gross profit margin had increased by 3.5 percentage points from 47.3% in HY2008 to 50.8% in HY2009. The increase was mainly due to the lower cost of materials like copper alloy and steel in HY2009 as compared to the significantly higher prices of the same materials in HY2008.

Administrative expenses

The Group's administrative expenses increased by approximately S\$0.7 million or 45.5% from S\$1.5 million in HY2008 to S\$2.2 million in HY2009. The increase was mainly due to (i) increased manpower costs as new staff were hired for the operations and technical departments and (ii) increase in directors' remuneration in accordance with service agreements dated 30 May 2008 and various recurring professional fees following the Company's public listing on 25 June 2008.

Finance costs

Finance costs increased by S\$58,000 or 138.1% from S\$42,000 in HY2008 to S\$100,000 in HY2009 due mainly to the interest expense on the bank loans drawdown after 30 June 2008 for the purchase of new plant at No. 12 Kwong Min Road in September 2008.

Income tax expenses

The Group's income tax expenses increased by approximately S\$0.1 million or 11.2% from S\$0.8 million in HY2008 to S\$0.9 million in HY2009 as a result of the higher profit before income tax.

Net profit

For the reasons mentioned above, the Group's net profit attributable to equity holders of the Company increased by approximately S\$0.5 million or 13.1% from S\$3.5 million in HY2008 to S\$4.0 million in HY2009.

REVIEW OF FINANCIAL POSITION

The Group's inventories as at 30 June 2009 decreased by approximately S\$0.8 million as compared to as at 31 December 2008 due mainly to the reduction in work-in-progress in HY2009.

The Group's trade and other receivables as at 30 June 2009 increased by approximately S\$2.4 million as compared to as at 31 December 2008 due mainly to the slowdown in collecting trade receivables during the period.

The Group's property, plant and equipment and deposits for purchase of property, plant and equipment as at 30 June 2009 increased by approximately S\$2.2 million in aggregate as compared to as at 31 December 2008 due mainly to the purchase of the new plant at No. 12 Kwong Min Road and the purchase of new machinery and equipment during HY2009.

The Group's trade and other payables as at 30 June 2009 decreased by approximately S\$0.9 million as compared to as at 31 December 2008 due mainly to the decrease in advances from customers of S\$0.3 million and decrease in trade payables of S\$0.7 million.

The Group's total borrowings as at 30 June 2009 increased by approximately S\$3.8 million as compared to as at 31 December 2008. This was due mainly to the drawdown of the S\$3.0 million loan provided under the SPRING Singapore financing scheme and increase in finance lease liabilities arising from the purchase of machinery and equipment.

REVIEW OF CASHFLOW STATEMENT

The Group's cash and bank balances increased by approximately S\$1.8 million from S\$8.1 million as at 31 December 2008 to S\$9.9 million as at 30 June 2009. In HY2009, the Group recorded cash inflows from both operating and financing activities.

The Group's net cash from operating activities in HY2009 was approximately S\$2.4 million as compared to S\$3.2 million in HY2008. This was due to the higher working capital changes in HY2009 of approximately S\$2.5 million compared to S\$1.0 million in HY2008, offset by the higher operating profit in HY2009. The higher working capital changes in HY2009 was due mainly to the increase in trade and other receivables of approximately S\$2.4 million and decrease in trade and other payables of approximately S\$0.9 million, offset by the decrease in inventories by approximately S\$0.8 million for the reasons disclosed above.

The Group's net cash from financing activities in HY2009 was approximately S\$0.8 million as compared to S\$4.3 million in HY2008. This was due mainly to net proceeds from bank loan of approximately S\$2.9 million, partially off-set by dividend paid of approximately S\$1.5 million, interest paid of approximately S\$0.1 million and repayment of finance lease liabilities of approximately S\$0.5 million.

The Group's net cash used in investing activities in HY2009 was approximately S\$1.5 million as compared to S\$1.9 million in HY2008 due mainly to the purchase of machinery and equipment.

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 will continue to operate under challenging and difficult conditions as current demand for new shipbuilding orders remain weak, which in turn will affect sales for our sterngear manufacturing division. As at 30 June 2009, the Group's order book for sterngear manufacturing was approximately S\$9.4 million.

Sales for our sterngear services division remains competitive. The completion of the acquisition of Recon Propeller & Engineering Pte Ltd on 23 July 2009 has strengthened the Group's capability and enhanced its market position in the sterngear services segment.

The Group's cost of materials, mainly steel and copper alloy, are expected to stabilise over the next six months. The Group will continue to focus its attention on maintaining its cost controls and seeking cost savings to improve efficiency and productivity and maintain its profitability. The Group will be prudent in cash flow management and in carrying out its expansion plan. The Group will continue to look out for selective investments and exploit strategic opportunities in related businesses.

Barring any unforeseen circumstances, the Group is confident to maintain its revenue and quality of earnings for the year.

11 Dividend

(a) Current financial period reported on

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared/recommended for the six-month period ended 30 June 2009.

13 INTERESTED PERSON TRANSACTIONS

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
	NIL	NIL

14 CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(4)

We, Sim Soon Ngee Glenndle and Sim Gok Hian, being two directors of the Company, do hereby confirm on behalf of the directors of the Company that, to the best of their 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 for the six-month financial period ended 30 June 2009 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Sim Gok Hian
Executive Chairman

Sim Soon Ngee Glenndle
Chief Executive Officer

BY ORDER OF THE BOARD

Sim Soon Ngee Glenndle
Chief Executive Officer

3 August 2009