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

UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTH FINANCIAL PERIOD ENDED 30 JUNE 2013 ("HY2013")

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group					
	For the second quarter ended 30 June			For the half year ended 30 June		
	2013 ($'000)	2012 ($'000)	**Increase/ (decrease) (%)**	**2013 ($'000)**	2012 ($'000)	**Increase/ (decrease) (%)**
Revenue	**27,547**	19,278	43	**45,640**	34,637	32
Cost of sales	**(17,122)**	(10,242)	67	**(29,064)**	(21,130)	38
Gross profit	**10,425**	9,036	15	**16,576**	13,507	23
Other gains - net	**1**	196	(99)	**243**	278	(13)
Expenses						
- Administrative	**(3,983)**	(2,908)	37	**(7,953)**	(6,115)	30
- Finance	**(346)**	(266)	30	**(638)**	(520)	23
Profit before income tax	**6,097**	6,058	1	**8,228**	7,150	15
Income tax	**(378)**	(234)	62	**(540)**	(240)	NM
Net profit	**5,719**	5,824	(2)	**7,688**	6,910	11
Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss						
Currency translation differences arising from consolidation	**(96)**	195	NM	**(175)**	106	NM
Total comprehensive income	**5,623**	6,019	(7)	**7,513**	7,016	7
Net profit attributable to :						
Equity holders of the Company	**5,601**	5,824	(4)	**7,659**	6,910	11
Non-controlling interests	**118**	-	NM	**29**	-	NM
	5,719	5,824	(2)	**7,688**	6,910	11
Total comprehensive income attributable to :						
Equity holders of the Company	**5,505**	6,019	(9)	**7,484**	7,016	7
Non-controlling interests	**118**	-	NM	**29**	-	NM
	5,623	6,019	(7)	**7,513**	7,016	7

(1) "NM" denotes not meaningful.

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

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

	The Group					
	For the second quarter ended 30 June			For the half year ended 30 June		
	2013 ($'000)	2012 ($'000)	**Increase/ (decrease) (%)**	**2013 ($'000)**	2012 ($'000)	**Increase/ (decrease) (%)**
Sale of scrap metals	**(57)**	(19)	NM	**(103)**	(80)	29
(Gain)/loss on sale of property, plant and equipment	**(22)**	(71)	(69)	**(30)**	(51)	(41)
Foreign exchange loss/(gain) - net	**87**	(125)	NM	55	(89)	NM
Government grants	**(9)**	-	NM	**(63)**	(1)	NM
Other income(1)	**(8)**	(146)	NM	**(94)**	(222)	(58)
Interest expense	**346**	266	30	**638**	520	23
Depreciation of property, plant and equipment(2)	**1,420**	928	53	**2,732**	1,756	56
Over provision of current income tax in prior financial years	**-**	-	-	**(63)**	-	NM

Notes:

(1) Other income relates to rental income and miscellaneous income.

(2) Increase in depreciation of property, plant and equipment was mainly due to depreciation on waterfront facility at 42E Penjuru Road, which commenced in March 2012, and additions of new machinery and equipment.

(3) "NM" denotes not meaningful.

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 30June 2013 ($'000)	As at 31 December 2012 ($'000)	**As at 30 June 2013 ($'000)**	As at 31 December 2012 ($'000)
ASSETS				
Current assets				
Cash and cash equivalents	**10,840**	19,716	**4,035**	4,749
Trade and other receivables	**44,670**	35,797	**6,129**	8,532
Inventories	**6,924**	6,100	**-**	-
	62,434	61,613	**10,164**	13,281
Non-current assets				
Financial assets, available-for-sale	**127**	127	**-**	-
Investment in subsidiaries	**-**	-	**78,660**	78,450
Investment in joint venture	**881**	881	**-**	-
Property, plant and equipment	**107,515**	87,284	**45**	46
Deposits for purchase of property, plant and equipment	**2,589**	1,774	-	-
Intangible assets	**43,439**	43,439	-	-
Club memberships	**-**	28	**-**	-
	154,551	133,533	**78,705**	78,496
Total assets	**216,985**	195,146	**88,869**	91,777
LIABILITIES				
Current liabilities				
Trade and other payables	**34,988**	41,272	**34,835**	39,331
Borrowings	**38,701**	31,220	**-**	-
Current income tax liabilities	**689**	291	**-**	-
	74,378	72,783	**34,835**	39,331
Non-current liabilities				
Borrowings	**40,275**	29,355	**-**	-
Deferred income tax liabilities	**2,675**	2,686	**-**	-
	42,950	32,041	**-**	-
Total liabilities	**117,328**	104,824	**34,835**	39,331
NET ASSETS	**99,657**	90,322	**54,034**	52,446
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	**58,441**	53,976	**58,441**	53,976
Fair value reserves	**47**	47	**-**	-
Translation reserves	**(428)**	(253)	**-**	-
Retained earnings / (accumulated losses)	**39,508**	34,582	**(4,407)**	(1,530)
	97,568	88,352	**54,034**	52,446
Non-controlling interests	**2,089**	1,970	**-**	-
Total equity	**99,657**	90,322	**54,034**	52,446

Note to statement of financial position:

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

Location	Description	Land Area (sqm)	Remaining years	NBV as at 30 June 2013 ($'000)	Fair values ($'000)	Excess of fair values over NBV ($'000)
7 Tuas View Circuit	Office building & workshop	8,501	39	7,380	13,700	6,320
12 Kwong Min Road	Office building, dormitory & workshop	4,623	16	3,484	7,200	3,716
39 Tuas Avenue 13	Office building & workshop	3,012	5	1,979	6,100	4,121
6 Tech Park Crescent	Office building, dormitory & workshop	1,718	41	1,917	5,600	3,683
42E Penjuru Road	Waterfront, office building & workshop	19,266	23	17,296	32,000	14,704
4 Penjuru Place #01-17	Office building	547	23	457	1,400	943
Total		37,667		32,513	66,000	33,487

The basis of valuation to determine the market value of the property is arrived using the estimated amount for which a property should exchange on the date of the valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherin the parties had each acted knowledgeably, prudently and without compulsion.

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 2013		As at 31 December 2012	
Secured ($'000)	**Unsecured ($'000)**	Secured ($'000)	Unsecured ($'000)
36,710	**1,991**	29,677	1,543

Amount repayable after one year

As at 30 June 2013		As at 31 December 2012	
Secured ($'000)	**Unsecured ($'000)**	Secured ($'000)	Unsecured ($'000)
40,275	**-**	29,355	-

Details of any collaterals

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

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

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**	
	2013	2012	**2013**	2012
	($'000)	($'000)	**($'000)**	($'000)
Cash flows from operating activities				
Net profit	**5,719**	5,824	**7,688**	6,910
Adjustments for:-				
- Income tax	**378**	234	**540**	240
- Depreciation of property, plant and equipment	**1,420**	928	**2,732**	1,756
- Gain on disposal of property, plant and equipment	**(22)**	(51)	**(30)**	(51)
- Dividend income on financial assets, available-for-sale	**(4)**	(3)	**(4)**	(3)
- Interest income	**(3)**	(8)	**(4)**	(9)
- Interest expense	**346**	266	**638**	520
- Currency translation differences	**(113)**	170	**(184)**	106
	7,721	7,360	**11,376**	9,469
Changes in working capital:				
- Trade and other receivables	**(7,082)**	(10,961)	**(8,873)**	(8,350)
- Inventories	**(757)**	1,193	**(824)**	1,029
- Trade and other payables	**2,853**	2,889	**(980)**	2,763
Cash generated from operations	**2,735**	481	**699**	4,911
Interest received	**3**	8	**4**	9
Income tax (paid)/refunded	**(189)**	361	**(153)**	361
Net cash provided by operating activities	**2,549**	850	**550**	5,281
Cash flows from investing activities				
Payments of other payables relating to prior financial years' acquisitions	**(600)**	-	**(1,409)**	(1,100)
Dividend received on financial assets, available-for-sale	**4**	3	**4**	3
Proceeds from disposal of property, plant and equipment	**217**	-	**217**	-
Proceeds from disposal of club membership	**28**	-	**28**	-
Purchase of property, plant and equipment	**(9,841)**	(8,407)	**(20,335)**	(13,830)
(Placement)/release of short-term bank deposits pledged	**(432)**	(1,552)	**168**	(1,126)
Net cash used in investing activities	**(10,624)**	(9,956)	**(21,327)**	(16,053)
Cash flows from financing activities				
Dividend paid	**(2,733)**	(2,292)	**(2,733)**	(2,292)
Interest paid	**(346)**	(266)	**(638)**	(520)
Repayment of borrowings	**(6,721)**	(1,523)	**(10,770)**	(2,541)
Repayment of finance lease liabilities	**(903)**	(620)	**(1,740)**	(1,377)
Proceeds from borrowings	**19,698**	5,287	**28,083**	9,338
Proceeds from placement of new shares	**-**	11,925	**-**	11,925
Purchase of treasury shares	**(135)**	-	**(135)**	-
Net cash provided by financing activities	**8,860**	12,511	**12,067**	14,533
Net increase/(decrease) in cash and cash equivalents	**785**	3,405	**(8,710)**	3,761
Cash and cash equivalents at beginning of financial period	**4,027**	4,305	**13,522**	3,949
Cash and cash equivalents at end of financial period	**4,812**	7,710	**4,812**	7,710

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

	As at 30 June 2013	As at 30 June 2012
	($'000)	($'000)
Cash and bank balances	**10,840**	19,716
Short-term bank deposits pledged	**(5,950)**	(6,118)
Bank overdrafts included in borrowings	**(78)**	(76)
	4,812	13,522

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

	Share capital ($'000)	Treasury shares ($'000)	Retained earnings / (accumulated losses) ($'000)	Translation reserves ($'000)	Fair value reserves ($'000)	Total ($'000)	Non-controlling interests ($'000)	Total equity ($'000)
Group								
Balance as at 1 January 2013	53,976	-	34,582	(253)	47	88,352	1,970	90,322
Issue of new shares for acquisition of business in prior financial years*	1,000	-	-	-	-	1,000	-	1,000
Total comprehensive income/(loss)	-	-	2,058	(79)	-	1,979	(89)	1,890
Balance as at 31 March 2013	54,976	-	36,640	(332)	47	91,331	1,881	93,212
Dividend paid	-	-	(2,733)	-	-	(2,733)	-	(2,733)
Share buy back	-	(135)	-	-	-	(135)	-	(135)
Issue of new shares for acquisition of business in prior financial years**	3,600	-	-	-	-	3,600	-	3,600
Issue of subsidiary's share to non-controlling interest	-	-	-	-	-	-	90	90
Total comprehensive income/(loss)	-		5,601	(96)	-	5,505	118	5,623
Balance as at 30 June 2013	58,576	(135)	39,508	(428)	47	97,568	2,089	99,657
Balance as at 1 January 2012	33,538	-	23,694	(121)	47	57,158	-	57,158
Issue of new shares for acquisition of business in previous financial year***	2,000	-	-	-	-	2,000	-	2,000
Total comprehensive income/(loss)	-	-	1,086	(89)	-	997	-	997
Balance as at 31 March 2012	35,538	-	24,780	(210)	47	60,155	-	60,155
Dividend paid	-	-	(2,292)	-	-	(2,292)	-	(2,292)
Placement of new shares	11,925	-	-	-	-	11,925	-	11,925
Total comprehensive income	-	-	5,824	195	-	6,019	-	6,019
Balance as at 30 June 2012	47,463	-	28,312	(15)	47	75,807	-	75,807

	Share capital ($'000)	Treasury shares ($'000)	Retained earnings / (accumulated losses) ($'000)	Total equity ($'000)
Company				
Balance as at 1 January 2013	53,976	-	(1,530)	52,446
Issue of new shares for acquisition of business in prior financial years*	1,000	-	-	1,000
Total comprehensive income/(loss)	-	-	135	135
Balance as at 31 March 2013	54,976	-	(1,395)	53,581
Dividend paid	-	-	(2,733)	(2,733)
Share buy back	-	(135)	-	(135)
Issue of new shares for acquisition of business in prior financial years**	3,600	-	-	3,600
Total comprehensive loss	-	-	(279)	(279)
Balance as at 30 June 2013	58,576	(135)	(4,407)	54,034
Balance as at 1 January 2012	33,538	-	(1,883)	31,655
Issue of new shares for acquisition of business in previous financial year***	2,000	-	-	2,000
Total comprehensive income	-	-	252	252
Balance as at 31 March 2012	35,538	-	(1,631)	33,907
Dividend paid	-	-	(2,292)	(2,292)
Placement of new shares	11,925	-	-	11,925
Total comprehensive income	-	-	1,790	1,790
Balance as at 30 June 2012	47,463	-	(2,133)	45,330

* *The issue of new shares for acquisition of business in prior financial years relates to 2nd tranche of shares issued for acqusition of Team Assets.*
** *The issue of new shares for acquisition of business in prior financial years relates to 3rd tranche of shares issued for acqusition of Top Great.*
*** *The issue of new shares for acquisition of business in previous financial year relates to 1st tranche of shares issued for acquisition of Team Assets.*

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

The details of the changes in issued share capital of the Company from 1 January 2013 to 30 June 2013 are as follows:-

CHANGES IN ISSUED SHARE CAPITAL	**Number of shares**	**Paid-up capital (S$)**
Issued share capital as at 1 January 2013	226,025,258	53,975,877
Issue of new shares for acquisition of business in prior financial years*	1,760,564	1,000,000
Issued share capital as at 31 March 2013	227,785,822	54,975,877
Issue of new shares for acquisition of business in prior financial years**	7,346,939	3,600,000
Bonus shares	56,946,452	-
Treasury shares arising from share buy back	(250,000)	(135,000)
Issued share capital as at 30 June 2013 excluding treasury shares	291,829,213	58,440,877

* *The issue of new shares for acquisition of business in prior financial years relates to 2nd tranche of shares issued for acquisition of Team Assets*

** *The issue of new shares for acquisition of business in prior financial years relates to 3rd tranche of shares issued for acquisition of Top Great*

On 20 June 2013, the Company issued one bonus share for every four ordinary shares.

Save as disclosed above, the Company did not have any outstanding options or convertibles as at 30 June 2013 and 31 December 2012.

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 2013	**As at 31 December 2012**
Total number of issued shares (excluding treasury shares)	**291,829,213**	226,025,258

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

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 30 June 2013.

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

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

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

Not applicable.

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

Except as disclosed in Note 5 below, the Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current financial period compared with those for the audited financial statements for the financial year ended 31 December 2012.

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

In the current financial period, the Group and the Company adopted the new/revised Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2013:

- <u>Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income</u> *(effective for annual period beginning on or after 1 July 2012)*

- <u>FRS 19 (Revised) – Employee Benefits</u> *(effective for annual periods beginning on or after 1 January 2013)*

- <u>FRS 113 (New) – Fair Value Measurements</u> *(effective for annual periods beginning on or after 1 January 2013)*

- <u>Amendments to FRS 107 Disclosures – Offsetting Financial Assets and Financial Liabilities</u> *(effective for annual periods beginning on or after 1 January 2013)*

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

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	The Group			
	For the second quarter ended 30 June		For the half year ended 30 June	
	2013	2012	**2013**	2012
	($'000)	($'000)	**($'000)**	($'000)
Earnings attributable to equity holders of the Company ($'000)	**5,601**	5,824	**7,659**	6,910
Weighted average number of shares outstanding for basic EPS ('000)	**286,172**	262,052	**284,979**	254,188
Basic EPS attributable to equilty holders of the Company (SGD cents)	**1.96**	2.22	**2.69**	2.72
Weighted average number of shares outstanding for basic EPS ('000)	**286,172**	262,052	**284,979**	254,188
Adjustment for additional shares to the Vendors in relation to the Top Great Acquisition ('000)	**1,837**	1,837	**1,837**	1,837
	288,009	263,889	**286,816**	256,025
Diluted EPS attributable to equity holders of the Company (SGD cents)	**1.94**	2.21	**2.67**	2.70

Basic EPS is computed by dividing the earnings attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding at the end of the respective financial period. For comparative purposes, the number of ordinary shares as 30 June 2012 has been adjusted to include the issue of one bonus share for every four existing ordinary shares.

For the purpose of calculating diluted EPS, the weighted average number of ordinary shares outstanding is adjusted for the effect of the additional shares of 1,836,735 to the Vendors in relation to the Top Great Acquisition as announced on 4 July 2013. The additional shares to the Vendors in relation to the Top Great Acquisition are subject to shareholders' approval.

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 June 2013	31 December 2012	**30 June 2013**	31 December 2012
NAV per ordinary share (SGD cents)	**33.43**	31.22	**18.52**	18.53
Number of shares used in computation of NAV per share ('000)	**291,829**	282,971	**291,829**	282,971

For comparative purposes, the number of ordinary shares as 30 June 2012 has been adjusted to include the issue of one bonus share for every four existing ordinary shares.

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

<u>HY2013 vs HY2012</u>

Revenue

	HY 2013		HY 2012	
	($'000)	(%)	($'000)	(%)
Revenue by segment				
Offshore & Engineering	**22,480**	49	12,733	37
Marine	**19,801**	44	21,904	63
Energy Services	**3,359**	7	-	-
	45,640	100	34,637	100

Notes:

(1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.

(2) Marine includes stearngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.

(3) Energy Services includes oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior for landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

The overall increase in Group's revenue of $11.0 million or 32% in HY2103 is explained below:

Offshore & Engineering segment

Overall, revenue from Offshore & Engineering segment increased by $9.7 million or 77% due to:

- Influx of jobs from major customers that have been delayed from FY2012 Q4 and FY2013 Q1 as well as new job orders received and completed in FY2013 Q2. In addition, the waterfront facility has full six months' operations in HY2013 as compared to HY2012 where it was only operational from FY2012 Q2.
- Higher revenue from rope access services as a result of higher demand for such services from existing key customers and new customers.
- Increase in revenue from precision engineering services as a result of new orders from the key customers of the Group. This arose from an increase in capabilities because of the additional investments in new equipment such as CNC horizontal boring machine, travelling milling machine and grinding machine, which started since latter part of FY2012

These also explain the higher revenue from Offshore & Engineering segment in FY2013 Q2 as compared to FY2012 Q2.

Marine segment

Revenue from Marine segment decreased by $2.1 million or 10% mainly due to:

- Decrease in revenue from sterngear repair services of $2.5 million or 29% as the demand for sterngear repair services slowed down especially in FY2013 Q2.
- Decrease in revenue from other marine services (eg berthing) of $2.5 million or 26% as the waterfront is mainly used for Offshore & Engineering jobs.
- The decrease in revenue from sterngear repair services and other marine services was offset by the increase in revenue from sterngear manufacturing of $2.8 million or 70% from $4.0 million in HY2012 to $6.8 million in HY2013. The significant increase in revenue from sterngear manufacturing is attributable to increase in orders from major customers.

These also explain the lower revenue from Marine segment in FY2013 Q2 as compared to FY2012 Q2.

Energy Services segment

The revenue, cost of sales and gross profit of the new Energy segment was contributed solely by the subsidiary, Vac-Tech, which was acquired in 2nd half of FY2012.

Cost of sales, gross profit and gross profit margin

HY2013 vs HY2012
Cost of sales increased by $7.9 million or 38% in tandem with the increase in revenue. However, the percentage increase in cost of sales is slightly higher than the percentage increase in revenue of 32% mainly due to increase in headcount, increase in training cost for new workers, higher depreciation and increase in cost of freelance divers to meet customers' demand. These also explains the marginal decrease in gross profit margin from 39% in HY2012 to 36% in HY2013.
The increase in gross profit of $3.1 million or 23% from $13.5 million in HY2012 to $16.6 million in HY2013 is mainly attributable to the increase in revenue as explained above.

These also explain the fluctuations in cost of sales, gross profit and gross profit margin in FY2013 Q2 as compared to FY2012 Q2

Administrative expenses

HY2013 vs HY2012
The Group's administrative expenses increased by $1.8 million or 30% from $6.1 million in HY2012 to $8.0 million in HY2013. The increase was mainly due to:

- Administrative expenses of Vac-Tech of $526,000;

- The recruitment of key personnel since 2nd half of FY2012 to complement the expansion of the Group; and

- Increase in fixed costs in relation to the new properties at 42E and 42B Penjuru Road (e.g. land rent, property tax, dormitory and utilities).

These also explain the higher administrative expenses in FY2013 Q2 as compared to FY2012 Q2.

Finance expenses

The Group's finance expenses increased by $118,000 or 23% from $520,000 in HY2012 to $638,000 in HY2013 as a result of higher bank borrowings. This also explains the higher finance expenses in FY2013 Q2 as compared to FY2012 Q2.

Income tax

The Group's income tax represent the current income tax provision calculated based on each subsidiaries' effective income tax rates ranging from 5% to 10%. The effective income tax rate in FY2012 is lower mainly due to utilisation of Group relief and tax incentives (eg Productivity Innovation Scheme).

Net profit

The Group's net profit increased by $778,000 or 11% from $6.9 million in HY2012 to $7.7 million in HY2013 as a result of the above.

REVIEW OF FINANCIAL POSITION

Current assets

The increase in current assets of $821,000 from $61.6 million as at 31 December 2012 to $62.4 million as at 30 June 2013 is mainly attributable to:

- The decrease in cash and cash equivalents of approximately $8.9 million or 45% from $19.7 million as at 31 December 2012 to $10.8 million as at 30 June 2013 is mainly due to the following:
  - Purchase of property, plant and equipment;
  - Payments of trade and other payables;
  - Repayment of bank borrowings and finance lease liabilities.

- The increase in trade and other receivables by $8.9 million or 25% from $35.8 million as at 31 December 2012 to $44.7 million as at 30 June 2013 is due to increase in revenue as a significant portion of revenue in Q2 is only billed in the months of May and June.

Non-current assets

The increase in non-current assets of $21.0 million from $133.5 million as at 31 December 2012 to $154.6 million as at 30 June 2013 is attributable to:

- Increase in property, plant and equipment of $20.2 million or 23% in relation to renovation costs at 42E Penjuru Road and blasting and painting workshop and equipment in Batam, construction of the property at 42B Penjuru Road property, purchase of CNC travelling milling machine and grinding machine for oil and gas industries, acquisition of vacuum trucks and wheel loader and purchase of diving equipment.

- Increase in deposits for property, plant and equipment from $1.8 million as at 31 December 2012 to $2.6 million mainly due to deposits for the cranes at 42B Penjuru Road.

Current liabilities

The increase in current liabilities of $1.6 million from $72.8 million as at 31 December 2012 to $74.4 million as at 30 June 2013 is explained as follows:

- Decrease in trade and other payables of $6.3 million as compared to the balance as at 31 December 2012 mainly due to payments to contractors for the construction and renovation works at 42E and 42B Penjuru Road and payments of trade payables and partial settlement of the amounts due to former shareholders and owners of Top Great and Team business respectively.

- Increase in current borrowings of $7.5 million as compared to current borrowings as at 31 December 2012 due to utilisation of LC/TR, finance leases, as well as drawdown of short-term loans to finance certain purchase of equipment and for working capital purposes.

To improve working capital, the Group is taking measures to reduce the level of its current liabilities. These will include the disposal of certain properties which are not integral to the Group's operations, maximising the utilisation of finance lease facilities instead of short-term bank loans and using a portion of the proceeds from the proposed medium term notes to settle currently maturing obligations.

Non-current liabilities

- The increase in non-current liabilities of $10.9 million from $32.0 million as at 31 December 2012 to $43.0 million as at 30 June 2013 is mainly due to drawdown of renovation loan pertaining to 42E Penjuru Road, construction loan for 42B Penjuru Road and increase in finance leases.

REVIEW OF CASHFLOW STATEMENT

The Group's cash and cash equivalents decreased by $8.9 million from $19.7 million as at 31 December 2012 to $10.8 million as at 31 March 2013.

The Group has a net cash inflow from operating activities of $550,000 due to cash operating profit of $11.4 million offset by low collections of trade receivables in HY2013 as a significant portion of the revenue were billed only in the months of May and June, increase in inventories and payments to suppliers as a result of the increase in operations.

The Group had a net cash outflow from investing activities of $21.3 million due mainly to purchases of property, plant and equipment of $20.3 million and payments of other payables relating to prior financial year's acquisitions of $1.4 million.

The Group's financing activities provided net cash inflow of $12.1 million due mainly to the proceeds from borrowings of approximately $28.1 million offset by repayments of borrowings and finance lease liabilities, and payment of dividends of $2.7 million.

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

Not applicable.

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

In the Offshore & Engineering segment, the number of orders from new and existing local customers continues to remain strong. The temporary occupation permit for the workshop on the additional land at 42B Penjuru Road was obtained in April 2013. This new workshop will increase our capacity for the Offshore & Engineering business. The domestic market is expected to play a bigger role in optimizing the utilisation of our Penjuru waterfront facilities. The Group will closely monitor the overseas market for high-valued projects.

In the Marine segment, the outlook for sterngear manufacturing is positive while sterngear repair and maintenance services remains challenging.

Group's order book as at 30 June 2013 stands at $35.2 million (as at 31 December 2012: $23.8 million).

11 Dividend

(a) Current financial period reported on
Any dividend declared for the current financial period reported on?

None.

(b) Corresponding period of the immediately preceding financial year
Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

Not applicable.

13 Interested Person Transactions

There was 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 half year ended 30 June 2013. 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 half year ended 30 June 2013 to be false or misleading in any material aspect.

FOR AND ON BEHALF OF THE BOARD OF DIRECTORS

Sim Soon Ngee Glenndle	Wong Boon Huat
Executive Chairman and Chief Executive Officer	Executive Director

31 July 2013