

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE SIX MONTH FINANCIAL PERIOD ENDED 30 JUNE 2014 (“HY2014”)**

**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		
	2014 (\$'000)	2013 (\$'000)	Increase/ (decrease) (%)	2014 (\$'000)	2013 (\$'000)	Increase/ (decrease) (%)
<b>Revenue</b>	<b>43,911</b>	27,547	59	<b>74,686</b>	45,640	64
Cost of sales	<b>(31,491)</b>	(17,801)	77	<b>(53,818)</b>	(29,743)	81
<b>Gross profit</b>	<b>12,420</b>	9,746	27	<b>20,868</b>	15,897	31
Other gains - net	<b>571</b>	1	NM	<b>1,415</b>	243	NM
Expenses						
- Administrative	<b>(5,422)</b>	(3,304)	64	<b>(10,940)</b>	(7,274)	50
- Finance	<b>(1,020)</b>	(346)	NM	<b>(2,177)</b>	(638)	NM
Profit before income tax	<b>6,549</b>	6,097	7	<b>9,166</b>	8,228	11
Income tax	<b>(528)</b>	(378)	40	<b>(700)</b>	(540)	30
<b>Net profit</b>	<b>6,021</b>	5,719	5	<b>8,466</b>	7,688	10
<b>Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss</b>						
Currency translation differences arising from consolidation	<b>(516)</b>	(96)	NM	<b>(508)</b>	(175)	NM
<b>Total comprehensive income</b>	<b>5,505</b>	5,623	(2)	<b>7,958</b>	7,513	6
<b>Net profit attributable to :</b>						
Equity holders of the Company	<b>5,920</b>	5,601	6	<b>7,888</b>	7,659	3
Non-controlling interests	<b>101</b>	118	(14)	<b>578</b>	29	NM
	<b>6,021</b>	5,719	5	<b>8,466</b>	7,688	10
<b>Total comprehensive income attributable to :</b>						
Equity holders of the Company	<b>5,404</b>	5,505	(2)	<b>7,380</b>	7,484	(1)
Non-controlling interests	<b>101</b>	118	(14)	<b>578</b>	29	NM
	<b>5,505</b>	5,623	(2)	<b>7,958</b>	7,513	6

(1) “NM” denotes not meaningful.

(2) The currency translation difference arising from consolidation in HY2014 relates to the depreciation of Indonesian Rupiah against Singapore Dollar.

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

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

	<b>The Group</b>					
	<b>For the second quarter ended 30 June</b>			<b>For the half year ended 30 June</b>		
	<b>2014 (\$'000)</b>	2013 (\$'000)	<b>Increase/ (decrease) (%)</b>	<b>2014 (\$'000)</b>	2013 (\$'000)	<b>Increase/ (decrease) (%)</b>
Sale of scrap metals	<b>(217)</b>	(57)	NM	<b>(243)</b>	(103)	NM
(Gain)/loss on sale of property, plant and equipment	<b>2</b>	(22)	NM	<b>(3)</b>	(30)	(90)
Foreign exchange loss/(gain) - net	<b>163</b>	87	87	<b>(125)</b>	55	NM
Government grants	<b>(266)</b>	(9)	NM	<b>(430)</b>	(63)	NM
Other income <sup>(1)</sup>	<b>(67)</b>	(8)	NM	<b>(121)</b>	(50)	NM
Interest expense	<b>1,020</b>	346	NM	<b>2,177</b>	638	NM
Depreciation of property, plant and equipment <sup>(2)</sup>	<b>3,946</b>	1,420	NM	<b>6,766</b>	2,732	148
Write-back of allowance for impairment of trade receivables	-	-	-	<b>(187)</b>	-	NM
Write-back of long outstanding payable	<b>(23)</b>	-	NM	<b>(23)</b>	-	NM
Recovery of bad debts	<b>(45)</b>	-	NM	<b>(45)</b>	-	NM
Rental income	<b>(107)</b>	-	NM	<b>(237)</b>	(44)	NM
Under/(over) provision of current income tax in prior financial years	-	-	-	<b>72</b>	(63)	NM

**Notes:**

- (1) Other income relates to miscellaneous income.
- (2) Increase in depreciation of property, plant and equipment was mainly due to depreciation of workshop and office space at 42B Penjuru Road and properties of newly acquired subsidiaries and additions of new machinery and equipment.
- (3) "NM" denotes not meaningful.

**MENCAST HOLDINGS LTD.**  
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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 June 2014 (\$'000)	As at 31 December 2013 (\$'000)	As at 30 June 2014 (\$'000)	As at 31 December 2013 (\$'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	11,836	22,669	438	12,968
Trade and other receivables	88,897	58,879	69,393	29,272
Inventories	9,307	9,043	-	-
	<b>110,040</b>	<b>90,591</b>	<b>69,831</b>	<b>42,240</b>
<b>Non-current assets</b>				
Financial assets, available-for-sale	179	175	-	-
Investments in subsidiaries	-	-	94,251	94,251
Investment in joint venture	881	881	-	-
Property, plant and equipment	167,726	156,793	69	46
Deposits for purchase of property, plant and equipment	329	1,397	-	-
Intangible assets	45,180	45,180	-	-
Club memberships	60	60	-	-
Deferred income tax asset	-	-	524	524
	<b>214,355</b>	<b>204,486</b>	<b>94,844</b>	<b>94,821</b>
<b>Total assets</b>	<b>324,395</b>	<b>295,077</b>	<b>164,675</b>	<b>137,061</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	41,696	49,513	53,232	20,179
Borrowings	61,233	28,407	-	-
Current income tax liabilities	971	557	-	-
	<b>103,900</b>	<b>78,477</b>	<b>53,232</b>	<b>20,179</b>
<b>Non-current liabilities</b>				
Other payables	9,950	7,850	9,950	7,850
Borrowings	99,879	99,016	49,504	49,391
Deferred income tax liabilities	3,138	3,138	-	-
	<b>112,967</b>	<b>110,004</b>	<b>59,454</b>	<b>57,241</b>
<b>Total liabilities</b>	<b>216,867</b>	<b>188,481</b>	<b>112,686</b>	<b>77,420</b>
<b>NET ASSETS</b>	<b>107,528</b>	<b>106,596</b>	<b>51,989</b>	<b>59,641</b>
<b>EQUITY</b>				
Capital and reserves attributable to equity holders of the Company				
Share capital	60,291	58,441	60,291	58,441
Fair value reserves	95	95	-	-
Translation reserves	(2,532)	(2,024)	-	-
Retained earnings / (accumulated losses)	46,582	47,570	(8,302)	1,200
	<b>104,436</b>	<b>104,082</b>	<b>51,989</b>	<b>59,641</b>
Non-controlling interests	3,092	2,514	-	-
<b>Total equity</b>	<b>107,528</b>	<b>106,596</b>	<b>51,989</b>	<b>59,641</b>

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Note to statement of financial position:

Included in the Group's property, plant and equipment are nine properties which are carried at cost less accumulated depreciation. In FY2013 Q4 and FY2014 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 nine properties:

Location	Description	Land Area (sqm)	NBV as at 30 June 2014 (\$'000)	Fair values (\$'000)	Excess of fair values over NBV (\$'000)
7 Tuas View Circuit, Singapore	Office building, dormitory & workshop	8,501	7,232	14,700	7,468
12 Kwong Min Road, Singapore	Office building, dormitory & workshop	4,623	3,244	7,300	4,056
39 Tuas Avenue 13, Singapore	Office building & workshop	3,012	1,901	6,500	4,599
6 Tech Park Crescent, Singapore	Office building, dormitory & workshop	1,718	1,866	5,700	3,834
42E Penjuru Road, Singapore	Waterfront, office building & workshop	19,266	20,919	33,000	12,081
42B Penjuru Road, Singapore	Office building & workshop	16,200	20,539	28,000	7,461
107 Gul Circle, Singapore	Office building & workshop	12,618	5,371	6,500	1,129
11 Tuas Basin Close, Singapore	Waterfront, office building & workshop	14,730	7,973	8,500	527
No.6 Xinghua Gangqu Dadao, Changshu, Jiangsu, China	Office building & workshop	34,433	8,200	8,313	113
<b>Total</b>		<b>115,101</b>	<b>77,245</b>	<b>118,513</b>	<b>41,268</b>

The basis of valuation to determine the fair values of the properties was based on the properties' higher-and-best-use using the Direct Market Comparison Method. The fair values are presented for information purposes only and are not recognised in the Group's financial statements.

**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 2014		As at 31 December 2013	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
52,814	8,419	24,107	4,300

**Amount repayable after one year**

As at 30 June 2014		As at 31 December 2013	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
46,282	53,597	45,000	54,016

**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.

The unsecured borrowing that is repayable after one year includes \$49.5 million relating to the proceeds from the issuance of \$50.0 million fixed rate notes due on 12 September 2016 ("Series 1 Notes") under the \$200.0 million multicurrency Medium Term Note programme. The Series 1 Notes bear interest at the fixed rate of 5.75% per annum payable semi-annually in arrears.

**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	
	2014 (\$'000)	2013 (\$'000)	2014 (\$'000)	2013 (\$'000)
<b>Cash flows from operating activities</b>				
Net profit	6,021	5,719	8,466	7,688
Adjustments for:				
- Income tax	528	378	700	540
- Depreciation of property, plant and equipment	3,946	1,420	6,766	2,732
- Loss/(gain) on disposal of property, plant and equipment	2	(22)	(3)	(30)
- Dividend income on financial assets, available-for-sale	-	(4)	-	(4)
- Interest income	(4)	(3)	(6)	(4)
- Interest expense	1,020	346	2,177	638
- Currency translation differences	(234)	(113)	(483)	(184)
	<b>11,279</b>	<b>7,721</b>	<b>17,617</b>	<b>11,376</b>
Changes in working capital:				
- Trade and other receivables	(19,016)	(7,082)	(30,018)	(8,873)
- Inventories	234	(757)	(264)	(824)
- Trade and other payables	4,856	2,853	4,095	(980)
Cash (used in)/generated from operations	<b>(2,647)</b>	<b>2,735</b>	<b>(8,570)</b>	<b>699</b>
Interest received	4	3	6	4
Income tax paid	(170)	(189)	(286)	(153)
<b>Net cash (used in)/provided by operating activities</b>	<b>(2,813)</b>	<b>2,549</b>	<b>(8,850)</b>	<b>550</b>
<b>Cash flows from investing activities</b>				
Payments of other payables relating to prior financial years' acquisitions	(5,241)	(600)	(7,654)	(1,409)
Dividend received on financial assets, available-for-sale	-	4	-	4
Proceeds from disposal of property, plant and equipment	81	217	219	217
Proceeds from disposal of club membership	-	28	-	28
Purchase of property, plant and equipment	(7,090)	(9,841)	(16,144)	(20,335)
Release/(placement) of short-term bank deposits pledged	2,022	(432)	1,862	168
<b>Net cash used in investing activities</b>	<b>(10,228)</b>	<b>(10,624)</b>	<b>(21,717)</b>	<b>(21,327)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(8,876)	(2,733)	(8,876)	(2,733)
Interest paid	(246)	(346)	(2,064)	(638)
Repayment of borrowings	(1,629)	(6,721)	(5,909)	(10,770)
Repayment of finance lease liabilities	(1,698)	(903)	(3,704)	(1,740)
Proceeds from borrowings	16,264	19,698	42,192	28,083
Purchase of treasury shares	-	(135)	-	(135)
<b>Net cash provided by financing activities</b>	<b>3,815</b>	<b>8,860</b>	<b>21,639</b>	<b>12,067</b>
Net (decrease)/increase in cash and cash equivalents	<b>(9,226)</b>	<b>785</b>	<b>(8,928)</b>	<b>(8,710)</b>
Cash and cash equivalents at beginning of financial period	<b>14,820</b>	<b>4,027</b>	<b>14,522</b>	<b>13,522</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>5,594</b>	<b>4,812</b>	<b>5,594</b>	<b>4,812</b>

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

	As at 30 June 2014 (\$'000)	As at 30 June 2013 (\$'000)
Cash and bank balances	11,836	10,840
Short-term bank deposits pledged	(3,082)	(5,950)
Bank overdrafts included in borrowings	(3,160)	(78)
	<b>5,594</b>	<b>4,812</b>

**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)
<b>Group</b>								
<b>Balance as at 1 January 2014</b>	58,576	(135)	47,570	(2,024)	95	104,082	2,514	106,596
Issue of new shares for acquisition of business in prior financial years*	1,000	-	-	-	-	1,000	-	1,000
Total comprehensive income	-	-	1,968	8	-	1,976	477	2,453
<b>Balance as at 31 March 2014</b>	59,576	(135)	49,538	(2,016)	95	107,058	2,991	110,049
Dividend paid	-	-	(8,876)	-	-	(8,876)	-	(8,876)
Issue of new shares for acquisition of business in prior financial years**	850	-	-	-	-	850	-	850
Total comprehensive income/(loss)	-	-	5,920	(516)	-	5,404	101	5,505
<b>Balance as at 30 June 2014</b>	60,426	(135)	46,582	(2,532)	95	104,436	3,092	107,528
<b>Balance as at 1 January 2013</b>	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
<b>Balance as at 31 March 2013</b>	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
<b>Balance as at 30 June 2013</b>	58,576	(135)	39,508	(428)	47	97,568	2,089	99,657

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	Share capital (\$'000)	Treasury shares (\$'000)	Retained earnings / (accumulated losses) (\$'000)	Total equity (\$'000)
<b>Company</b>				
<b>Balance as at 1 January 2014</b>	58,576	(135)	1,200	59,641
Issue of new shares for acquisition of business in prior financial years*	1,000	-	-	1,000
Total comprehensive loss	-	-	(825)	(825)
<b>Balance as at 31 March 2014</b>	59,576	(135)	375	59,816
Dividend paid	-	-	(8,876)	(8,876)
Issue of new shares for acquisition of business in prior financial years**	850	-	-	850
Total comprehensive income	-	-	199	199
<b>Balance as at 30 June 2014</b>	60,426	(135)	(8,302)	51,989
<b>Balance as at 1 January 2013</b>	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	-	-	135	135
<b>Balance as at 31 March 2013</b>	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)
<b>Balance as at 30 June 2013</b>	58,576	(135)	(4,407)	54,034

\* The issue of new shares for acquisition of business in prior financial years relates to 3rd tranche of shares issued for acquisition of Team Assets.

\*\* The issue of new shares for acquisition of business in prior financial years relates to 2nd tranche of shares issued for acquisition of Vac-Tech.

\*\*\* The issue of new shares for acquisition of business in previous financial year relates to 2nd tranche of shares issued for acquisition of Team Assets.

\*\*\*\* The issue of new shares for acquisition of business in previous financial year relates to 3rd tranche of shares issued for acquisition of Top Great.



- 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 2014 to 30 June 2014 are as follows:-

<b>CHANGES IN ISSUED SHARE CAPITAL</b>	<b>Number of shares</b>	<b>Paid-up capital (S\$)</b>
<b>Issued share capital as at 1 January 2014</b>	293,665,947	58,440,876
Issue of new shares for acquisition of business in prior financial years*	2,200,704	1,000,000
<b>Issued share capital as at 31 March 2014</b>	295,866,651	59,440,876
Issue of new shares for acquisition of business in prior financial years**	1,838,235	850,000
<b>Issued share capital as at 30 June 2014 excluding treasury shares</b>	<b>297,704,886</b>	<b>60,290,876</b>

\* *The issue of new shares for acquisition of business in prior financial years relates to 3<sup>rd</sup> tranche of shares issued for acquisition of Team Assets.*

\*\* *The issue of new shares for acquisition of business in prior financial years relates to 2<sup>nd</sup> tranche of shares issued for acquisition of Vac-Tech.*

On 16 July 2014, the Company issued and allotted 59,540,977 Rights Shares. The Rights Shares rank *pari passu* in all respects with the previously issued shares.

Save as disclosed above, the Company did not have any outstanding options or convertibles as at 30 June 2014 and 31 December 2013.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	<b>As at 30 June 2014</b>	<b>As at 31 December 2013</b>
Total number of issued shares (excluding treasury shares)	<b>297,704,886</b>	293,665,947

- 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 2014.

**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 audited financial statements for the financial year ended 31 December 2013.

**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 Financial Reporting Standards ("FRS") and Amendments to FRS that are effective for annual periods beginning on or after 1 January 2014.

The adoption of the new FRSs and Amendments to 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 2014		For the half year ended 30 June 2014	
	2014	2013	2014	2013
Earnings attributable to equity holders of the Company (\$'000)	<b>5,920</b>	5,601	<b>7,888</b>	7,659
Weighted average number of shares outstanding for basic EPS ('000)	<b>296,917</b>	288,009	<b>295,787</b>	286,816
Basic EPS attributable to equity holders of the Company (SGD cents)	<b>1.99</b>	1.94	<b>2.67</b>	2.67
Weighted average number of shares outstanding for basic EPS ('000)	<b>296,917</b>	288,009	<b>295,787</b>	286,816
Adjustment for bonus element in relation to rights issue ('000)	<b>39,320</b>	39,320	<b>39,320</b>	39,320
	<b>336,237</b>	327,329	<b>335,107</b>	326,136
Diluted EPS attributable to equity holders of the Company (SGD cents)	<b>1.76</b>	1.71	<b>2.35</b>	2.35

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 the purpose of calculating diluted EPS, the weighted average number of ordinary shares outstanding is adjusted for the effect of the bonus element in relation to the rights issue completed on 16 July 2014. The comparative information have also been adjusted accordingly.

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-**  
**(a) current financial period reported on; and**  
**(b) immediately preceding financial year.**

**NET ASSET VALUE ("NAV")**

	<b>Group</b>		<b>Company</b>	
	<b>As at</b>		<b>As at</b>	
	<b>30 June 2014</b>	<b>31 December 2013</b>	<b>30 June 2014</b>	<b>31 December 2013</b>
NAV per ordinary share (SGD cents)	<b>35.01</b>	35.44	<b>17.46</b>	20.31
Number of shares used in computation of NAV per share ('000)	<b>297,705</b>	293,666	<b>297,705</b>	293,666

- 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**

**HY2014 vs HY2013**

**Revenue**

<u>Revenue by segment</u>	<b>HY 2014</b>		<b>HY 2013</b>	
	<b>(\$'000)</b>	<b>(%)</b>	<b>(\$'000)</b>	<b>(%)</b>
Offshore & Engineering	<b>45,593</b>	61	22,480	49
Marine	<b>22,099</b>	30	19,801	44
Energy Services	<b>6,994</b>	9	3,359	7
	<b>74,686</b>	100	45,640	100

**Notes:**

- (1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
- (2) Marine includes steamgear 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 \$29.0 million or 64% in HY2014 is explained below:

Offshore & Engineering segment

Revenue from Offshore & Engineering segment increased by \$23.1 million or 103% due to:

- New projects awarded in FY2014 from both new and existing customers. There are also more backlog at end of FY2013 as compared to end of FY2012;
- Increase in revenue from precision engineering business as orders from major Oil & Gas equipment manufacturers started to come in since FY2014 Q2; and
- Revenue contributions of \$10.4 million from the newly acquired subsidiaries.

These also explain the higher revenue from Offshore & Engineering segment in FY2014 Q2 as compared to FY2013 Q2.

Marine segment

Revenue from Marine segment increased by \$2.3 million or 12% mainly due to:

- Better utilisation of waterfront facilities for berthing services;
- Increase in revenue from diving services of \$253,000; and
- Increase in demand for sterngear repair services in FY2014 Q2.

These also explain the higher revenue from Marine segment in FY2014 Q2 as compared to FY2013 Q2.

Energy Services segment

Revenue from Energy Services increased by \$3.6 million or 108% due to:

- Commencement of jobs since FY2013 Q2 after securing long-term contracts with major Oil & Gas customers; and
- Higher revenue from scaffold project of \$2.1 million due to variation orders.

These also explain the higher revenue from Energy Services segment in FY2014 Q2 as compared to FY2013 Q2.

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

#### *HY2014 vs HY2013*

Cost of sales and gross profit increased by \$24.1 million or 81% and \$5.0 million or 31% respectively, in tandem with the increase in revenue.

Gross profit margin decreased from 35% in HY2013 to 28% in HY2014 mainly due to:

- Lower margin for Offshore & Engineering projects;
- Higher fixed cost for the properties at 42E and 42B Penjuru Road such as land rental and property tax;
- Higher depreciation for the property at 42B Penjuru Road and overhead cost such as utilities and consumables for the new equipment; and
- Increase in salaries and wages due to increase in headcount.

These also explain the fluctuations in cost of sales, gross profit and gross profit margin in FY2014 Q2 as compared to FY2013 Q2.

### **Other income**

#### *HY2014 vs HY2013*

Other income increased by \$1.2 million mainly due to increase in government grants, rental income, sales of scrap, net foreign exchange gain, write-back of allowance for impairment of trade receivables and recovery of bad debts.

These also explain the increase in other income in FY2014 Q2 as compared to FY2013 Q2.

### **Administrative expenses**

#### *HY2014 vs HY2013*

The Group's administrative expenses increased by \$3.7 million or 50% due to:

- Administrative expenses of the two newly acquired subsidiaries;
- Increase in fixed cost in relation to the new property at 42A Penjuru Road (eg land rent and property tax); and
- Increase in other administrative expenses such as depreciation of office space at 42B Penjuru Road, insurance expense, and professional and legal fees.

These also explain the higher administrative expense in FY2014 Q2 as compared to FY2013 Q2.

### **Finance expenses**

The increase in Group's finance expenses of \$1.5 million is mainly attributable to interest expense on Series 1 Notes of \$1.4 million.

This also explains the higher finance cost in FY2014 Q2 as compared to FY2013 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%.

### **Net profit**

The Group's net profit has increased by \$778,000 or 10% in HY2014 as compared to HY2013 mainly as a result of increase in revenue of 64% offset by the increase in cost arising from capacity expansions and consolidating recent acquisitions. The net profit attributable to equity holders of the Company also increased by \$229,000 or 3% for HY2014.

## **REVIEW OF FINANCIAL POSITION**

### **Current assets**

The increase in current assets of \$19.4 million from \$90.6 million as at 31 December 2013 to \$110.0 million as at 30 June 2014 is mainly attributable to:

- (a) The decrease in cash and cash equivalents of \$10.8 million or 48% from \$22.7 million as at 31 December 2013 to \$11.8 million as at 30 June 2014 is mainly due to the following:
  - Cash used for working capital purposes;
  - Purchase of property, plant and equipment;
  - Payments of FY2013 dividends; and
  - Payments of deferred considerations in relation to prior years' acquisitions.
- (b) The increase in trade and other receivables by \$30.0 million or 51% from \$58.9 million as at 31 December 2013 to \$88.9 million as at 30 June 2014 is due to increase in revenue in HY2014 of 64% offset by the collections in HY2014 of approximately \$44.7 million.

### **Non-current assets**

The increase in non-current assets of \$9.9 million from \$204.5 million as at 31 December 2013 to \$214.4 million as at 30 June 2014 is attributable to increase in property, plant and equipment and deposits for purchase of property, plant and equipment of \$9.9 million or 6% in relation to:

- Acquisition of workshop land in Johor Bahru Malaysia
- Progressive payment for construction of vessel
- Progressive payment for construction of property at 42A Penjuru Road
- Purchases of new motor vehicles and other machinery and equipment

### **Current liabilities**

The increase in current liabilities of \$25.4 million from \$78.5 million as at 31 December 2013 to \$103.9 million as at 30 June 2014 is explained as follows:

- (a) The decrease in trade and other payables of \$7.8 million as compared to the balance as at 31 December 2013 is mainly due to partial settlement of the deferred consideration in relation to prior years' acquisitions.
- (b) The increase in current borrowings of \$32.8 million as compared to current borrowings as at 31 December 2013 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.

### **Non-current liabilities**

The increase in non-current liabilities of \$3.0 million from \$110.0 million as at 31 December 2013 to \$113.0 million as at 30 June 2014 is mainly due to reclassification of the amount due to former shareholders of Vac-Tech from current to non-current payable due to the amendments to the sales and purchase agreement.

### **REVIEW OF CASHFLOW STATEMENT**

The Group has a net cash outflow from operating activities of \$8.9 million mainly due to increase in trade and other receivables of \$30.0 million offset by the cash operating profit of \$17.6 million and increase in trade and other payables of \$4.1 million.

The Group had a net cash outflow from investing activities of \$21.7 million due mainly to purchases of property, plant and equipment of \$16.1 million and payments of deferred consideration relating to prior financial year's acquisitions of \$7.7 million.

The Group's financing activities provided net cash inflow of \$21.6 million due mainly to the proceeds from borrowings of approximately \$42.2 million offset by repayments of borrowings and finance lease liabilities, and payments of dividends and interest of \$20.6 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.**

Our Offshore & Engineering and Energy Services divisions are extending their leadership and now generate 70% of Group's revenue. The Group's new 1.5 hectares facility at 42B Penjuru Road has started to receive orders from Oil & Gas equipment manufacturers. This, combined with our 2.0 hectares Penjuru waterfront facilities will enable us to service a larger share of the growing domestic market.

In the Marine segment, the demands for sterngear repair and maintenance services started to increase in FY2014 Q2 whilst the sterngear manufacturing market remains challenging.

Our Energy Services segment has been performing well and we expect this trend to continue.

Group's order book as at 30 June 2014 stands at \$38.4 million (as at 31 December 2013: \$33.5 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 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 half year ended 30 June 2014. 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 2014 to be false or misleading in any material aspect.

**FOR AND ON BEHALF OF THE BOARD OF DIRECTORS**

Sim Soon Ngee Glennle  
Executive Chairman and Chief Executive Officer

Wong Boon Huat  
Executive Director

31 July 2014

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