

**UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTHS FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

**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 third quarter ended 30 September			For the nine months ended 30 September		
	2015 (\$'000)	2014 (\$'000)	Increase/ (decrease) (%)	2015 (\$'000)	2014 (\$'000)	Increase/ (decrease) (%)
<b>Revenue</b>	<b>20,821</b>	30,887	(33)	<b>75,006</b>	105,573	(29)
Cost of sales	<b>(14,292)</b>	(22,708)	(37)	<b>(54,221)</b>	(76,526)	(29)
<b>Gross profit</b>	<b>6,529</b>	8,179	(20)	<b>20,785</b>	29,047	(28)
Other gains - net	<b>4,766</b>	1,263	NM	<b>6,488</b>	2,678	NM
Expenses						
- Administrative	<b>(4,506)</b>	(5,063)	(11)	<b>(14,207)</b>	(16,003)	(11)
- Finance	<b>(1,618)</b>	(1,540)	5	<b>(4,099)</b>	(3,717)	10
Profit before income tax	<b>5,171</b>	2,839	82	<b>8,967</b>	12,005	(25)
Income tax	<b>(436)</b>	(374)	17	<b>(762)</b>	(1,074)	(29)
<b>Net profit</b>	<b>4,735</b>	2,465	92	<b>8,205</b>	10,931	(25)
<b>Other comprehensive income/(loss) that may be reclassified subsequently to profit or loss</b>						
Currency translation differences arising from consolidation	<b>445</b>	65	NM <sup>(2)</sup>	<b>510</b>	(443)	NM <sup>(2)</sup>
<b>Total comprehensive income</b>	<b>5,180</b>	2,530	NM	<b>8,715</b>	10,488	(17)
<b>Net profit attributable to :</b>						
Equity holders of the Company	<b>4,822</b>	2,436	98	<b>7,260</b>	10,324	(30)
Non-controlling interests	<b>(87)</b>	29	NM	<b>945</b>	607	56
	<b>4,735</b>	2,465	92	<b>8,205</b>	10,931	(25)
<b>Total comprehensive income attributable to :</b>						
Equity holders of the Company	<b>5,267</b>	2,501	NM	<b>7,770</b>	9,881	(21)
Non-controlling interests	<b>(87)</b>	29	NM	<b>945</b>	607	56
	<b>5,180</b>	2,530	NM	<b>8,715</b>	10,488	(17)

(1) "NM" denotes not meaningful.

(2) The currency translation difference arising from consolidation relates mainly to the fluctuations of Indonesian Rupiah and Chinese Renminbi 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 third quarter ended 30 September</b>			<b>For the nine months ended 30 September</b>		
	<b>2015 (\$'000)</b>	<b>2014 (\$'000)</b>	<b>Increase/ (decrease) (%)</b>	<b>2015 (\$'000)</b>	<b>2014 (\$'000)</b>	<b>Increase/ (decrease) (%)</b>
<u>Included in other gains:</u>						
- Sale of scrap metals	(68)	(123)	(45)	(219)	(366)	(40)
- (Gain)/loss on sale of property, plant and equipment	(4,218)	(58)	NM	(4,193)	(61)	NM
- Foreign exchange loss/(gain) - net	41	(98)	NM	(39)	(223)	(83)
- Government grants	(46)	(71)	(35)	(415)	(501)	(17)
- Other income <sup>(1)</sup>	(139)	(72)	93	(304)	(193)	58
- Write-back of allowance for impairment of trade receivables	(25)	(191)	(87)	(326)	(423)	(23)
- Write-back of long outstanding payable	(9)	(489)	(98)	(492)	(512)	(4)
- Rental income	(290)	(152)	91	(480)	(389)	23
	<b>(4,754)</b>	<b>(1,254)</b>	<b>NM</b>	<b>(6,468)</b>	<b>(2,668)</b>	<b>NM</b>
<u>Included under finance expense:</u>						
- Interest expense	1,618	1,540	5	4,099	3,717	10
<u>Included under cost of sales and administrative expenses:</u>						
- Depreciation of property, plant and equipment <sup>(2)</sup>	3,661	3,006	22	10,833	9,772	11
<u>Included under income tax:</u>						
- (Over)/under provision of current income tax in prior financial years	(30)	-	NM	(30)	72	NM

**Notes:**

- (1) Other income relates to miscellaneous income.
- (2) Increase in depreciation of property, plant and equipment was mainly due to depreciation of new machinery and equipment, trucks and renovation.
- (3) "NM" denotes not meaningful.

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

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

**STATEMENT OF FINANCIAL POSITION**

	Group		Company	
	As at 30 September 2015 (\$'000)	As at 31 December 2014 (\$'000)	As at 30 September 2015 (\$'000)	As at 31 December 2014 (\$'000)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	14,699	19,686	3,629	259
Trade and other receivables	74,912	85,479	94,622	85,476
Inventories	10,553	10,328	-	-
	<b>100,164</b>	<b>115,493</b>	<b>98,251</b>	<b>85,735</b>
<b>Non-current assets</b>				
Financial assets, available-for-sale	169	172	-	-
Investments in subsidiaries	-	-	82,240	94,251
Investment in joint venture	207	881	-	-
Property, plant and equipment	212,990	181,936	40	63
Deposits for purchase of property, plant and equipment	5,089	1,872	-	-
Intangible assets	45,180	45,180	-	-
Club memberships	60	60	-	-
Deferred income tax asset	-	-	593	524
	<b>263,695</b>	<b>230,101</b>	<b>82,873</b>	<b>94,838</b>
<b>Total assets</b>	<b>363,859</b>	<b>345,594</b>	<b>181,124</b>	<b>180,573</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	23,825	34,902	62,679	57,194
Borrowings	106,208	70,013	49,786	-
Current income tax liabilities	1,519	869	-	-
	<b>131,552</b>	<b>105,784</b>	<b>112,465</b>	<b>57,194</b>
<b>Non-current liabilities</b>				
Other payables	1,892	5,100	2,350	5,100
Borrowings	85,562	100,713	-	49,617
Deferred income tax liabilities	4,160	4,453	-	-
	<b>91,614</b>	<b>110,266</b>	<b>2,350</b>	<b>54,717</b>
<b>Total liabilities</b>	<b>223,166</b>	<b>216,050</b>	<b>114,815</b>	<b>111,911</b>
<b>NET ASSETS</b>	<b>140,693</b>	<b>129,544</b>	<b>66,309</b>	<b>68,662</b>
<b>EQUITY</b>				
Capital and reserves attributable to equity holders of the Company				
Share capital	75,562	72,027	75,562	72,027
Fair value reserves	92	92	-	-
Other reserve	509	-	-	-
Translation reserves	(1,471)	(1,981)	-	-
Retained earnings / (accumulated losses)	59,792	56,153	(9,253)	(3,365)
	<b>134,484</b>	<b>126,291</b>	<b>66,309</b>	<b>68,662</b>
Non-controlling interests	6,209	3,253	-	-
<b>Total equity</b>	<b>140,693</b>	<b>129,544</b>	<b>66,309</b>	<b>68,662</b>

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Note to statement of financial position:

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

Location	Description	Land Area (sqm)	Latest Valuation Date	NBV as at 30 September 2015 (\$'000)	Estimated market values (\$'000)	Excess of estimated market values over NBV (\$'000)
7 Tuas View Circuit, Singapore	Office building, dormitory & workshop	8,501	Feb 2014	8,829	14,700	5,871
12 Kwong Min Road, Singapore	Office building, dormitory & workshop	4,623	Aug 2015	3,715	8,500	4,785
42E Penjuru Road, Singapore	Waterfront, office building & workshop	19,266	Aug 2015	21,945	34,000	12,055
42B Penjuru Road, Singapore	Office building & workshop	16,200	Oct 2013	19,696	28,000	8,304
107 Gul Circle, Singapore	Office building & workshop	12,618	Nov 2015	5,298	7,500	2,202
11 Tuas Basin Close, Singapore	Waterfront, office building & workshop	14,730	Dec 2013	7,201	8,500	1,299
No.6 Xinghua Gangqu Dadao, Changshu, Jiangsu, China	Office building & workshop	34,433	Mar 2015	7,745	8,396	651
<b>Total</b>		<b>110,371</b>		<b>74,429</b>	<b>109,596</b>	<b>35,167</b>

The estimated market 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 September 2015		As at 31 December 2014	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
44,045	62,163	56,380	13,633

**Amount repayable after one year**

As at 30 September 2015		As at 31 December 2014	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
78,779	6,783	44,341	56,372

**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 in one year includes \$49.8 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.

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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		For the nine months ended 30 September	
	2015 (\$'000)	2014 (\$'000)	2015 (\$'000)	2014 (\$'000)
<b>Cash flows from operating activities</b>				
Net profit	4,734	2,465	8,205	10,931
Adjustments for:				
- Income tax	436	374	762	1,074
- Depreciation of property, plant and equipment	3,661	3,006	10,833	9,772
- Gain on disposal of property, plant and equipment	(4,218)	(58)	(4,193)	(61)
- Award of performance shares	70	-	70	-
- Interest income	(13)	-	(16)	(4)
- Interest expense	1,618	1,540	4,099	3,717
- Currency translation differences	575	96	510	(387)
	<b>6,863</b>	<b>7,423</b>	<b>20,270</b>	<b>25,042</b>
Changes in working capital:				
- Trade and other receivables	4,675	(2,179)	13,905	(32,197)
- Inventories	185	(2,185)	(225)	(2,449)
- Trade and other payables	(1,749)	(5,193)	(10,373)	(1,098)
Cash generated/(used in) from operations	<b>9,974</b>	<b>(2,134)</b>	<b>23,577</b>	<b>(10,702)</b>
Interest received	13	-	16	4
Income tax paid	(44)	(173)	(405)	(459)
<b>Net cash provided/(used in) by operating activities</b>	<b>9,943</b>	<b>(2,307)</b>	<b>23,188</b>	<b>(11,157)</b>
<b>Cash flows from investing activities</b>				
Payments of other payables relating to prior financial years' acquisitions	(1,250)	(2,331)	(2,625)	(9,985)
Dividend from investment in joint venture	-	-	674	-
Proceeds from disposal of property, plant and equipment	6,822	272	6,833	491
Proceeds from disposal of financial assets, available-for sale	3	-	3	-
Purchase of property, plant and equipment	(8,477)	(5,632)	(23,384)	(21,776)
(Placement)/release of short-term bank deposits pledged	(405)	(297)	50	1,565
<b>Net cash used in investing activities</b>	<b>(3,307)</b>	<b>(7,988)</b>	<b>(18,449)</b>	<b>(29,705)</b>
<b>Cash flows from financing activities</b>				
Dividend paid	(3,621)	-	(3,621)	(8,876)
Interest paid	(1,543)	(1,484)	(3,911)	(3,548)
Repayment of bank borrowings	(1,872)	(11,804)	(12,470)	(17,713)
Repayment of finance lease liabilities	(1,956)	(2,829)	(5,725)	(6,533)
Proceeds from bank borrowings	5,010	18,366	17,468	60,558
Proceeds from rights issue	-	11,800	-	11,800
Purchase of treasury shares	(10)	(44)	(10)	(44)
<b>Net cash (used in)/provided by financing activities</b>	<b>(3,992)</b>	<b>14,005</b>	<b>(8,269)</b>	<b>35,644</b>
Net increase/(decrease) in cash and cash equivalents	<b>2,644</b>	<b>3,710</b>	<b>(3,530)</b>	<b>(5,218)</b>
Cash and cash equivalents at beginning of financial period	<b>7,996</b>	<b>5,594</b>	<b>14,170</b>	<b>14,522</b>
<b>Cash and cash equivalents at end of financial period</b>	<b>10,640</b>	<b>9,304</b>	<b>10,640</b>	<b>9,304</b>

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

	As at 30 September 2015 (\$'000)	As at 30 September 2014 (\$'000)
Cash and bank balances	14,699	14,250
Short-term bank deposits pledged	(2,985)	(3,379)
Bank overdrafts included in borrowings	(1,074)	(1,567)
	<b>10,640</b>	<b>9,304</b>

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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**

	Share capital (\$'000)	Treasury shares (\$'000)	Retained earnings / (accumulated losses) (\$'000)	Fair value reserve (\$'000)	Translation reserve (\$'000)	Other reserve (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
<b>Group</b>									
<b>Balance as at 1 January 2015</b>	72,220	(193)	56,153	92	(1,981)	-	126,291	3,253	129,544
- Disposal of non-controlling interests without a change in control	-	-	-	-	-	509	509	2,011	2,520
- Total comprehensive income	-	-	1,125	-	85	-	1,210	1,080	2,290
<b>Balance as at 31 March 2015</b>	72,220	(193)	57,278	92	(1,896)	509	128,010	6,344	134,354
- Issue of new shares for acquisition of business in prior financial years	2,625	-	-	-	-	-	2,625	-	2,625
- Total comprehensive income/(loss)	-	-	1,314	-	(150)	-	1,164	(48)	1,116
<b>Balance as at 30 June 2015</b>	74,845	(193)	58,592	92	(2,046)	509	131,799	6,296	138,095
- Dividend paid	-	-	(3,621)	-	-	-	(3,621)	-	(3,621)
- Award of FY2013 performance shares to employees	70	-	-	-	-	-	70	-	70
- Share buy back	-	(10)	-	-	-	-	(10)	-	(10)
- Issue of new shares for acquisition of business in prior financial years	850	-	-	-	-	-	850	-	850
- Total comprehensive income	-	-	4,821	-	575	-	5,396	(87)	5,309
<b>Balance as at 30 September 2015</b>	75,765	(203)	59,792	92	(1,471)	509	134,484	6,209	140,693
<b>Balance as at 1 January 2014</b>	58,576	(135)	47,570	95	(2,024)	-	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/(loss)	-	-	1,968	-	8	-	1,976	477	2,453
<b>Balance as at 31 March 2014</b>	59,576	(135)	49,538	95	(2,016)	-	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	95	(2,532)	-	104,436	3,092	107,528
- Issue of new shares pursuant to rights issue	11,800	-	-	-	-	-	11,800	-	11,800
- Share buy back	-	(44)	-	-	-	-	(44)	-	(44)
- Award of FY2013 performance shares to employees	(6)	78	-	-	-	-	72	-	72
- Total comprehensive income	-	-	2,436	-	65	-	2,501	29	2,530
<b>Balance as at 30 September 2014</b>	72,220	(101)	49,018	95	(2,467)	-	118,765	3,121	121,886

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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 2015</b>	72,220	(193)	(3,365)	68,662
- Total comprehensive loss	-	-	(502)	(502)
<b>Balance as at 31 March 2015</b>	72,220	(193)	(3,867)	68,160
- Issue of new shares for acquisition of business in prior financial years	2,625	-	-	2,625
- Total comprehensive income	-	-	(824)	(824)
<b>Balance as at 30 June 2015</b>	74,845	(193)	(4,691)	69,961
- Dividend paid	-	-	(3,621)	(3,621)
- Award of FY2013 performance shares to employees	70	-	-	70
- Share buy back	-	(10)	-	(10)
- Issue of new shares for acquisition of business in prior financial years	850	-	-	850
- Total comprehensive loss	-	-	(941)	(941)
<b>Balance as at 30 September 2015</b>	75,765	(203)	(9,253)	66,309
<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
Issue of new shares pursuant to rights issue	11,800	-	-	11,800
Share buy back	-	(44)	-	(44)
Award of FY2013 performance shares to employees	(6)	78	-	72
- Total comprehensive loss	-	-	(161)	(161)
<b>Balance as at 30 September 2014</b>	72,220	(101)	(8,463)	63,656



- 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 2015 to 30 September 2015 are as follows:

**CHANGES IN ISSUED SHARE CAPITAL**

	Number of shares (‘000)	Paid-up capital (S\$‘000)
<b>Issued share capital as at 1 January 2015</b>	357,091	72,027
Issue of new shares for acquisitions in prior financial years	5,044	2,625
<b>Issued share capital as at 30 June 2015</b>	362,135	74,652
Award of FY2013 performance shares to employees	346	70
Share buy back	(50)	(10)
Issue of new shares for acquisitions in prior financial years	1,838	850
<b>Issued share capital as at 30 September 2015 excluding treasury shares</b>	<b>364,269</b>	<b>75,562</b>

Save as disclosed above, the Company did not have any outstanding options or convertibles as at 30 September 2015 and 31 December 2014.

- 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 2015	As at 31 December 2014
Total number of issued shares (excluding treasury shares) (in ‘000)	<b>364,269</b>	357,091

- 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 September 2015.

- 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 2014.

**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 2015.

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 third quarter ended 30 September		For the nine months ended 30 September	
	2015	2014	2015	2014
Earnings attributable to equity holders of the Company (\$'000)	4,822	2,436	7,260	10,324
Weighted average number of shares outstanding for basic EPS ('000)	<b>362,201</b>	353,504	<b>359,946</b>	334,392
Basic EPS attributable to equity holders of the Company (SGD cents)	<b>1.33</b>	0.69	<b>2.02</b>	3.09
Weighted average number of shares outstanding for basic EPS ('000)	<b>362,201</b>	353,504	<b>359,946</b>	334,392
Adjustment for 2014 Performance Share Award to be issued ('000)	<b>61</b>	-	<b>61</b>	-
	<b>362,262</b>	353,504	<b>360,007</b>	334,392
Diluted EPS attributable to equity holders of the Company (SGD cents)	<b>1.33</b>	0.69	<b>2.02</b>	3.09

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 weighted average number of ordinary shares outstanding for FY2015 Q3 have been adjusted for the effect of the bonus element of 39,319,513 shares in relation to the rights issue completed on 16 July 2014.

- 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 September 2015</b>	<b>31 December 2014</b>	<b>30 September 2015</b>	<b>31 December 2014</b>
NAV per ordinary share (SGD cents)	<b>36.92</b>	35.37	<b>18.20</b>	19.23
Number of shares used in computation of NAV per share ('000)	<b>364,269</b>	357,091	<b>364,269</b>	357,091

- 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**

**YTD September 2015 vs YTD September 2014**

**Revenue**

	<b>FY2015</b>		<b>FY2014</b>	
	<b>(\$'000)</b>	<b>(%)</b>	<b>(\$'000)</b>	<b>(%)</b>
<u>Revenue by segment</u>				
Offshore & Engineering	<b>36,754</b>	49	62,857	59
Marine	<b>27,398</b>	37	32,616	31
Energy Services	<b>10,854</b>	14	10,100	10
	<b>75,006</b>	100	105,573	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 decrease in Group's revenue by \$30.6 million or 29% for the nine months ended 30 September 2015 is explained below:

Offshore & Engineering segment

Revenue from Offshore & Engineering segment decreased by \$26.1 million or 42% due to:

- Major projects reached its completion and relatively fewer projects due to slow down in Oil & Gas industry;
- Such decrease was slightly offset by the increase in revenue from precision engineering business as new orders from major Oil & Gas equipment manufacturers were secured since latter part of FY2014.

These also explain the lower revenue from Offshore & Engineering segment in FY2015 Q3 as compared to FY2014 Q3.

Marine segment

The turnover from Marine segment decreased by \$5.2 million or 16% mainly due to decrease in customer orders and certain diving jobs have been deferred.

These also explain the lower revenue from Marine segment in FY2015 Q3 as compared to FY2014 Q3

Energy Services segment

Revenue from Energy Services increased by \$754,000 or 7% due to higher demand from tank cleaning services as well as variation orders from existing contracts and new refinery services.

This also explains the increase in revenue from Energy Services segment in FY2015 Q3 as compared to FY2014 Q3.

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

*YTD September 2015 vs YTD September 2014*

The dip in revenue resulted in a lowering of gross profit from \$29.0 million to \$20.8 million or 28% decrease. Due to uncertain business environment, the management has placed greater focused on trimming its overhead costs and improving efficiency. This caused a lower cost of sales by 29% and a steady gross profit margin of 28%.

These also explain the fluctuations in cost of sales, gross profit and gross profit margin in FY2015 Q3 as compared to FY2014 Q3.

### **Other income**

*YTD September 2015 vs YTD September 2014*

Other income increased by \$3.8 million mainly due to gain of \$4.2 million on sale of property at 6 Tech Park and partially offset by lower income from sale of scrap due to slow down in operation.

These also explain the increase in other income in in FY2015 Q3 as compared to FY2014 Q3.

### **Administrative expenses**

*YTD September 2015 vs YTD September 2014*

The Group's administrative expenses decreased by 11% or \$1.8 million due to streamlining measure implemented by the management as explained below:

- lower staff cost and related staff expenses arising from cost savings in salaries and related expenses as a result of decrease in head count; and
- decrease in insurance expense, travelling and entertainment, and utilities arising from cost cutting initiatives implemented since second half of FY2014.

These also explain the lower administrative expense in FY2015 Q3 as compared to FY2014 Q3.

### **Finance expenses**

The increase in Group's finance expenses of \$382,000 or 10% from \$3.7 million is mainly attributable to higher interest expense on trade financing and short term borrowings. This also explains the higher finance cost in FY2015 Q3 as compared to FY2014 Q3.

### **Income tax**

The Group's effective income tax rate of 8% is lower than the statutory income tax rate of 17% mainly due to utilisation of carry forward tax losses. The effective income tax rate of 8% remains comparable with the effective income tax rate in FY2014 of 9%.

### **Net profit**

The Group's net profit decreased by \$2.7 million or 25% from \$10.9 million in FY2014 to \$8.2 million in FY2015 as a result of the above.

The net profit attributable to non-controlling interests increased from \$607,000 in FY2014 to \$945,000 in FY2015 mainly due to the 21% effective dilution of the Group's equity interest in Vac-Tech as announced on 15 January 2015 which increased the non-controlling interests.

Arising from the decrease in net profit and higher increase in net profit attributable to non-controlling interests, the net profit attributable to equity shareholders of the Company declined by 30% from \$10.3 million in FY2014 to \$7.3 million in FY2015.

## **REVIEW OF FINANCIAL POSITION**

### **Current assets**

The decrease in current assets of approximately \$15.3 million from \$115.5 million as at 31 December 2014 to \$100.2 million as at 30 September 2015 is mainly attributable to:

- (a) The decrease in cash and cash equivalents of \$5.0 million or 25% from \$19.7 million as at 31 December 2014 to \$14.7 million as at 30 September 2015 is mainly due to purchase of property, plant and equipment and settlement of borrowings offset by the cash provided by operating activities.
- (b) The decrease in trade and other receivables by \$10.6 million or 12% from \$85.5 million as at 31 December 2014 to \$74.9 million as at 30 September 2015 is mainly due to the decrease in revenue and collections of long-outstanding receivables.

### **Non-current assets**

The increase in non-current assets of \$33.6 million from \$230.1 million as at 31 December 2014 to \$263.7 million as at 30 September 2015 is attributable to increase in property, plant and equipment and deposits for purchase of property, plant and equipment of \$34.3 million or 19% in relation to:

- progressive payment for construction of property at 42A Penjuru Road;
- progressive payment for construction of crane barge to support our offshore activities; and
- purchases of commercial vehicles, and other equipment.

### **Current liabilities**

The increase in current liabilities of \$25.8 million from \$105.8 million as at 31 December 2014 to \$131.6 million as at 30 September 2015 is due to:

- (a) The decrease in trade and other payables of \$11.1 million as compared to the balance as at 31 December 2014 is mainly due to payments to suppliers as shown in the decrease in cash and cash equivalents and via utilisation of trade facilities which resulted to a corresponding increase in current borrowings;
- (b) The increase in current borrowings of \$36.2 million as compared to current borrowings as at 31 December 2014 due to reclassification of Series 1 Note of \$49.8 million from non-current borrowings to current borrowings as this will be due for repayment on 12 September 2016. The increase in current borrowings was partially offset by repayment of short term borrowings and decrease in Group's bank overdraft as a result of faster collection of trade receivables.

### **Non-current liabilities**

The decrease in non-current liabilities by \$18.7 million from \$110.3 million as at 31 December 2014 to \$91.6 million as at 30 September 2015 is due to the reclassification of the Series 1 Note to current borrowings as explained above and offset by the drawdown of construction loan pertaining to the construction of property at 42A Penjuru Road.

## **REVIEW OF CASHFLOW STATEMENT**

The Group has a net cash provided by operating activities of \$23.2 million mainly due to cash generated from operations of \$20.3 million and decrease in trade and other receivables of \$13.9 million offset by increase in inventories of \$225,000 and decrease in trade and other payables of \$10.4 million.

The Group had a net cash outflow from investing activities of \$18.4 million due mainly to purchases of property, plant and equipment of \$23.4 million and payments of deferred consideration relating to prior financial year's acquisitions of \$2.6 million offset by proceeds from disposal of property, plant and equipment of \$6.8 million and coupled with dividend from investment in joint venture of \$674,000.

The Group's financing activities has a net cash outflow of \$8.3 due to repayment of bank borrowings and finance lease liabilities (inclusive of interest payment) of \$22.1 million coupled with payment of dividends of approximately \$3.6 million and offset with the proceeds from bank borrowings of \$17.5 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.**

The protracted low oil prices continue to adversely affect our customers and their demand for our services in the Oil & Gas sector especially our Offshore division.

In the Marine segment, the demand for sterngear repair and maintenance services as well as the sterngear manufacturing market remains challenging.

Our Energy Services segment has been growing and, barring unforeseen circumstances, we expect this trend to continue.

Group's order book as at 30 September 2015 stands at \$17.3 million (as at 31 December 2014: \$32.1 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.**

Other than the deemed disposal of the Group's 21% equity interest in Vac-Tech as announced on 15 January 2015, 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 nine months period ended 30 September 2015. 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 nine months ended 30 September 2015 to be false or misleading in any material aspect.

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

Sim Soon Ngee Glenndle  
Executive Chairman and Chief Executive Officer

Wong Boon Huat  
Executive Director

13 November 2015

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