

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE NINE MONTH FINANCIAL PERIOD (“9M2017”) IN RESPECT OF THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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		
	3Q2017 (\$'000)	3Q2016 (\$'000)	Increase/ (decrease) (%)	9M2017 (\$'000)	9M2016 (\$'000)	Increase/ (decrease) (%)
Revenue	12,742	15,302	(17)	40,308	52,852	(24)
Cost of sales	(14,440)	(12,939)	12	(40,238)	(40,700)	(1)
Gross profit	(1,698)	2,363	NM	70	12,152	(99)
Other gains – net	26	(393)	NM	826	1,292	(36)
Expenses						
- Administrative	(3,954)	(3,124)	27	(11,659)	(10,309)	13
- Finance	(1,597)	(1,569)	2	(4,370)	(4,377)	-
Loss before income tax	(7,223)	(2,723)	165	(15,133)	(1,242)	1,118
Income tax	(1)	32	NM	(1)	60	NM
Net loss	(7,224)	(2,691)	168	(15,134)	(1,182)	1,180
Other comprehensive loss that may be reclassified subsequently to profit or loss						
Currency translation differences arising from consolidation ⁽¹⁾	(254)	(205)	24	(529)	(315)	68
Total comprehensive loss	(7,478)	(2,896)	158	(15,663)	(1,497)	946
Net (loss)/profit attributable to:						
Equity holders of the Company	(7,141)	(2,770)	158	(16,331)	(2,487)	557
Non-controlling interests	(83)	79	NM	1,197	1,305	(8)
	(7,224)	(2,691)	168	(15,134)	(1,182)	1,180
Total comprehensive (loss)/income attributable to :						
Equity holders of the Company	(7,395)	(2,975)	149	(16,860)	(2,802)	502
Non-controlling interests	(83)	79	NM	1,197	1,305	(8)
	(7,478)	(2,896)	158	(15,663)	(1,497)	946

(1) The currency translation difference arising from consolidation relates mainly to the fluctuations of Indonesian Rupiah and Chinese Renminbi against Singapore Dollar.

(2) “NM” denotes not meaningful.

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

	The Group					
	For the third quarter ended 30 September			For the nine months ended 30 September		
	3Q2017 (\$'000)	3Q2016 (\$'000)	Increase/ (decrease) (%)	9M2017 (\$'000)	9M2016 (\$'000)	Increase/ (decrease) (%)
<u>Included in Other (losses)/gains – net:</u>						
- Claim against former shareholder of subsidiary ⁽¹⁾	-	-	-	306	-	NM
- Write-down of fair values of disposal group classified as held-for-sale ⁽²⁾	-	(786)	NM	-	(786)	NM
- Foreign exchange (loss)/gain – net ⁽³⁾	(252)	19	NM	(320)	(202)	58
- Gain on bargain purchase ⁽⁴⁾	-	-	-	-	1,154	NM
- Government grants ⁽⁵⁾	140	83	69	300	354	(15)
- (Loss)/gain on sale of property, plant and equipment ⁽⁶⁾	(114)	86	NM	(148)	175	NM
- Rental income	107	103	4	365	302	21
- Sale of scrap metals ⁽⁷⁾	129	46	180	296	132	124
- Write-back of long outstanding payable	-	22	NM	-	22	NM
- Other income ⁽⁸⁾	16	34	(53)	27	141	(81)
	26	(393)	(107)	826	1,292	(36)
<u>Included under finance expense:</u>						
- Interest expense	1,597	1,569	2	4,370	4,377	-
<u>Included under cost of sales and administrative expenses:</u>						
- Depreciation of property, plant and equipment ⁽⁹⁾	4,058	3,078	32	12,094	9,147	32
<u>Included under administrative expenses:</u>						
- Allowance for impairment of trade receivables	-	28	NM	9	28	(68)
- Write-off of trade receivables	49	-	NM	82	-	NM
<u>Included under income tax:</u>						
- Under provision of current income tax in prior financial years	1	32	(97)	1	2	(50)
- (Over) provision of deferred income tax in prior financial years	-	(62)	NM	-	(62)	NM

Notes:

- (1) The claim against a former shareholder of a subsidiary relates to the acquisition of Chinyee Engineering & Machinery Pte Ltd (“Chinyee”), which was completed in March 2014. These claims relate to non-collections of various projects undertaken by Chinyee prior to acquisition, and accordingly, the Group accounted it as other income through unanimous settlement with the former shareholder and upon receipt of the claims.
- (2) Write-down of fair values of disposal group classified as held-for-sale pertains to property in 11 Tuas Basin Close.
- (3) Foreign exchange loss in 3Q2017 of approximately \$136,000 is mainly related to the repayment of a quasi-loan from a subsidiary in Malaysia, now being reclassified to income statement.
- (4) The gain on bargain purchase of \$1.2 million relates to the acquisition of business and certain assets of Stone Marine Singapore Private Limited as announced on 14 June 2016.
- (5) In 3Q2017, the Group’s Energy segment received \$123,000 capability development grant from SPRING.
- (6) Loss on sale of property, plant and equipment of \$114,000 in 3Q2017 was mainly due to the disposal of a vessel at a loss of \$126,000.
- (7) Higher sale of scrap in 9M2017 was mainly due to the completion of adhoc productions of aluminium blocks for a particular customer which resulted in higher scrap during machining.
- (8) Other income relates to interest income and miscellaneous income/expense.
- (9) Additional depreciation during the current reporting period is from the following:
 - a. 107 Gul Circle property and a Changshu China property of approximately \$1.0 million in 9M2017. These two properties were under assets of disposal group classified as held-for sale as at 31 December 2016; and
 - b. depreciation for several vessels of \$1.5 million during 9M2017 as compared to nil in prior reporting period.

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

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 30 September 2017 (\$'000)	As at 31 December 2016 (\$'000)	As at 30 September 2017 (\$'000)	As at 31 December 2016 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	12,966	7,416	916	425
Trade and other receivables	42,459	46,778	78,212	75,466*
Inventories	9,141	10,065	-	-
	64,566	64,259	79,128	75,891
Assets of disposal group classified as held-for-sale	6,350	6,350	-	-
	70,916	70,609	79,128	75,891
Non-current assets				
Available-for-sale financial assets	91	91	-	-
Investments in subsidiaries	-	-	82,030	82,030
Property, plant and equipment	215,553	225,625	3	10
Deposits for purchase of property, plant and equipment	323	1,193	-	-
Intangible assets	44,800	44,800	-	-
Club memberships	60	60	-	-
Deferred income tax asset	-	-	524	524
	260,827	271,769	82,557	82,564
Total assets	331,743	342,378	161,685	158,455
LIABILITIES				
Current liabilities				
Trade and other payables	19,710	14,733	30,108	28,222*
Borrowings	42,075	46,693	782	-
Current income tax liabilities	731	815	-	-
	62,516	62,241	30,890	28,222
Liabilities directly associated with disposal group classified as held-for-sale	2,300	2,525	-	-
	64,816	64,766	30,890	28,222
Non-current liabilities				
Borrowings	156,029	151,136	53,922	50,000
Deferred income tax liabilities	4,473	4,478	-	-
	160,502	155,614	53,922	50,000
Total liabilities	225,318	220,380	84,812	78,222
NET ASSETS	106,425	121,998	76,873	80,233
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	91,747	91,657	91,747	91,657
Fair value reserve	14	14	-	-
Other reserve	509	509	-	-
Translation reserve	(4,502)	(3,973)	-	-
Retained profits/(accumulated losses)	10,869	27,200	(14,874)	(11,424)
	98,637	115,407	76,873	80,233
Non-controlling interests	7,788	6,591	-	-
Total equity	106,425	121,998	76,873	80,233

*The FY2016 comparative figures of the Company level for amounts due from/due to subsidiary corporations were adjusted as a result of inter-company offsetting of balances.

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 2017		As at 31 December 2016	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings*	34,471	6,194	34,221	9,150
Finance lease liabilities	1,410	-	3,322	-
Current borrowings	35,881	6,194	37,543	9,150
Borrowings included in the disposal group classified as held-for-sale	2,300	-	2,525	-
Total	38,181	6,194	40,068	9,150

Amount repayable after one year

	As at 30 September 2017		As at 31 December 2016	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings*	150,489	3,379	143,308	4,705
Finance lease liabilities	2,161	-	3,123	-
Non-current borrowings	152,650	3,379	146,431	4,705

Details of any collaterals

The bank borrowings are secured by the Group's leasehold buildings, vessels, certain short-term bank deposits and trade receivables 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.

**Bank borrowings presented above includes bank overdraft*

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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	
	3Q2017 (\$'000)	3Q2016 (\$'000)	9M2017 (\$'000)	9M2016 (\$'000)
Cash flows from operating activities				
Net loss	(7,224)	(2,691)	(15,134)	(1,182)
Adjustments for:				
- Income tax	1	(32)	1	(60)
- Depreciation of property, plant and equipment	4,058	3,078	12,094	9,147
- Loss/(gain) on disposal of property, plant and equipment	114	(86)	148	(175)
- Gain on bargain purchase	-	-	-	(1,154)
- Claim against former shareholder of subsidiary	-	-	(306)	-
- Award of performance share	-	12	-	12
- Write-down of fair values of disposal group classified as asset-held-for-sale	-	786	-	786
- Interest income	(1)	(37)	(5)	(41)
- Interest expense	1,597	1,569	4,370	4,377
- Currency translation differences	(131)	(205)	31	(315)
	(1,586)	2,394	1,199	11,395
Changes in working capital:				
- Trade and other receivables	335	1,755	4,319	4,357
- Inventories	1,023	522	924	403
- Trade and other payables	3,606	(4,695)	10,748	(13,150)
Cash generated from operations	3,378	(24)	17,190	3,005
Interest received	1	37	5	41
Income tax (paid)/refunded	(13)	(17)	(85)	11
Net cash provided by/(used in) operating activities	3,366	(4)	17,110	3,057
Cash flows from investing activities				
Acquisition of business	-	(1,137)	-	(1,137)
Payments of other payables relating to prior financial years' acquisitions	(150)	-	(150)	(400)
Proceeds from disposal of property, plant and equipment	144	250	304	1,612
Purchase of property, plant and equipment	(203)	(130)	(1,305)	(6,566)
(Placement)/release of short-term bank deposits pledged	(1)	(1,350)	120	(1,351)
Net cash used in investing activities	(210)	(2,367)	(1,031)	(7,842)
Cash flows from financing activities				
Interest paid	(2,091)	(3,083)	(5,855)	(6,219)
Repayment of bank borrowings	(5,662)	(52,037)	(15,663)	(60,852)
Repayment of finance lease liabilities	(764)	(1,520)	(2,919)	(4,733)
Proceeds from bank borrowings	453	53,000	15,453	59,523
Proceeds from private placements	-	-	-	14,708
Net cash (used in)/provided by financing activities	(8,064)	(3,640)	(8,984)	2,427
Net (decrease)/increase in cash and cash equivalents	(4,908)	(6,011)	7,095	(2,358)
Cash and cash equivalents at beginning of financial period	14,623	10,927	2,620	7,274
Cash and cash equivalents at end of financial period	9,715	4,916	9,715	4,916

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

	As at 30 September 2017 (\$'000)	As at 30 September 2016 (\$'000)
Cash and bank balances	12,966	10,150
Short-term bank deposits pledged	(2,775)	(4,069)
Bank overdrafts included in borrowings	(476)	(1,165)
	9,715	4,916

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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 profits/ (accumulated losses) (\$'000)	Fair value reserve (\$'000)	Translation reserve (\$'000)	Other reserve (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
Group									
Balance as at 1 January 2017	91,860	(203)	27,200	14	(3,973)	509	115,407	6,591	121,998
Total comprehensive (loss)/income	-	-	(5,113)	-	(504)	-	(5,617)	162	(5,455)
Balance as at 31 Mar 2017	91,860	(203)	22,087	14	(4,477)	509	109,790	6,753	116,543
Shares for Directors' fees (in lieu of cash)	90	-	-	-	-	-	90	-	90
Total comprehensive (loss)/income	-	-	(4,077)	-	229	-	(3,848)	1,118	(2,730)
Balance as at 30 June 2017	91,950	(203)	18,010	14	(4,248)	509	106,032	7,871	113,903
Total comprehensive loss	-	-	(7,141)	-	(254)	-	(7,395)	(83)	(7,478)
Balance as at 30 September 2017	91,950	(203)	10,869	14	(4,502)	509	98,637	7,788	106,425
Balance as at 1 January 2016	75,765	(203)	54,114	92	(2,551)	509	127,726	6,047	133,773
Issue of new shares for private placement (net of transaction cost)	14,708	-	-	-	-	-	14,708	-	14,708
Issue of new shares for acquisition of business in prior financial years	1,375	-	-	-	-	-	1,375	-	1,375
Total comprehensive (loss)/income	-	-	(104)	-	66	-	(38)	343	305
Balance as at 31 Mar 2016	91,848	(203)	54,010	92	(2,485)	509	143,771	6,390	150,161
Total comprehensive income/(loss)	-	-	387	-	(176)	-	211	883	1,094
Balance as at 30 June 2016	91,848	(203)	54,397	92	(2,661)	509	143,982	7,273	151,255
Award of performance shares to employees	12	-	-	-	-	-	12	-	12
Total comprehensive (loss)/income	-	-	(2,770)	-	(205)	-	(2,975)	79	(2,896)
Balance as at 30 September 2016	91,860	(203)	51,627	92	(2,866)	509	141,019	7,352	148,371

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	Share capital (\$'000)	Treasury shares (\$'000)	Retained profits/ (accumulated losses) (\$'000)	Total equity (\$'000)
Company				
Balance as at 1 January 2017	91,860	(203)	(11,424)	80,233
Total comprehensive loss	-	-	(878)	(878)
Balance as at 31 Mar 2017	91,860	(203)	(12,302)	79,355
Shares for Directors' fees (in lieu of cash)	90	-	-	90
Total comprehensive loss	-	-	(1,292)	(1,292)
Balance as at 30 June 2017	91,950	(203)	(13,594)	78,153
Total comprehensive loss	-	-	(1,280)	(1,280)
Balance as at 30 September 2017	91,950	(203)	(14,874)	76,873
Balance as at 1 January 2016	75,765	(203)	(8,463)	67,099
Issue of new shares for private placement (net of transaction cost)	14,708	-	-	14,708
Issue of new shares for acquisition of business in prior financial years	1,375	-	-	1,375
Total comprehensive loss	-	-	(878)	(878)
Balance as at 31 Mar 2016	91,848	(203)	(9,341)	82,304
Total comprehensive loss	-	-	(913)	(913)
Balance as at 30 June 2016	91,848	(203)	(10,254)	81,391
Award of performance shares to employees	12	-	-	12
Total comprehensive loss	-	-	(868)	(868)
Balance as at 30 September 2016	91,860	(203)	(11,122)	80,535

- 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 and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The details of the changes in issued share capital of the Company from 1 January 2017 to 30 September 2017 are as follows:

CHANGES IN ISSUED SHARE CAPITAL	Number of shares (‘000)	Paid-up capital (\$'000)
Issued share capital as at 1 January 2017	421,739	91,657
Shares for Directors' fees (in lieu of cash)	501	90
Issued share capital as at 30 September 2017 excluding treasury shares	<u>422,240</u>	<u>91,747</u>

Save as disclosed above, the Company did not have any outstanding options or convertibles as at 30 September 2017 and 31 December 2016.

As at 30 September 2017, the total number of treasury shares held was 455,025 (30 September 2016: 455,025).

Under the Share Buy-Back Mandate, no shares were bought back by the Company during the 9M2017.

The Company did not have any outstanding options or convertibles as at 30 September 2017 and 31 December 2016.

- 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 2017	As at 31 December 2016
Total number of issued shares (excluding treasury shares) (in '000)	<u>422,240</u>	<u>421,739</u>

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 30 September 2017.

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

Not applicable.

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

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

3 Where the figures have been audited or reviewed, the auditors' report (including any 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.

The Group and the Company have applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared with the audited financial statements for the financial year ended 31 December 2016.

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

Not applicable.

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 3Q2017		For the nine months ended 30 September 9M2017	
	3Q2017	3Q2016	9M2017	9M2016
Net loss attributable to equity holders of the Company (\$'000)	(7,141)	(2,770)	(16,331)	(2,487)
Weighted average number of shares outstanding for basic EPS ('000)	426,880	421,688	421,922	415,777
Basic and Diluted EPS attributable to equity holders of the Company (SGD cents)	(1.67)	(0.66)	(3.87)	(0.60)

No dilutive potential ordinary shares for the period ended 3Q2017/3Q2016 and 9M2017/9M2016.

Basic and Diluted EPS is computed by dividing the net (loss)/profit attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding at the end of the respective financial period.

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.

	Group		Company	
	As at		As at	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
NAV per ordinary share (SGD cents)	23.36	27.36	18.21	19.02
Number of shares used in computation of NAV per share ('000)	422,240	421,739	422,240	421,739

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

9M2017 vs 9M2016 and 3Q2017 vs 3Q2016

Revenue

<u>Revenue by segment</u>	3Q2017		3Q2016		9M2017		9M2016	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Offshore & Engineering	4,172	33	5,258	34	11,675	29	21,041	40
Marine	5,563	44	6,465	42	17,750	44	20,230	38
Energy Services	3,007	23	3,579	24	10,883	27	11,581	22
	12,742	100	15,302	100	40,308	100	52,852	100

Notes:

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

Overall, revenue in 9M2017 decreased by 24% or \$12.5 million to \$40.3 million as compared to \$52.9 million in 9M2016 mainly due to weaker revenue in the Offshore & Engineering segment.

The Group registered a 17% decline in revenue to \$12.7 million in 3Q2017 as explained above.

Offshore & Engineering segment

Revenue from the Offshore & Engineering segment in 9M2017 was \$11.7 million, decrease by \$9.4 million when compared to \$21.0 million in 9M2016. The order book at the start of 9M2017 was lower than the start of 9M2016 as the oil and gas industry remains muted during the current reporting period due to subdued oil prices that brought about a general decline in demands from major customers.

The above also explains the 21% decline in revenue in 3Q2017 as compared to 3Q2016.

REVIEW OF INCOME STATEMENT OF THE GROUP (continued)

Marine segment

Revenue from the Marine segment declined by approximately \$2.5 million or 12% to \$17.8 million in 9M2017 as compared to 9M2016 mainly due to lower demand from customers and lower project activity from diving services and repairs and maintenance services. This also explains the decrease in revenue in 3Q2017 as compared to 3Q2016.

Energy Services segment

Revenue from Energy Services for 9M2017 was \$10.9 million, decreased by 6% as compared to 9M2016 of \$11.6 million.

In 3Q2017, revenue was lower by 16% to \$3.0 million when compared to 3Q2016 revenue of \$3.6 million, mainly due to the absence of work order from an overseas customer in 3Q2017 as compared to the corresponding quarter last year.

Cost of sales, gross profit and gross profit margin (“GP%”)

Group’s gross profit deteriorated from \$12.2 million in 9M2016 to approximately \$70,000 in 9M2017. Overall, the decline in gross profit in 9M2017 was mainly attributable to a general decline in revenue across the three (3) business segments, particularly for the Offshore & Engineering segment which saw a \$12.5 million revenue reduction, reflecting its inability to cover the fixed running costs. This explains the disproportionate reduction in cost of sales when compared to the revenue reduction.

For 3Q2017, the Group reported a gross loss of \$1.7 million as compared to a gross profit of \$2.4 million in last year same period. This was mainly due to revenue reduction of \$2.7 million resulting in variable gross profit (revenue less variable costs) being unable to cover fixed cost.

Other gains- net

The 36% decrease in other gains from \$1.3 million in 9M2016 to \$826,000 in 9M2017 was due to:

- recognition of \$1.2 million gain on bargain purchase in relation to the acquisition of business and certain assets of Stone Marine Singapore Private Limited in 9M2016. This was partially offset by write-down of fair values of disposal group classified as held-for-sale of \$786,000 recognised in 3Q2016;
- higher sale of scrap metals and other income recognised in the current reporting period for the claim against a former shareholder of a subsidiary of \$306,000.

For 3Q2017, the Group recorded other gains (net) of \$26,000 as compared to other losses (net) of \$393,000 in 3Q2016, due mainly to:

- write-down of fair values of disposal group classified as held-for-sale of \$786,000 recognised in 3Q2016 as compared to nil in 3Q2017; and partially offset by
- a recorded net loss on sale of property plant and equipment of \$114,000 in 3Q2017 mainly for disposal of certain vessel as compared to net gain of \$86,000 in 3Q2016;
- a net foreign exchange gain of \$19,000 in 3Q2016 to net foreign exchange loss of \$252,000 in 3Q2017 mainly related to the repayment of a quasi-loan from a subsidiary in Malaysia, now being reclassified to income statement.

REVIEW OF INCOME STATEMENT OF THE GROUP (continued)

Administrative expenses

The Group's administrative expenses for 9M2017 is \$1.4 million higher than 9M2016 of \$10.3 million. The increase was mainly due to:

- additional depreciation expense for the two properties namely 107 Gul Circle property and for Changshu, China property of approximately \$1.0 million as compared to nil in prior reporting period;
- electricity costs for 9M2017 is \$348K as compared to nil in 9M2016 as such costs were for account of the contractor during the construction period in 2016.

These also explain the 27% increase in administrative expense in 3Q2017 as compared to 3Q2016.

Finance expenses

Finance expense of \$4.4 million and \$1.6 million remains unchanged for both reporting periods ended 9M2017/3Q2017 and 9M2016/3Q2016.

Income tax

No significant variance for income tax.

Net loss

Consequent to the above, the Group incurred a net loss attributable to Equity holders of the Company of \$16.3 million and \$7.1 million in 9M2017 and 3Q2017 respectively as compared to a net loss of \$2.5 million and \$2.8 million in 9M2016 and 3Q2016 respectively.

The net profit attributable to non-controlling interests for 9M2017 remains comparable with 9M2016 at \$1.2 million. 3Q2017 net loss attributable to non-controlling interests of \$83,000 was lower by \$162,000 when compared to 3Q2016.

REVIEW OF FINANCIAL POSITION

Current assets

Current assets increased from \$70.6 million as at 31 December 2016 to \$70.9 million as at 30 September 2017 mainly due to higher cash and cash equivalents arising from the drawdown of bank facilities offset by decrease in trade and other receivables of \$4.3 million.

Non-current assets

Non-current assets decreased by 4% or \$10.9 million from \$271.8 million as at 31 December 2016 to \$260.8 million as at 30 September 2017 mainly due to depreciation expense of \$12.1 million for the period ended 9M2017 partially offset by fixed asset purchases of \$3.1 million.

Current liabilities

Current liabilities of the Group as at 30 September 2017 remains comparable at \$64.8 million as compared to 31 December 2016.

Non-current liabilities

Non-current liabilities rose by \$4.9 million from \$155.6 million as at 31 December 2016 to \$160.5 million as at 30 September 2017 mainly due to drawdowns of new term loans as mentioned above, offset by monthly repayments of long-term loans and finance lease liabilities.

Disposal Group classified as held-for-sale

The Group reclassified certain assets and liabilities under disposal group as held-for-sale as part of the key initiatives of management to dispose of under-utilised assets for cost savings and improve the cash flow position.

REVIEW OF STATEMENT OF CASH FLOWS

The Group's cash and cash equivalents increased by \$5.6 million from \$7.4 million in 31 December 2016 to \$13.0 million in 30 September 2017.

In tandem with the Group's continuous effort in monitoring its working capital requirements, it registered a net cash inflow from operating activities of \$17.1 million as at 30 September 2017 arising from intensive collection efforts in trade and other receivables of \$4.3 million and increases in trade and other payables of \$10.7 million.

The Group had minimised its capital expenditure in response to the weak demands in the oil and gas industry and hence, recorded minimal investing activities of \$1.0 million for 9M2017. The marginal capital expenditure mainly relates to the Energy segment for its expansion of services to customers.

Net cash used in financing activities for 9M2017 amounted to \$9.0 million, mainly due to repayment of bank borrowings, finance lease liabilities and interest payments totalling to \$24.3 million, offset by proceeds from new bank borrowings of \$15.5 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 continued weakness in the outlook and business condition for the O&G industry has created a challenging business environment for the Group whose products and services demands are generally driven by the overall performance of the industry.

We do not foresee the operating environment for our businesses improving significantly in the next 12 months. The demand for our repair and maintenance works and related goods and services remains weak and price-sensitive, and the credit tightening in the industry continue to be a challenge for many industry players.

We will continue to actively explore diversification opportunities within and outside Singapore. The Group will continue to manage costs and cash flow prudently. Group's order book as at 30 September 2017 stands at \$10.4 million (as at 31 December 2016: \$12.1 million).

The Company is making efforts to deal with the present financial challenges. As announced on 28 September 2017, it is still in continuous discussions with various parties in relation to transactions which may involve the divestment of assets or other form of corporate exercises. No definitive agreement or contract has been signed at this juncture, and there is no certainty or assurance as to whether any transaction will materialise. The Company will make appropriate announcements as and when there is any material development. Meanwhile, shareholders are advised to exercise caution when dealing in the shares of the Company.

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 nine months ended 30 September 2017. 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 2017 to be false or misleading in any material aspect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

BY ORDER OF THE BOARD

Sim Soon Ngee Glenndle
Executive Chairman and Chief Executive Officer

11 November 2017
