

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST FINANCIAL QUARTER (“1Q2018”) IN RESPECT OF THE FINANCIAL PERIOD ENDED 31 MARCH 2018

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

	Group		Increase/ (decrease) (%)
	1Q2018 (\$'000)	1Q2017 (\$'000)	
Revenue	15,033	12,781	18
Cost of sales	(13,496)	(12,504)	8
Gross profit	1,537	277	455
Other gains – net	1,203	297	305
Expenses			
- Administrative	(3,776)	(4,168)	(9)
- Finance	(1,401)	(1,327)	6
Loss before income tax	(2,437)	(4,921)	(50)
Income tax expense	(172)	(30)	473
Net loss	(2,609)	(4,951)	(47)
Other comprehensive loss that may be reclassified subsequently to profit or loss			
Currency translation differences arising from consolidation ⁽¹⁾	(200)	(504)	(60)
Total comprehensive loss	(2,809)	(5,455)	(49)
Net (loss)/profit attributable to:			
Equity holders of the Company	(3,034)	(5,113)	(41)
Non-controlling interests	425	162	162
	(2,609)	(4,951)	(47)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company	(3,234)	(5,617)	(42)
Non-controlling interests	425	162	162
	(2,809)	(5,455)	(49)

(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.

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

	Group		
	1Q2018	1Q2017	Increase/ (decrease)
	(\$'000)	(\$'000)	(%)
<u>Included in other (charges)/credits-net:</u>			
- Sale of scrap metals	143	110	30
- Gain/(loss) on sale of property, plant and equipment ⁽¹⁾	600	(30)	NM
- Foreign exchange (loss)/gain – net	(63)	(130)	(52)
- Government grants ⁽²⁾	214	111	93
- Other income ⁽³⁾	25	4	525
- Rental income	284	247	15
- Impairment of trade receivables	-	(9)	NM
- Write-off of trade receivables	-	(6)	NM
	1,203	297	305
<u>Included under finance expenses:</u>			
- Interest expense	1,401	1,327	6
<u>Included under cost of sales and administrative expenses:</u>			
- Depreciation of property, plant and equipment	3,368	3,953	(15)
<u>Included under income tax:</u>			
- Under provision of current income tax in prior financial years	74	30	147

Notes:

- (1) Gain on sale of property, plant and equipment in 1Q2018 was mainly arose from an incremental adjustment of \$530,000 to the sales consideration for 11 Tuas Basin Close property upon successfully obtaining the approval of JTC on extension of lease tenure to 31 December 2021. In addition, the Group disposed certain unutilised machineries in China which were previously fully impaired, thus, recognised gain on disposal of approximately \$100,000.
- (2) The increase in government grants was mainly due to the receipts of \$111,000 Workpro LED Job Redesign Grant from Singapore National Employers Federation (“SNEF”) in 1Q2018.
- (3) Other income relates to interest income and miscellaneous income/expense.
- (4) “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 31 March 2018 (\$'000)	As at 31 December 2017 (\$'000) (Restated)	As at 31 March 2018 (\$'000)	As at 31 December 2017 (\$'000) (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	9,013	14,741	1,252	828
Trade and other receivables	17,870	17,057	71,006	70,525
Inventories	8,097	8,564	-	-
Contract assets	3,554	3,774	501	563
	38,534	44,136	72,759	71,916
Non-current assets				
Available-for-sale financial assets	-	109	-	-
Financial assets, FVOCI	109	-	-	-
Investment in subsidiaries	-	-	69,879	69,879
Property, plant and equipment	203,856	205,642	1	1
Deposits for purchase of property, plant and equipment	114	9	-	-
Intangible assets	9,661	9,661	-	-
Club memberships	60	60	-	-
	213,800	215,481	69,880	69,880
Total assets	252,334	259,617	142,639	141,796
LIABILITIES				
Current liabilities				
Trade and other payables	15,535	16,370	27,241	25,054
Contract liabilities	4,620	3,825	-	-
Borrowings	186,938	190,389	54,339	54,522
Current income tax liabilities	453	339	-	-
	207,546	210,923	81,580	79,576
Non-current liabilities				
Borrowings	2,741	3,238	-	-
Deferred income tax liabilities	5,341	5,341	-	-
	8,082	8,579	-	-
Total liabilities	215,628	219,502	81,580	79,576
NET ASSETS	36,706	40,115	61,059	62,220
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	91,747	91,747	91,747	91,747
Fair value reserve	32	32	-	-
Other reserve	509	509	-	-
Translation reserve	(927)	(727)	-	-
Retained profits/(accumulated losses)	(61,795)	(58,761)	(30,688)	(29,527)
	29,566	32,800	61,059	62,220
Non-controlling interests	7,140	7,315	-	-
Total equity	36,706	40,115	61,059	62,220

1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 31 March 2018		As at 31 December 2017	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	174,113	11,034	177,322	11,269
Finance lease liabilities	1,791	-	1,798	-
Current borrowings	175,904	11,034	179,120	11,269

Amount repayable after one year

	As at 31 March 2018		As at 31 December 2017	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Bank borrowings	-	1,473	-	1,738
Finance lease liabilities	1,268	-	1,500	-
Non-current borrowings	1,268	1,473	1,500	1,738

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.

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	
	1Q2018 (\$'000)	1Q2017 (\$'000) (Restated)
Cash flows from operating activities		
Net loss	(2,609)	(4,951)
Adjustments for:		
- Income tax expense	172	30
- Depreciation of property, plant and equipment	3,368	3,953
- (Gain)/loss on disposal of property, plant and equipment	(600)	30
- Interest income	(2)	(1)
- Interest expense	1,401	1,327
- Currency translation differences	(139)	(65)
	<u>1,591</u>	<u>323</u>
Changes in working capital:		
- Trade and other receivables	(813)	26,836
- Inventories	467	1,590
- Contract assets	220	(23,832)
- Trade and other payables	(583)	2,918
- Contract liabilities	795	404
Cash generated from operations	<u>1,677</u>	<u>8,239</u>
Interest received	2	1
Income tax paid	(58)	(93)
Net cash provided by operating activities	<u>1,621</u>	<u>8,147</u>
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	656	57
Purchase of property, plant and equipment	(1,382)	(108)
Release of short-term bank deposits pledged	2,060	88
Net cash provided by investing activities	<u>1,334</u>	<u>37</u>
Cash flows from financing activities		
Interest paid	(1,930)	(1,774)
Repayment of bank borrowings	(8,280)	(3,150)
Repayment of finance lease liabilities	(384)	(1,071)
Proceeds from bank borrowings	4,585	2,447
Dividends paid to non-controlling interests	(600)	-
Net cash used in financing activities	<u>(6,609)</u>	<u>(3,548)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(3,654)</u>	<u>4,636</u>
Cash and cash equivalents at beginning of financial period	<u>11,601</u>	<u>2,620</u>
Cash and cash equivalents at end of financial period	<u>7,947</u>	<u>7,256</u>

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

	As at 31 March 2018 (\$'000)	As at 31 March 2017 (\$'000)
Cash and bank balances	9,013	11,734
Short-term bank deposits pledged	(657)	(3,307)
Bank overdrafts included in borrowings	(409)	(1,171)
	<u>7,947</u>	<u>7,256</u>

MENCAST HOLDINGS LTD.
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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)	(Accumulated losses) retained profits/ (\$'000) (Restated)	Fair value reserve (\$'000)	Translation reserve (\$'000) (Restated)	Other reserve (\$'000)	Total (\$'000)	Non- controlling interests (\$'000)	Total equity (\$'000)
Group									
Balance as at 1 January 2018	91,950	(203)	(58,761)	32	(727)	509	32,800	7,315	40,115
Total comprehensive (loss)/income	-	-	(3,034)	-	(200)	-	(3,234)	425	(2,809)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(600)	(600)
Balance as at 31 March 2018	91,950	(203)	(61,795)	32	(927)	509	29,566	7,140	36,706
Balance as at 1 January 2017	91,860	(203)	23,227	14	-	509	115,407	6,591	121,998
Total comprehensive (loss)/income	-	-	(5,113)	-	(504)	-	(5,617)	162	(5,455)
Balance as at 31 March 2017	91,860	(203)	18,114	14	(504)	509	109,790	6,753	116,543

	Share capital (\$'000)	Treasury shares (\$'000)	Retained profits/ (accumulated losses) (\$'000)	Total equity (\$'000)
Company				
Balance as at 1 January 2018	91,950	(203)	(29,527)	62,220
Total comprehensive loss	-	-	(1,161)	(1,161)
Balance as at 31 March 2018	91,950	(203)	(30,668)	61,059
Balance as at 1 January 2017	91,860	(203)	(11,424)	80,233
Total comprehensive loss	-	-	(878)	(878)
Balance as at 31 March 2017	91,860	(203)	(12,302)	79,355

- 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.**

There is no change in the issued share capital of the Company since its last issuance on 22 June 2017.

As at 31 March 2018, the total number of treasury shares held was 455,025 (31 March 2017: 455,025).

Under the Share Buy-Back Mandate, no shares were bought back by the Company during 1Q2018.

The Company has no outstanding options or convertibles as at 31 March 2018 and 31 December 2017.

The 2017 Share Buy-Back Mandate ("Mandate") has expired on 26 April 2018 while the Mencast Employee Share Option Scheme ("ESOS") will expire on 29 May 2018, being 10 years from the date on which the ESOS was adopted. Both the Mandate and ESOS were not renewed at the Company's AGM held on 26 April 2018.

- 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 31 March 2018	As at 31 December 2017
Total number of issued shares (excluding treasury shares) (in '000)	<u>422,240</u>	<u>422,240</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 31 March 2018.

- 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 2017, except that the Group and the Company have adopted Singapore Financial Reporting Standards (International) ("SFRS(I)") and all new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018.

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.

On transition to SFRS(I), the Group elected to set the cumulative translation differences to zero as at 1 January 2017. As a result, translation reserve and retained profits as at 1 January 2017 and 31 December 2017 were increased/reduced by \$3,973,000 respectively.

In addition, the Group and the Company adopted SFRS(I) equivalent of IFRS 9 and SFRS(I) equivalent of IFRS 15. The following summarised the significant impact arising from adoption of the above mentioned SFRS(I):

	FY2017 (as currently reported)	FY2017 (as previously reported)	Increase/ (decrease)
	\$'000	\$'000	\$'000
Consolidated Statement of Financial Position			
Effect of SFRS(I) 15			
- Trade and other receivables	17,057	20,691	(3,634)
- Inventories	8,564	8,704	(140)
- Contract assets	3,774	-	3,774
- Trade and other payables	16,370	20,195	(3,825)
- Contract liabilities	3,825	-	3,825
Effect of SFRS(I) 9			
- Available-for sale financial assets	109	109	-
- Financial assets, at FVOCI	-	-	-
Effect of SFRS(I) 1			
- Translation reserve	(727)	(4,700)	(3,973)
- Retained earnings	(58,761)	(54,788)	3,973

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:

	<u>Group</u>	
	<u>1Q2018</u>	1Q2017
Net loss attributable to equity holders of the Company (\$'000)	(3,034)	(5,113)
Weighted average number of shares outstanding for basic and diluted EPS ('000)	422,240	421,739
Basic and diluted EPS attributable to equity holders of the Company (SGD cents)	(0.72)	(1.21)

Basic and Diluted EPS is computed by dividing the net loss 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.

There are no dilutive potential ordinary shares for the financial period ended 1Q2018 and 1Q2017 respectively.

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")

	<u>Group</u>		<u>Company</u>	
	<u>As at</u>		<u>As at</u>	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
NAV per ordinary share (SGD cents)	7.00	7.77	14.46	14.74
Number of shares used in computation of NAV per share ('000)	422,240	422,240	422,240	422,240

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

1Q2018 vs 1Q2017

Revenue

	1Q2018		1Q2017	
	(\$'000)	(%)	(\$'000)	(%)
<u>Revenue by segment</u>				
Offshore & Engineering	3,539	24	3,628	28
Marine	7,392	49	6,382	50
Energy Services	4,102	27	2,771	22
	15,033	100	12,781	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 for 1Q2018 rose by 18% or \$2.3 million to \$15.0 million as compared to \$12.8 million in previous year same quarter. The 18% revenue growth was mainly attributable to stronger performance in the Marine and Energy services segments, while Offshore and Engineering segment remains resilient.

Offshore & Engineering segment

Revenue from the Offshore & Engineering segment remains relatively the same at \$3.5 million for both reporting periods. The slight decline in revenue was a result of lower activities from the rope access services.

REVIEW OF INCOME STATEMENT OF THE GROUP *(continued)*

Marine segment

Marine segment recorded a 16% revenue growth in 1Q2018 to \$7.4 million when compared to last year same quarter which was mainly related to improved performance in diving services of \$0.5 million. Increases in customer demand for our maintenance and repair services on vessel propellers also generated an incremental \$0.5 million revenue to the segment.

Energy Services segment

Energy services segment continues to grow its revenue from \$2.8 million in 1Q2017 to \$4.1 million in 1Q2018 mainly due to continuous support and increased demand from its existing customers.

Cost of sales, gross profit and gross profit margin

Consequent to the revenue growth, gross profit of the Group improved by 455% or \$1.3 million to \$1.5 million as compared to \$0.3 million in 1Q2017. This was mainly attributable to lower depreciation (a result of impairments undertaken by Offshore and Engineering segment in FY2017), but was offset by higher materials and sub-contractor costs, in line with the revenue increase.

Gross profit margin improved from 2% in 1Q2017 to 10% in 1Q2018 as a result of lower fixed overhead during the current reporting period as explained above.

Other income

Other income increase by \$0.9 million from \$0.3 million in 1Q2017 to \$1.2 million in 1Q2018. Detailed explanations of these gains were highlighted in paragraph 1(a)(ii).

Administrative expenses

The Group's administrative expenses decreased by \$0.4 million or 9% to \$3.8 million in 1Q2018, mainly due to savings from various administrative expenses such as legal and consultancy fees, depreciation expense, upkeep of office buildings and advertising expenses, among others.

Finance expenses

Finance expense increased marginally by 6% or \$0.1 million to \$1.4 million in 1Q2018 mainly due to additional interests from the utilisation of \$15 million bank borrowings being drawdown in 2Q2017.

Income tax

The Group recognised a tax charge of \$172,000 mainly due to provision of current income tax from its Energy segment.

REVIEW OF INCOME STATEMENT OF THE GROUP *(continued)*

Net loss

On the back of higher revenue, the Group was able to halve its net loss before tax, from \$4.9 million loss in 1Q2017 to \$2.4 million in the current reporting period.

The net loss attributable to equity holders of the Company in 1Q2018 was \$3.0 million as compared to \$5.1 million in 1Q2017.

REVIEW OF FINANCIAL POSITION

Current assets

Current assets decreased by 13% or \$5.6 million from \$44.1 million as at 31 December 2017 to \$38.5 million as at 31 March 2018, mainly attributable to decreases in cash and cash equivalents of \$5.7 million of which the details are highlighted in the Review of Statement of Cash Flows.

Non-current assets

The marginal decrease of 1% or \$1.7 million in non-current assets was due to depreciation expense recognised during the current reporting period of \$3.4 million offset by additions of fixed assets of \$1.7 million.

Current liabilities

Current liabilities decreased by 2% from \$210.9 million as at 31 December 2017 to \$207.5 million as at 31 March 2018, mainly due to repayment of bank borrowings of \$3.5 million.

Non-current liabilities

Non-current liabilities of \$8.1 million as at 31 March 2018 was \$0.5 million lower when compared to \$8.6 million as at 31 December 2017, a result of monthly repayment of term loans.

Net current liabilities position

As at 31 March 2018, the Group registered a negative working capital of \$169.0 million (FY2017: \$166.8 million) mainly due to breaches of certain financial covenant clauses on most of its loan agreements, and accordingly, the Group had reclassified significant portion of its non-current borrowings into current liabilities of approximately \$145.0 million (FY2017: \$145.4 million).

Currently, the Group, together with its financial advisor, are in the midst of discussion with its banks on a debt restructuring plan which will include, among others, moratorium of loan principal repayment for a certain period and longer repayment terms.

REVIEW OF STATEMENT OF CASH FLOWS

Net cash provided by operating activities was registered at \$1.6 million as a result of strong collection of trade and other receivables and net increase in trade and other payables and contract liabilities.

Net cash of \$1.3 million was generated from investing activities as a result of the release of a \$2.1 million fixed deposits pledged and net proceeds from disposal of fixed assets of \$0.7 million, offset by purchases of fixed assets of \$1.4 million.

Net cash used in financing activities of \$6.6 million as at 31 March 2018 was mainly due to repayments of term loans, finance lease liabilities and payment of interests of approximately \$10.6 million, offset by proceeds from bank borrowings of \$4.6 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.

The downturn in the offshore and marine industry, and oil and gas sector in the past few years had taken its toll on businesses and companies within the industry. The outlook of the industry is expected to stay challenging.

Group's order book as at 31 March 2018 stands at \$18.0 million (as at 31 December 2017: \$15.5 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 first quarter ended 31 March 2018. 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 first quarter ended 31 March 2018 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.

16 Loan Restructuring

As at date of reporting, the Group's position on non-compliance of financial covenants remained unchanged. It continues to remain in discussions with the banks to arrive at alternative options and solutions in formulating a debt restructuring plan which may include, among others, moratorium of loan principal repayment for a certain period and longer repayment terms.

The Company wish to update that our principal banker had by way of a letter dated 8th May 2018 accommodated the said breach on a one-off basis.

Following up on the Company's progress on its non-core asset divestment plans to pare down its borrowings, the Group has on 4th May 2018 entered into a sale and purchase agreement with a PRC company to dispose of its entire stake in Changshu Honghua Equipment Co., Ltd, an indirect subsidiary of the Company (as announced on 4th May 2018).

The Company remained in dialogues with interested parties on other divestment / other form of corporate exercises.

The Company has considered the feasibility of the above measures and has continued to use the going concern basis in preparing the financial statements for the financial period ended 31 March 2018.

The Company will make appropriate announcements as and when there is any material development.

BY ORDER OF THE BOARD

Sim Soon Ngee Glenndle
Executive Chairman and Chief Executive Officer
14 May 2018