



**MENCAST HOLDINGS LTD.
AND ITS SUBSIDIARY CORPORATIONS**
(Company Registration No.200802235C)

**Financial Statements
for the Second Half Year and Full Year Ended
31 December 2021**

Contents

	Page
A. Consolidated Statement of Comprehensive Income	2
B. Balance Sheets	3
C. Consolidated Statement of Changes in Equity	4
D. Consolidated Statement of Cash Flows	6
E. Notes to the Consolidated Financial Statements	7
F. Other Information Required by Listing Rule Appendix 7.2	21

A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Group					
	For the second half year ended 31 December			For the full year ended 31 December		
	2HY2021 (\$'000)	2HY2020 (\$'000)	Increase/ (decrease) (%)	FY2021 (\$'000)	FY2020 (\$'000)	Increase/ (decrease) (%)
Continuing Operations						
Revenue	28,978	22,649	28	51,283	46,872	9
Cost of sales	(19,866)	(17,722)	12	(37,696)	(34,255)	10
Gross profit	9,112	4,927	85	13,587	12,617	8
Other gains – net						
- Interest income- bank deposits	12	39	(69)	32	78	(59)
- Loss allowance on trade receivables	(25)	(140)	(82)	(20)	(140)	(86)
- Write-off of trade and other receivables	(27)	(5)	440	(27)	(77)	(65)
- Other	2,407	(2,478)	NM	5,463	10,301	(47)
Expenses						
- Administrative	(5,325)	(5,968)	(11)	(10,874)	(11,430)	(5)
- Finance	(1,853)	(2,283)	(19)	(3,893)	(5,704)	(32)
Share of profit of associated companies	244	333	(27)	529	257	106
Profit/(loss) before income tax	4,545	(5,575)	NM	4,797	5,902	(19)
Income tax credit/(expense)	1,829	(2)	NM	1,829	(26)	NM
Profit/(loss) from continuing operations	6,374	(5,577)	NM	6,626	5,876	13
Discontinued operations						
Loss from discontinued operations	-	(596)	NM	-	(2,411)	NM
Gain on disposal of a subsidiary corporation classified as held-for-sale	-	1,731	NM	-	1,731	NM
Total profit/(loss)	6,374	(4,442)	NM	6,626	5,196	28
Other comprehensive income/(loss), net of tax						
Items that will not be reclassified subsequently to profit or loss:						
Currency translation differences for foreign operations ⁽¹⁾	75	(84)	NM	8	(81)	NM
Items that will not be reclassified subsequently to profit or loss:						
Fair value losses on financial assets, at FVOCI	(4)	-	NM	(4)	-	NM
Total comprehensive income/(loss)	6,445	(4,526)	NM	6,630	5,115	30
Net profit/(loss) attributable to:						
Equity holders of the Company	6,315	(4,181)	NM	6,509	6,367	2
Non-controlling interests	59	(261)	NM	117	(1,171)	NM
	6,374	(4,442)	NM	6,626	5,196	28
Profit/(loss) attributable to equity holders of the Company relates to:						
Profit/(loss) from continuing operations	6,315	(5,609)	NM	6,509	5,865	11
Gain from discontinued operations	-	1,428	NM	-	502	NM
	6,315	(4,181)	NM	6,509	6,367	2
Total comprehensive income/(loss) attributable to:						
Equity holders of the Company	6,386	(4,265)	NM	6,513	6,286	4
Non-controlling interests	59	(261)	NM	117	(1,171)	NM
	6,445	(4,526)	NM	6,630	5,115	30
Earnings/(loss) per share (“EPS”) attributable to equity holders of the Company (cents per share)						
Basic						
- From continuing operations	1.41	(1.29)	NM	1.46	1.36	7
- From discontinued operations	-	0.33	NM	-	0.11	NM
Diluted						
- From continuing operations	1.41	(1.29)	NM	1.46	1.36	7
- From discontinued operations	-	0.33	NM	-	0.11	NM

(1) The currency translation difference arising from foreign operations relates mainly to the fluctuations of Indonesian Rupiah against Singapore Dollar.

(2) “NM” denotes not meaningful.

B. BALANCE SHEETS

	Group		Company	
	FY2021 (\$'000)	FY2020 (\$'000)	FY2021 (\$'000)	FY2020 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	14,307	15,604	5,351	7,040
Trade and other receivables	20,869	20,371	46,393	63,662
Inventories	5,504	5,674	-	-
Contract assets	1,194	923	831	536
	41,874	42,572	52,575	71,238
Assets of disposal group classified as held-for-sale	70,593	70,544	-	-
	112,467	113,116	52,575	71,238
Non-current assets				
Financial assets, at FVOCI	91	95	-	-
Investments in subsidiary corporations	-	-	55,120	56,396
Investments in associated companies	4,264	4,290	137	-
Property, plant and equipment	95,859	102,328	148	213
Deposits for purchase of property, plant and equipment	121	-	-	-
Intangible assets	4,781	4,781	-	-
	105,116	111,494	55,405	56,609
Total assets	217,583	224,610	107,980	127,847
LIABILITIES				
Current liabilities				
Trade and other payables	7,963	6,930	26,815	26,181
Contract liabilities	1,315	1,517	-	-
Borrowings	11,101	9,321	2,667	2,223
Current income tax liabilities	796	796	-	-
	21,175	18,564	29,482	28,404
Liabilities directly associated with disposal group classified as held-for-sale	69,120	69,564	-	-
	90,295	88,128	29,482	28,404
Non-current liabilities				
Borrowings	94,005	108,028	48,458	51,125
Deferred income tax liabilities	1,752	3,588	-	-
	95,757	111,616	48,458	51,125
Total liabilities	186,052	199,744	77,940	79,529
NET ASSETS	31,531	24,866	30,040	48,318
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	92,952	92,654	92,952	92,654
Fair value reserve	14	18	-	-
Translation reserve	(507)	(515)	(6)	-
Accumulated losses	(62,574)	(69,096)	(62,906)	(44,336)
	29,885	23,061	30,040	48,318
Non-controlling interests	1,646	1,805	-	-
Total equity	31,531	24,866	30,040	48,318

C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Share capital (\$'000)	Treasury shares (\$'000)	Fair value reserve* (\$'000)	Translation reserve* (\$'000)	Accumulated losses (\$'000)	Total (\$'000)	Non-controlling interests (\$'000)	Total equity (\$'000)
Balance as at 1 January 2021	92,857	(203)	18	(515)	(69,096)	23,061	1,805	24,866
Total comprehensive (loss)/income	-	-	-	(67)	194	127	58	185
Share based payment	58	-	-	-	-	58	-	58
Share Awards under the Scheme	240	-	-	-	-	240	-	240
Balance as at 30 Jun 2021	93,155	(203)	18	(582)	(68,902)	23,486	1,863	25,349
Total comprehensive (loss)/income	-	-	(4)	75	6,315	6,386	59	6,445
Effect of dilution on shareholdings in subsidiary corporation	-	-	-	-	13	13	(13)	-
Disposal of non-controlling interest in a subsidiary corporation	-	-	-	-	-	-	(83)	(83)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(180)	(180)
Balance as at 31 Dec 2021	93,155	(203)	14	(507)	(62,574)	29,885	1,646	31,531
Balance as at 1 January 2020	92,551	(203)	18	(434)	(75,463)	16,469	2,972	19,441
Total comprehensive income/(loss)	-	-	-	3	10,548	10,551	(910)	9,641
Balance as at 30 Jun 2020	92,551	(203)	18	(431)	(64,915)	27,020	2,062	29,082
Total comprehensive loss	-	-	-	(84)	(4,181)	(4,265)	(261)	(4,526)
Share Awards under the Scheme	240	-	-	-	-	240	-	240
Share based payment	66	-	-	-	-	66	-	66
Incorporation of new subsidiary corporation	-	-	-	-	-	-	229	229
Share capital reduction of a subsidiary corporation	-	-	-	-	-	-	(1,350)	(1,350)
Disposal of non-controlling interest in a subsidiary corporation	-	-	-	-	-	-	1,125	1,125
Balance as at 31 Dec 2020	92,857	(203)	18	(515)	(69,096)	23,061	1,805	24,866

^(a)As at 31 December 2021, the translation reserve of (\$507,000) includes the amount of \$152,000 which is directly associated with disposal group classified as held-for sale.

C. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Company	Share capital (\$'000)	Treasury shares (\$'000)	Translation reserve* (\$'000)	Accumulated losses (\$'000)	Total equity (\$'000)
Balance as at 1 January 2021	92,857	(203)	-	(44,336)	48,318
Total comprehensive loss	-	-	-	(1,362)	(1,362)
Share based payment	58	-	-	-	58
Share Awards under the Scheme	240	-	-	-	240
Balance as at 30 Jun 2021	93,155	(203)	-	(45,698)	47,254
Total comprehensive loss	-	-	(6)	(17,208)	(17,214)
Balance as at 31 Dec 2021	93,155	(203)	(6)	(62,906)	30,040
Balance as at 1 January 2020	92,551	(203)	-	(41,177)	51,171
Total comprehensive loss	-	-	-	(1,641)	(1,641)
Balance as at 30 Jun 2020	92,551	(203)	-	(42,818)	49,530
Total comprehensive loss	-	-	-	(1,518)	(1,518)
Share based payment	66	-	-	-	66
Share Awards under the Scheme	240	-	-	-	240
Balance as at 31 Dec 2020	92,857	(203)	-	(44,336)	48,318

* Fair value and translation reserves are not available for distribution.

D. CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group			
	For the second half year ended 31 Dec		For the full year ended 31 Dec	
	2HY2021 (\$'000)	2HY2020 (\$'000)	FY2021 (\$'000)	FY2020 (\$'000)
Cash flows from operating activities				
Net profit/(loss)	6,374	(4,442)	6,626	5,196
Adjustments for:				
- Income tax (credit)/expense	(1,829)	2	(1,829)	26
- Depreciation of property, plant and equipment	5,041	5,145	9,982	10,392
- Dividend income from financial assets, FVOCI	(8)	-	(8)	(4)
- Gain on re-measurement of retained investment	(119)	-	(119)	-
- Gain on disposal of non-current assets held-for-sale	-	(1,731)	-	(1,731)
- (Gain)/loss on disposal of property, plant and equipment	(40)	76	(43)	76
- Impairment loss on property, plant, and equipment	84	2,160	84	2,160
- Impairment loss on disposal group classified as held-for-sale	-	3,500	-	3,500
- Reversal of creditor's balances	-	-	-	(8,629)
- Shares awards under the Scheme	-	240	240	240
- Share of profit of associated companies	(244)	(333)	(529)	(257)
- Interest income	(12)	(39)	(32)	(78)
- Interest expense	1,853	2,283	3,893	5,715
- Currency translation differences	(15)	43	(8)	37
	11,085	6,904	18,257	16,643
Changes in working capital:				
- Trade and other receivables	(340)	(7,847)	(864)	(7,200)
- Inventories	144	(717)	170	(926)
- Contract assets	(639)	104	(271)	628
- Trade and other payables	2,148	5,637	1,701	7,184
- Contract liabilities	(1,482)	(521)	(202)	(1,755)
Cash generated from operations	10,916	3,560	18,791	14,574
Interest received	12	39	32	78
Income tax paid	(7)	(1)	(7)	(1)
Net cash provided by operating activities	10,921	3,598	18,816	14,651
Cash flows from investing activities				
Dividend income from financial assets, at FVOCI	8	-	8	4
Dividend received from investment in associated company	500	-	500	-
Deemed disposal of a subsidiary corporation	(48)	-	(48)	-
Proceeds from disposal of non-current assets classified as held-for-sale	-	454	-	454
Proceeds from disposal of property, plant and equipment	77	3,348	83	3,356
Purchase of property, plant and equipment	(2,035)	(2,607)	(3,869)	(8,003)
Release of short-term bank deposits pledged	-	-	(1)	(1)
Net cash (used in)/provided by investing activities	(1,498)	1,195	(3,327)	(4,190)
Cash flows from financing activities				
Interest paid	(1,868)	(2,354)	(3,966)	(5,781)
Repayment of bank borrowings	(7,211)	(5,647)	(11,467)	(8,645)
Repayment lease liabilities	(726)	(797)	(1,457)	(1,550)
Proceeds from bank borrowings	-	2,050	130	2,794
Proceeds from issuance of subsidiary corporation's shares to non-controlling interest	-	5	-	5
Net cash used in financing activities	(9,805)	(6,743)	(16,760)	(13,177)
Net decrease in cash and cash equivalents	(382)	(1,950)	(1,271)	(2,716)
Cash and cash equivalents at beginning of financial period/year	13,908	16,747	14,797	17,513
Cash and cash equivalents at end of financial period/year	13,526	14,797	13,526	14,797

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

	As at 31 Dec 2021 (\$'000)	As at 31 Dec 2020 (\$'000)
Cash and bank balances	14,307	15,604
Short-term bank deposits pledged	(505)	(504)
Bank overdrafts included in borrowings	(306)	(303)
	13,496	14,797
Cash and bank balances reclassified to disposal group	30	-
	13,526	14,797

E. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Mencast Holdings Ltd. (the “**Company**”) is listed on the Mainboard of Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and incorporated and domiciled in Singapore. The address of its registered office is 42E Penjuru Road, Mencast Central, Singapore 609161.

These consolidated financial statements as at and for the financial period/year ended 31 December 2021 comprise of the Company and its subsidiary corporations (collectively, the “**Group**”).

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiary corporations are as follows:

- a. Manufacture, supply and refurbishment and reconditioning of stern gear;
- b. Collection of waste (including treatment and disposal of waste and recycling of non-metal waste);
- c. Fabrication of steel structure, ship building and repairs;
- d. Manufacturing and precision machining services for parts used in machines and equipment;
- e. Provision of underwater commercial diving; and
- f. Manufacture of electrical machinery, apparatus, appliances and supplies, general cleaning services.

2. Basis of preparation

The financial statements for the Second Half Year (“**2HY2021**”) have been prepared in accordance with Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last financial statements for the period ended 30 June 2021 (“**1HY2021**”).

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The financial statements are presented in Singapore dollar which is the Company’s functional currency.

2.1 New and amended standards adopted by the Group

A number of amendments to Standards have become applicable for the current reporting period/year. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2.2 Use of judgements and estimates

In preparing the financial statements, Management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by Management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the period/year ended 1HY2021 and FY2020.

Estimates, assumptions, and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. Basis of preparation (continued)

2.2 Use of judgements and estimates (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 4.2 – Construction Contracts

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial period/year are included in the following notes:

- Note 8 – Provision for expected credit losses of trade receivables
- Note 10 – Impairment of disposal group classified as held-for-sale
- Note 12 – Impairment of property, plant and equipment
- Note 13 – Impairment test of goodwill: key assumptions underlying recoverable amounts

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period/year.

4. Segment and revenue information

The Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board of Directors assesses the performance of the operating segments based on revenue and gross profit. Administrative and finance expenses, and other gains are not allocated to segments.

Segmental assets and liabilities are not monitored as majority of the assets and liabilities can be utilised or discharged by different operating segments across the Group.

The Group's activities comprise the following segments:

- (a) Offshore & Engineering ("O&E") - Includes offshore structures, engineering, manufacturing, inspection, and maintenance. This also includes rope access services.
- (b) Marine - Includes sterngear manufacturing and refurbishment works, ship inspection, repair and maintenance services and engineering and fabrication works. This also includes diving services.
- (c) Energy services - Include waste treatment and recovery waste system. Capabilities of waste treatment plant include treatment of waste, water, oily sludge, slope, mud oil, contaminated soil, solid wastes, and filter cakes.

4.1 The reportable segment information is as follows:

	<u>The Group</u>			Total for continuing operations (\$'000)
	Offshore & Engineering (\$'000)	Marine (\$'000)	Energy Services (\$'000)	
2HY2021				
Revenue				
Total segment revenue	5,377	16,681	7,390	29,448
Inter-segment revenue	(3)	(454)	(13)	(470)
Revenue from external parties	<u>5,374</u>	<u>16,227</u>	<u>7,377</u>	<u>28,978</u>
Gross (loss)/profit	<u>(794)</u>	<u>7,411</u>	<u>2,495</u>	<u>9,112</u>
Other gains – net				
- Impairment loss on property, plant and equipment	(84)	-	-	(84)
- Write down of inventories	(109)	-	-	(109)
- Other gains, net	-	-	-	2,560
Other gains, net				2,367
Expenses				
- Administrative				(5,325)
- Finance				(1,853)
Share of profit of associated companies				244
Profit before income tax				<u>4,545</u>
Income tax credit				1,829
Profit from continuing operations				<u><u>6,374</u></u>

4. Segment and revenue information (continued)

4.1 Reportable Segments (continued)

	The Group			
	Offshore & Engineering (\$'000)	Marine (\$'000)	Energy Services (\$'000)	Total for continuing operations (\$'000)
2HY2020				
Revenue				
Total segment revenue	4,172	9,962	9,252	23,386
Inter-segment revenue	(18)	(714)	(5)	(737)
Revenue from external parties	4,154	9,248	9,247	22,649
Gross (loss)/profit	(2,147)	1,832	5,242	4,927
Other losses – net				
- Impairment loss on property, plant and equipment	(2,160)	-	-	(2,160)
- Impairment loss on disposal group classified as held-for-sale	-	(3,500)	-	(3,500)
- Reversal of creditor's balances, net	-	(400)	-	(400)
- Other gains, net	-	-	-	3,476
Other losses, net				(2,584)
Expenses				
- Administrative				(5,968)
- Finance				(2,283)
Share of profit of associated company				333
Loss before income tax				(5,575)
Income tax expense				(2)
Loss from continuing operations				(5,577)
The Group				
	Offshore & Engineering (\$'000)	Marine (\$'000)	Energy Services (\$'000)	Total for continuing operations (\$'000)
FY2021				
Revenue				
Total segment revenue	9,769	28,038	14,236	52,043
Inter-segment revenue	(11)	(723)	(26)	(760)
Revenue from external parties	9,758	27,315	14,210	51,283
Gross (loss)/profit	(1,330)	9,664	5,253	13,587
Other gains – net				
- Impairment loss on property, plant and equipment	(84)	-	-	(84)
- Write down of inventories	(109)	-	-	(109)
- Other gains, net	-	-	-	5,641
Other gains, net				5,448
Expenses				
- Administrative				(10,874)
- Finance				(3,893)
Share of profit of associated companies				529
Profit before income tax				4,797
Income tax credit				1,829
Profit from continuing operations				6,626

4. Segment and revenue information (continued)

4.1 Reportable Segments (continued)

	<u>The Group</u>			Total for continuing operations (\$'000)
	Offshore & Engineering (\$'000)	Marine (\$'000)	Energy Services (\$'000)	
<u>FY2020</u>				
Revenue				
Total segmental revenue	10,382	23,573	14,592	48,547
Inter-segmental revenue	(43)	(1,615)	(17)	(1,675)
Revenue from external parties	<u>10,339</u>	<u>21,958</u>	<u>14,575</u>	<u>46,872</u>
Gross (loss)/profit	<u>(1,497)</u>	<u>7,051</u>	<u>7,063</u>	12,617
Other gains – net				
- Impairment loss on property, plant and equipment	(2,160)	-	-	(2,160)
- Impairment loss on disposal group classified as held-for-sale	-	(3,500)	-	(3,500)
- Reversal of creditor's balances, net	-	8,229	-	8,229
- Other gains, net	-	-	-	7,593
Other gains – net				10,162
Expenses				
- Administrative				(11,430)
- Finance				(5,704)
Share of profit of associated company				<u>257</u>
Profit before income tax				5,902
Income tax expense				<u>(26)</u>
Profit from continuing operations				<u>5,876</u>

4.2 Disaggregation of revenue

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following nature of revenue and geographical regions.

	At a point in time \$'000	Over time \$'000	Total \$'000
	<u>2HY2021</u>		
Construction contracts			
- Singapore	-	1,609	1,609
- Asia	-	1,421	1,421
- Rest of the world	-	-	-
	<u>-</u>	<u>3,030</u>	<u>3,030</u>
Sale of goods			
- Singapore	9,712	-	9,712
- Asia	289	-	289
- Rest of the world	437	-	437
	<u>10,438</u>	<u>-</u>	<u>10,438</u>
Services income from maintenance, repair and overhaul and waste management			
- Singapore	13,571	-	13,571
- Asia	1,361	-	1,361
- Rest of the world	578	-	578
	<u>15,510</u>	<u>-</u>	<u>15,510</u>
Total	<u>25,948</u>	<u>3,030</u>	<u>28,978</u>

4. Segment and revenue information (continued)

4.2 Disaggregation of revenue (continued)

	At a point in time \$'000	Over time \$'000	Total \$'000
2HY2020			
Construction contracts			
- Singapore	-	1,333	1,333
- Asia	-	743	743
- Rest of the world	-	1	1
	-	2,077	2,077
Sale of goods			
- Singapore	3,780	-	3,780
- Asia	1,270	-	1,270
- Rest of the world	-	-	-
	5,050	-	5,050
Services income from maintenance, repair and overhaul and waste management			
- Singapore	14,579	-	14,579
- Asia	719	-	719
- Rest of the world	224	-	224
	15,522	-	15,522
Total	20,572	2,077	22,649
	At a point in time \$'000	Over time \$'000	Total \$'000
FY2021			
Construction contracts			
- Singapore	-	3,089	3,089
- Asia	-	1,829	1,829
- Rest of the world	-	3	3
	-	4,921	4,921
Sale of goods			
- Singapore	14,156	-	14,156
- Asia	1,083	-	1,083
- Rest of the world	874	-	874
	16,113	-	16,113
Services income from maintenance, repair and overhaul and waste management			
- Singapore	26,175	-	26,175
- Asia	2,969	-	2,969
- Rest of the world	1,105	-	1,105
	30,249	-	30,249
Total	46,362	4,921	51,283

4. Segment and revenue information (continued)

4.2 Disaggregation of revenue (continued)

	At a point in time \$'000	Over time \$'000	Total \$'000
<u>FY2020</u>			
Construction contracts			
- Singapore	-	2,504	2,504
- Asia	-	1,680	1,680
- Rest of the world	-	1	1
	-	4,185	4,185
Sale of goods			
- Singapore	12,557	-	12,557
- Asia	1,415	-	1,415
- Rest of the world	40	-	40
	14,012	-	14,012
Services income from maintenance, repair and overhaul and waste management			
- Singapore	25,782	-	25,782
- Asia	2,453	-	2,453
- Rest of the world	440	-	440
	28,675	-	28,675
Total	42,687	4,185	46,872

Construction contracts

The Group has ongoing contracts to construct specialised equipment. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate the total contract costs to complete. In making these estimates, Management has relied on the expertise of the surveying engineers to determine the progress of the construction and also on past experience from completed projects.

A breakdown of revenue for continuing operations as follows:

	Group		Increase/ (decrease) (%)
	Financial year ended 2021 (\$'000)	2020 (\$'000)	
Revenue reported for:			
First Half Year ended 30 June	22,305	24,223	(8)
Second Half Year ended 31 Dec	28,978	22,649	28
	51,283	46,872	9
Net profit from continuing operations before deducting non-controlling interests reported for:			
First Half Year ended 30 June	252	11,453	(98)
Second Half Year ended 31 Dec	6,374	(5,577)	NM
	6,626	5,876	13

5. Profit before income tax

Profit before income tax has been arrived after (charging)/crediting:

	Group					
	For the second half year ended 31 Dec			For the full year ended 31 Dec		
	2HY2021 (\$'000)	2HY2020 (\$'000)	Increase/ (decrease) (%)	FY2021 (\$'000)	FY2020 (\$'000)	Increase/ (decrease) (%)
Continuing operations:						
<u>Included in Other (charges)/credits – net:</u>						
- Dividend income from financial assets, FVOCI	8	-	NM	8	4	100
- Foreign exchange gain/(loss), net ⁽¹⁾	33	(264)	NM	85	(223)	NM
- Gain on re-measurement of retained investment ⁽²⁾	119	-	NM	119	-	NM
- Gain/(loss) on disposal of property, plant and equipment	40	(76)	NM	43	(76)	NM
- Government grants ⁽³⁾	639	2,074	(69)	1,416	3,975	(64)
- Impairment loss on property, plant and equipment ⁽⁴⁾	(84)	(2,160)	(96)	(84)	(2,160)	(96)
- Impairment loss on disposal group classified as held-for-sale ⁽⁵⁾	-	(3,500)	NM	-	(3,500)	NM
- Rental income ⁽⁶⁾	1,279	1,561	(18)	2,999	3,462	(13)
- Reversal of creditor's balances ⁽⁷⁾	-	(400)	NM	-	8,229	NM
- Sale of scrap ⁽⁸⁾	397	163	144	708	366	93
- Write-back of long outstanding payables ⁽⁹⁾	18	64	(72)	137	67	104
- Write down of inventories ⁽¹⁰⁾	(109)	-	NM	(109)	-	NM
- Other income, net ⁽¹¹⁾	67	60	12	141	157	(10)
	2,407	(2,478)	NM	5,463	10,301	(47)
<u>Included under finance expenses:</u>						
Interest expenses on:						
- Bank borrowings	1,555	1,965	(21)	3,290	5,043	(35)
- Bank overdraft	9	9	-	17	18	(6)
- Lease liabilities - leasehold land	281	296	(5)	569	601	(5)
- Lease liabilities - hire purchase	8	13	(38)	17	42	(60)
	1,853	2,283	(19)	3,893	5,704	(32)
<u>Included under cost of sales and administrative expenses:</u>						
- Depreciation of property, plant and equipment	4,453	4,331	3	8,804	8,617	2
- Depreciation of ROU assets - leasehold land	544	544	-	1,089	1,097	(1)
- Depreciation of ROU assets - hire purchase	44	66	(33)	89	231	(61)
	5,041	4,941	2	9,982	9,945	-
<u>Included under income tax (credit)/expense:</u>						
- Under-provision of current income tax in prior financial years ⁽¹²⁾	7	2	250	7	26	(73)
- (Over) provision of deferred income tax in prior financial years ⁽¹²⁾	(1,836)	-	NM	(1,836)	-	NM
<u>Included in Discontinued operations:</u>						
- Interest expense on bank borrowings	-	-	NM	-	(11)	NM
- Depreciation of property, plant and equipment	-	(204)	NM	-	(447)	NM
	-	(204)	NM	-	(458)	NM

Note:

- (1) Foreign exchange gain in 2HY2021/FY2021 was mainly due to strengthening of USD currency over SGD for net collections and receivables in USD currency.

Foreign exchange loss in 2HY2020/FY2020 was mainly due to the following:

- a. weakening of SGD dollar currency over USD for the net payments and payables in USD currency; and
b. weakening of Indonesia Rupiah for the net collections and receivables of an Indonesian subsidiary.

- (2) Gain on re-measurement of retained investment in 2HY2021/FY2021 was due to retention of 49.73% equity interest in Menji Pte Ltd ("Menji Singapore") and its subsidiary corporation ("Menji Group"), re-measured at fair value as explained in Note 11.b – Investment in associated companies.

5. Profit before income tax (continued)

- (3) Decrease in government grant receipts in 2HY2021/FY2021 was mainly due to:

Nature of Government grant	2HY2021 \$'000	2HY2020 \$'000	FY2021 \$'000	FY2020 \$'000
Jobs Support Scheme	166	888	512	1,912
Foreign worker levy rebates and waiver	224	803	329	1,202
SNEF- Workpro	-	93	-	230
Property tax rebate	4	102	7	173
ASMI Professional Conversion Programme	-	-	-	155

- (4) Impairment loss on property, plant and equipment in 2HY2021/FY2021 was related to under-utilised machinery and equipment in the Offshore & Engineering segment.

Impairment loss on property, plant and equipment in 2HY2020/FY2020 was due to an under-utilised vessel from Offshore & Engineering segment.

- (5) Impairment loss on disposal group classified as held-for-sale of \$3.50 million in 2HY2020/FY2020 was related to a property of the Group under "Assets of Disposal Group classified as held-for-sale".

- (6) Decrease in rental income in HY2021/FY2021 was mainly related to the lower lease rental activities from external parties in the Group's properties.

- (7) Gain from reversal of creditor balances, net in 2HY2020/FY2020 arose from:

a. a dispute between a subsidiary of the Group and a main contractor in connection to the construction of a 4-storey factory and an 11-storey office building at 42A Penjuru Road. As announced on 2 March 2020, the dispute has been settled by way of a settlement agreement on the same date. The reversal of the creditor balances pertained to retention sum and the drawdown of insurance bond in prior year, offset with

b. a full and final settlement of \$400,000 for all claims in connection with a legal suit brought by a subcontractor against a subsidiary of the Company, as announced on 24 August 2020.

- (8) Increase in sale of scrap materials in 2HY2021/FY2021 was mainly related to higher scrap sale from the Offshore & Engineering segment and Marine segment.

- (9) Increase in write-back of long outstanding payables/accruals in FY2021 was mainly related to the reversal of expired warranty claim of \$100,000 arising from the disposal of a subsidiary in previous years.

- (10) The write down of inventories in 2HY2021/FY2021 was due to inventories obsolescence under the Offshore & Engineering segment.

- (11) Other income relates to miscellaneous income/expenses. The other income for 2HY2021/FY2021 was mainly from:

a. a one-off transaction of \$40,000 paid by a customer for special survey cost of a vessel for chartering during 1HY2021; and
b. receipt of final insurance claim over a vessel of the Group for \$31,000 in 2HY2021.

The other income for FY2020 was mainly due to the receipt of an insurance claim over a vessel of the Group for \$76,000.

- (12) In 2HY2021/FY2021, the Group recognised an over-provision of deferred income tax in prior years mainly due to deferred tax liabilities discharged upon finalisation of tax in current financial year for disposal of property that took place in prior year.

The under-provision of current income tax in prior years in 2HY2021/FY2021 arose from a Malaysia subsidiary (2HY2020/FY2020: under-provision of current income tax in prior years).

6. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the Group has the following significant related party transactions with its associated company, namely Vac-Tech Engineering Pte Ltd.

Nature of Transactions	2HY2021 \$'000	2HY2020 \$'000	FY2021 \$'000	FY2020 \$'000
Sale of products and services rendered	2,689	2,388	5,853	5,722
Miscellaneous income	18	13	25	17
Recharges of common costs:				
- utility charges	21	13	38	35
- other	8	2	8	11
Purchase of products and services	1,054	565	1,580	942

The transactions took place between the Group and related parties at arm's length terms.

7. Income tax expense

Please see Part E Note 5.12 for the details on over/under provision of deferred/current income tax in prior financial years.

There was no provision for current income tax in 2HY2021/FY2021 (2HY2020/FY2020: Nil) as the Group has unrecognised tax losses and capital allowance as at balance sheet date that can be carried forward and utilised to offset future taxable income subject to meeting certain statutory requirements.

8. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group at amortised cost as at 31 December 2021 and 2020:

	<u>Group</u>		<u>Company</u>	
	FY2021	FY2020	FY2021	FY2020
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Financial assets, at FVOCI	91	95	-	-
Cash and cash equivalents	14,307	15,604	5,351	7,040
Trade and other receivables ^{1,4}	20,138	19,683	46,349	63,495
Contract assets ²	1,109	862	831	536
	<u>35,645</u>	<u>36,244</u>	<u>52,531</u>	<u>71,071</u>
Financial liabilities				
Trade and other payables ⁴	7,963	6,930	26,815	26,181
Borrowings ³	174,226	186,913	51,125	53,348
	<u>182,189</u>	<u>193,843</u>	<u>77,940</u>	<u>79,529</u>

Note:

1. excluding prepayment and advances to suppliers
2. excluding deferred costs
3. including liabilities under disposal group classified as held-for-sale
4. including receivables from/payables to an associated company

Provision for expected credit losses ("ECL") of trade receivables

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across different geographical regions and applies credit evaluations by customer. Accordingly, Management determines the expected credit losses by grouping the receivables across geographical regions in each revenue segment.

At each subsequent balance sheet date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the balance sheet date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As at 31 December 2021, the Group assessed that the ECL provision recorded is adequate.

9. Financial assets, at FVOCI

Fair value measurements

The following table presents assets measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e., as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

9. Financial assets, at FVOCI (continued)

Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)

	<u>Group</u>	
	FY2021 \$'000	FY2020 \$'000
Financial assets, at FVOCI	<u>91</u>	<u>95</u>

Financial assets, at FVOCI are equity securities listed in Malaysia.

During the financial year ended 31 December 2021, the Group recognised fair value loss of \$4,000.

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

10. Disposal group classified as held-for-sale

As at 31 December 2021, the carrying amount of assets and liabilities held-for-sale were \$70,593,000 and \$69,120,000 respectively (FY2020: \$70,544,000 and \$69,564,000).

The balances, as at 31 December 2021, comprised of the following:

- a. related to certain commitment under Amended Debt Restructuring Agreement (“**DRA**”) to dispose certain properties to pare down its debt. The carrying amount of its assets and liabilities were \$70.54 million and \$69.08 million respectively.
- b. proposed disposal of the entire stake in S & W Process Equipment (“**SWP**”) as announced in SGX-ST on 27 December 2021. SWP is a wholly owned subsidiary of the Company without operation and has been inactive over the past few years. The carrying amount of its assets and liabilities were approximately \$49,000 and \$37,000 respectively.

For the financial year ended 31 December 2021, Management has reviewed and concluded that the requirements of SFRS(I) 5 was met.

Impairment testing

For a property accounted under asset of disposal group, impairment is tested whenever there is any objective evidence or indication that this asset may be impaired.

For the purpose of impairment testing, judgement is required from the management in the measurement of the property at the lower of carrying amount and fair value less cost to sell.

An impairment charge of \$3.50 million was recognised by the Management for a property accounted under asset of disposal group classified as held-for-sale for the financial year ended 31 December 2020.

11. Investment in associated companies

	<u>Group</u>		<u>Company</u>	
	FY2021 \$'000	FY2020 \$'000	FY2021 \$'000	FY2020 \$'000
<i>Equity investment</i>				
Beginning of financial year	4,290	4,033	-	-
Addition	251	-	251	-
Dividends declared	(800)	-	-	-
Share of profit of associated company	529	257	(108)	-
Currency translation difference	(6)	-	(6)	-
End of financial year	<u>4,264</u>	<u>4,290</u>	<u>137</u>	<u>-</u>

11. Investment in associated companies (continued)

As at 31 December 2021, the Group has two associated companies namely:

a. Vac-Tech Engineering Pte Ltd (“Vac-Tech”)

A 20% owned associated company of the Group. During FY2021, Vac-Tech declared dividends of \$2.50 million and \$1.50 million respectively. The Group’s share of \$800,000 were received during the year and the balance amount of \$300,000 was received in early January 2022.

b. Menji Group

As announced on 28 July 2021, Menji Singapore, a 55.2% owned subsidiary of the Company (the “Purchaser”) and Gong Kun (“Mr. Gong”) have mutually agreed in writing to vary and amend the terms of the sale and purchase agreement in relation to the Proposed Acquisition of Menji Shanghai 旻集科技发展（上海）有限公司 (“Menji Shanghai”) dated 11 May 2021 (the “Original SPA”), by way of a supplemental agreement entered into between the parties on 28 July 2021 (the “Supplemental Agreement”).

Pursuant to the Supplemental Agreement, the Seller and the Purchaser have mutually agreed that the unpaid registered capital of Menji Shanghai shall be increased from RMB1,000,000 to RMB10,000,000 in order to enable Menji Shanghai to bid for and enter into contracts with parties which impose minimum requirements on the registered capital of the bidding company.

On 20 August 2021, the acquisition of Menji Shanghai was completed and accounted as a wholly owned subsidiary corporation of Menji Singapore.

Furthermore, on 30 September 2021, Menji Singapore entered into Share Subscription Agreement for the allotment and issuance of 55,000 ordinary shares to Mr. Gong for a consideration of \$50,000 (the “Transaction”).

Consequently, the Company’s shareholdings in Menji Group reduced from 55.20% to approximately 49.73%. As a result of the Transaction, Menji Group ceased to be subsidiary companies of the Group. A gain on re-measurement of retained investment as associated companies, amounting to \$119,000, was recognised by the Group.

12. Property, plant and equipment (“PPE”)

During the financial year 31 December 2021, the Group’s addition in PPE of \$3.81 million (FY2020: \$8.04 million) mainly arose from capital expenditures incurred by the Energy Services segment of approximately \$2.85 million. The increase in PPE was offset mainly by depreciation expense on PPE and ROU assets amounting to \$9.98 million.

Impairment testing

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and, where applicable, cash generating unit (“CGU”) have been determined based on fair value less costs to sell and value-in-use (“VIU”).

During the financial year ended 31 December 2021, impairment charges of \$84,000 (FY2020: \$2.16 million) was recognised for property, plant, and equipment as the estimated recoverable amounts are less than carrying value and/ or fair value less costs to sell.

Capital commitment

As at 31 December 2021, the Group has a capital commitment of approximately \$1,838,000 (FY2020: \$1,123,000).

13. Goodwill

	Group	
	FY2021	FY2020
	\$'000	\$'000
Cost	40,300	40,300
Accumulated impairment	(35,519)	(35,519)
Net book value	4,781	4,781

Impairment testing

For the purpose of annual impairment testing for goodwill, the Group determines the recoverable amount of the cash generating units based on value-in-use based on financial budgets approved by Management.

Key assumptions used for value-in-use calculations:

	FY2021		FY2020	
	Growth rate¹	Discount rate²	Growth rate¹	Discount rate²
Recon	2%	9%	2%	9%

¹ Weighted average growth-rate used to extrapolate cash flows beyond the budget period

² Pre-tax discount rate applied to the pre-tax cash flow projections

14. Borrowings

Amount repayable in one year or less, or on demand

Borrowings	FY2021		FY2020	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Bank borrowings	7,420	2,718	6,171	2,170
Lease liabilities -hire purchase	45	-	101	-
Current borrowings	7,465	2,718	6,272	2,170
Included in the disposal group classified as held-for-sale:				
- Bank borrowings	62,717	-	62,717	-
	62,717	-	62,717	-
	70,182	2,718	68,989	2,170

Amount repayable after one year

Borrowings	FY2021		FY2020	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Bank borrowings	73,382	5,674	83,941	8,246
Lease liabilities -hire purchase	108	-	121	-
Non-current borrowings	73,490	5,674	84,062	8,246

The Group's borrowings disclosed above do not include the lease liabilities on leasehold land arising from SFRS(I)16.

Details of any collaterals

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

Certain lease liabilities -hire purchase of the Group is secured by leased motor vehicles and office equipment, as the legal title is retained by the lessor and will be transferred to the Group upon full payment.

15. Share capital

	← No. of ordinary shares →			← Amount →		
	Issued share capital	Treasury shares	Total	Share capital	Treasury shares	Total
	'000	'000	'000	\$'000	\$'000	\$'000
<u>Group and Company</u>						
FY2021						
Beginning of financial year	441,591	(455)	441,136	92,857	(203)	92,654
Share issue pursuant to:						
- Share-based payment	1,292	-	1,292	58	-	58
- Share Awards under the PSAS 2021	5,333	-	5,333	240	-	240
End of financial year	<u>448,216</u>	<u>(455)</u>	<u>447,761</u>	<u>93,155</u>	<u>(203)</u>	<u>92,952</u>

	← No. of ordinary shares →			← Amount →		
	Issued share capital	Treasury shares	Total	Share capital	Treasury shares	Total
	'000	'000	'000	\$'000	\$'000	\$'000
<u>Group and Company</u>						
FY2020						
Beginning of financial year	429,304	(455)	428,849	92,551	(203)	92,348
Share issue pursuant to:						
- Share-based payment	1,853	-	1,853	66	-	66
- Share Awards under the PSAS 2010	10,434	-	10,434	240	-	240
End of financial year	<u>441,591</u>	<u>(455)</u>	<u>441,136</u>	<u>92,857</u>	<u>(203)</u>	<u>92,654</u>

The Group and the Company has a total issued and outstanding shares of 447,761,000 as at 31 December 2021 (FY2020: 441,136,000 shares).

The Company has no outstanding options or convertibles as at 31 December 2021 and 2020.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2021 and 2020.

As at 31 December 2021, the total number of treasury shares held was 455,000 (FY2020: 455,000).

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 31 December 2021.

The Mencast Performance Share Award Scheme 2021 (the "PSAS 2021", to replace the expired PSAS 2010) was approved by members of the Company at an Extraordinary General Meeting ("EGM") held on 30 April 2021, which provides for the award of fully paid-up ordinary shares in the share capital of the Company, free of charge to Group employees (which includes Group Executive Directors) and Group Non-Executive Directors. For more details and information on PSAS 2021, please see the Circular to Shareholder in relation to Proposed Adoption of Mencast Performance Share Award Scheme 2021 disclosed in Mencast website.

On 10 June 2021, the Company has allotted and issued an aggregate of 5,333,000 ordinary shares of the Company to eligible employees of the Group under PSAS 2021.

Also, on the same date, pursuant to the PSAS 2021, the Company granted (and automatically vests on date of grant) 1,292,000 shares to the Independent Directors of the Company in accordance with Independent Directors' fee arrangement for the financial year ended 31 December 2020 (as approved by Shareholders of the Company at the annual general meeting held on 30 April 2021), whereby the Independent Directors shall receive \$116,000 in cash and the remaining \$58,000 in shares.

16. Net asset value and Earnings per share

Net asset value (“NAV”)

	Group		Company	
	FY2021	FY2020	FY2021	FY2020
NAV per ordinary share (SGD cents)	6.67	5.23	6.71	10.95
Number of shares used in computation of NAV per share ('000)	447,761	441,136	447,761	441,136

Earnings per share (“EPS”)

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the net profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during 2HY2021 of 447,761,000 shares (2HY2020: 435,708,000 shares) and during FY2021 of 444,766,000 shares (FY2020: 432,297,000 shares).

(b) Diluted earnings/(loss) per share

For the purpose of calculating diluted earnings/(loss) per share, profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

The Company does not have any dilutive potential ordinary shares for 2HY2021 (2HY2020: Nil) and FY2021 (FY2020: Nil).

17. Deemed disposal of a subsidiary corporation, discontinued operations, disposal of a subsidiary classified as held-for-sale

a. Deemed disposal of Menji Group

Please see Part E Note 11.b Investment in associated companies for details.

b. Disposal of 51% Equity Interest in Mencast-KSE Pte Ltd. (“MKSE”)

As announced on 2 October 2020, Mencast Investment Holdings Pte. Ltd., a wholly owned subsidiary of the Company, had entered into a Sale and Purchase agreement (“SPA”) for the disposal of 51% equity interest in MKSE, represented by 153,000 shares in MKSE.

Following the Group’s decision to sell MKSE and in compliance with SFRS(I) 5 Non-current Assets Held-for-Sale and Discontinued Operations, the assets and liabilities of MKSE were classified as Assets of disposal group classified as held-for-sale and Liabilities directly associated with disposal group classified as held-for-sale respectively on the consolidated balance sheet as at 30 September 2020. Its financial results have been reclassified to “Discontinued Operations” as of 30 September 2020 and its prior periods’ financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income.

The completion of the proposed disposal of MKSE has taken place on 12 November 2020 and resulted to a gain on disposal of non-current assets held-for-sale of \$1.73 million as disclosed below.

For comparative purpose, the results of the discontinued operations are as follows:

	FY2020 \$'000
Revenue	2,564
Expenses	(4,975)
Other losses – net	-
Loss before income tax from discontinued operations	(2,411)
Income tax expense	-
Loss after tax from discontinued operations	(2,411)
Pre-tax gain on disposal of a subsidiary corporation classified as held-for-sale	1,731
Total comprehensive loss, representing net loss	(680)

18. Events occurring after balance sheet date

On 23 February 2022, the Company received from its agent in the Peoples' Republic of China a copy of the updated business license of SWP, evidencing that the completion of the proposed disposal of the entire stake in SWP, as explained in Part E Note 10.b, had been taken place on 11 February 2022. Following completion, SWP has ceased to be a wholly owned subsidiary of the Company.

F. OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2

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

The financial position of Mencast Holdings Ltd. and its subsidiaries as at 31 December 2021 and the related consolidated statement of profit or loss and other comprehensive income, statements of changes in equity and consolidated statement of cash flows for 2HY2021 and FY2021 and certain explanatory notes have not been audited or reviewed.

2. 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 Statement of Comprehensive Income

Revenue

The Group's revenue of \$51.28 million for FY2021, was \$4.41 million or 9% higher than the previous year revenue of \$46.87 million, on the back of higher contributions from Marine segment, up by 24% from \$21.96 million in FY2020 to \$27.32 million in FY2021. This increase, was however, offset by the decline in revenue from Offshore & Engineering and Energy services segments of \$0.58 million and \$0.37 million respectively.

Offshore & Engineering segment

Revenue from Offshore & Engineering segment of \$9.76 million in FY2021 decreased by \$0.58 million or 6% was mainly due to:

- scaling down of the Group's rope access business which resulted in a \$1.26 million decline in revenue;
- decrease in heat exchange business by \$0.57 million due to lower works order from customer; and
- precision engineering business also recorded a lower revenue of \$0.33 million to \$5.04 million in FY2021 mainly due to lower volume of work done for a customer in FY2021 as compared to FY2020; offset with
- increase in offshore structure and steel fabrication business by \$1.58 million or 51% from \$3.08 million to \$4.66 million mainly due to higher demands from 3 major customers.

Revenue from Offshore & Engineering segment for 2HY2021 of \$5.37 million is higher than 2HY2020 of \$4.15 million by \$1.22 million mainly due to \$1.28 million increase in works order completed in 2HY2021 from offshore & engineering fabrication business.

2. A review of the performance of the group (continued)

Review of Statement of Comprehensive Income (continued)

Revenue (continued)

Marine segment

Revenue from Marine segment rose by \$5.36 million or 24% to \$27.32 million in FY2021 as compared to \$21.96 million in FY2020, which was attributable to:

- increase in the number of on schedule deliveries of high value new built propellers in 4Q2021 resulting in an increased revenue contribution of \$2.36 million, from \$9.65 million in FY2020 to \$12.01 million in FY2021;
- increase in revenue from diving services of approximately \$1.70 million from \$3.64 million in FY2020;
- increase in the segment's MRO (maintenance, repairs and overhaul) services by \$1.29 million to \$9.96 million in FY2021, in line with higher demands from recurring customers.

These also explained the fluctuation in Marine segment revenue in 2HY2021 as compared to 2HY2020.

Energy Services segment

Revenue from the waste treatment business decreased marginally by \$0.37 million or 3% from \$14.58 million in FY2020 to \$14.21 million in FY2021 because of lower work orders from a major customer.

These also explained the fluctuation in Energy Services segment revenue in 2HY2021 as compared to 2HY2020.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by \$3.44 million or 10%, mainly attributable to higher running costs in Marine segment of approximately \$2.74 million which was in line with the increase in revenue.

Gross profit of the Group was up by \$0.97 million or 8%, from \$12.62 million in FY2020 to \$13.59 million in FY2021. The increase was mainly due to the delivery of high value new built propellers in the last quarter of 2021. Higher demands for the Group's MRO business also contributed to improved gross profit. This increase was, however affected by a slight decrease in gross profit from Energy services segment due to its higher running costs.

Consequently, the Group's gross profit margin remains relatively the same at 27% for both financial years ended FY2021 and FY2020.

Gross profit for 2HY2021 increased by \$4.19 million or 85%, from \$4.93 million in 2HY2020 to \$9.11 million in FY2021. The significant jump was mainly attributable to Marine and Offshore and Engineering segment which contributed higher gross profit of \$5.58 million and \$1.35 million respectively. The increase was, however offset with a decrease in Energy services segment's gross profitability of \$2.75 million due to lower volume of work orders from an Oil Supermajor customer in 2HY2021 as compared to 2HY2020.

Overall, gross profit margin, in percentage terms, rose healthily by a 9% margin, from 22% as of 2HY2020 to 31% during 2HY2021.

Other gains/(losses) - net

Detailed explanations of these gains/(losses) were highlighted in Part E, Note 5.

Administrative expenses

Administrative expenses in FY2021 were \$10.87 million, decreased by approximately \$0.56 million or 5% mainly due to lower legal and professional fees in FY2021 as compared to FY2020.

This also explained the decrease in administrative expenses in 2HY2021 as compared to 2HY2020.

2. A review of the performance of the group (continued)

Review of Statement of Comprehensive Income (continued)

Finance expenses

The finance expenses of the Group of \$3.89 million in FY2021 declined by 32% or \$1.81 million from \$5.70 million in FY2020, mainly due to lower interest rates charged on certain borrowings, as well as a reduction in the Group's borrowings, in line with settlement of bank borrowings arising from assets divestment and the commencement of monthly repayment of loans in the first quarter of FY2021.

These also explained the fluctuation in finance expenses in 2HY2021 as compared to 2HY2020.

Share of profit of associated companies

The Group recorded a higher share of profit from its associated companies in FY2021, up by \$272,000 or 106%, from \$257,000 in FY2020 to \$529,000 in FY2021 mainly due to a better performance.

These also explained the fluctuation in share of profit of associated companies in 2HY2021 as compared to 2HY2020.

Income tax credit/(expense)

Detailed explanations of income tax credit/(expense) were highlighted in Part E, Note 5 and Note 7 respectively.

Profit from continuing operations

Consequent to the above, the Group recorded a profit of \$6.63 million in FY2021 as compared to \$5.88 million in FY2020.

Review of Balance Sheet

Current assets

As at 31 December 2021, the Group's current assets decreased by \$0.65 million from \$113.12 million as at 31 December 2020 attributable to:

- decrease in cash and cash equivalents of \$1.30 million (please refer to Part D. Consolidated Statement of Cash Flows);
- decrease in inventories by \$170,000 due to write down of inventories of \$109,000; offset with
- net increase in trade and other receivables of \$0.50 million mainly due to dividend receivables from associated company of \$0.3 million; and
- increase in contract assets of \$0.27 million was a result of higher accrued revenue mainly related to the Group's diving business.

Non-current assets

Non-current assets decreased by \$6.38 million from \$111.49 million as at 31 December 2020 to \$105.12 million as at 31 December 2021 mainly due to:

- net decrease in property, plant and equipment and deposits for purchase of PPE amounting to \$6.35 million as explained in Part E, Note 12; and
- decrease in investment in an associated company of \$0.26 million as disclosed in Part E, Note 11.

2. A review of the performance of the group (continued)

Review of Balance Sheet (continued)

Current liabilities

Current liabilities as at 31 December 2021 increased by \$2.17 million or 2% from \$88.13 million as at 31 December 2020, mainly due to:

- increase in current borrowings of \$1.78 million, mainly due to reclassification of non-current to current borrowings, measured against the commencement of monthly principal repayment (effective in the month of March 2021) and reporting balance sheet dates. Accordingly, the current borrowings as at 31 December 2020 were computed on a 10-month basis starting from March to December 2021 whereas for the current borrowings as at 31 December 2021, it was computed on a 12-month basis from January 2022 to December 2022;
- increase in trade payables due mainly from Marine and Offshore & Engineering segments of approximately \$1.00 million; offset with
- decrease in contract liabilities of \$0.20 million mainly from advances received from customers of approximately \$0.12 million related to new built propellers; and
- decrease in liabilities directly associated with disposal group classified as held-for-sale of \$0.44 million for the payment of leasehold rental.

Non-current liabilities

Non-current liabilities of the Group as at 31 December 2021 declined by \$15.86 million or 14%, from \$111.62 million as at 31 December 2020 to \$95.76 million as at 31 December 2021. The decrease in non-current liabilities was due to:

- reduction in non-current borrowings as explained in current borrowings above; and
- decrease in deferred income tax liabilities due to discharged of deferred income tax as explained in Part E, Note 5.

Review of Full Year Consolidated Statement of Cash Flows

The cash and cash equivalents of the Group as at 31 December 2021 were approximately \$14.31 million. Overall, the cash and cash equivalents decreased by \$1.27 million as shown in Part D Consolidated Statement of Cash Flows. The Group reported a net cash inflow from operating activities \$18.82 million in FY2021 due mainly to its operating cash flow before working capital changes of \$18.26 million and net increase on working capital of \$0.53 million.

Net cash used in investing activities for FY2021 was \$3.33 million mainly due to:

- additions on property, plant and equipment of \$3.87 million mainly for capacity expansion in Energy Services segment; offset with
- dividends received from an associated company of \$0.5 million as explained in Part E Note 11.

Net cash used in financing activities of \$16.76 million during FY2021 was a result of repayments of term loans, lease liabilities and payment of interests of approximately \$16.89 million, offset with proceeds from bank borrowings of \$0.13 million.

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

Not applicable.

4. 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 Group continues to deal with the ongoing challenges brought by the COVID-19 pandemic in the current reporting period. It remains positive over the demands from its customers in the marine, offshore, oil and gas industry, which has shown signs of recovery. Persistent and rising crude oil prices had also injected some market optimism in these sectors. It will continue to stay focused on capturing opportunities that complement or expand its engineering, fabrication & manufacturing businesses, and MRO services.

The Group continues to make good progress in executing its expansion plan in enhancing the waste treatment plant capacity under the Energy segment. It is currently working with various government agencies in respect of meeting their health, safety, environmental and regulatory requirements. This segment will intensify its efforts to grow its customer base with new customers, as well as meeting higher demands from recurring customers.

Management remains watchful for potential headwinds. With interest rates set to rise, finance charges are poised to increase. Higher operating costs from labor and systematic inflation are likely to be a defining characteristic going forward. Other issues such as geopolitical tensions, supply chain disruptions and rising electricity prices in Singapore are amongst the factors that have also been taken into consideration.

The Group remains committed to execute its turnaround strategies, to remain prudent and focus on operational cost containment to ensure resiliency across its business segments as well as to continue to drive growth by exploring viable opportunities both in Singapore and overseas, and to seek out strategic partners and potential investments.

5. 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) Record date

Not applicable.

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

No dividend has been declared or recommended for the current reporting year ended 31 December 2021 as the Company has no distributable reserves.

7. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

Nil.

8. Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on an arm's length basis.

Transactions entered into with interested persons during 2HY2021/FY2021 were as follows:

Name of interested person	Nature of relationship	Aggregate value of all interested person transactions during the financial period/year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
McLink Asia Pte Ltd MPS Solutions Pte Ltd Sigi Beauty Pte Ltd Ole Investment Pte Ltd Ole Motorsports Pte Ltd	Associates	Nil*	Nil**

* Amount is less than \$100,000

** There is no subsisting shareholders mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

9. 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.

10. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Wong Boon Hwee	50	Brother of the Executive Director of the Company, Wong Boon Huat	Head of Marine division of Top Great Engineering & Marine Pte Ltd ("TGEM") and Mencast Offshore & Marine Pte Ltd since 2000 and 2012 respectively. Overseeing the day-to-day operation of projects in the marine repairs work and new fabrications.	No change.

BY ORDER OF THE BOARD

Sim Soon Ngee Glendle
Executive Chairman and Chief Executive Officer

28 February 2022