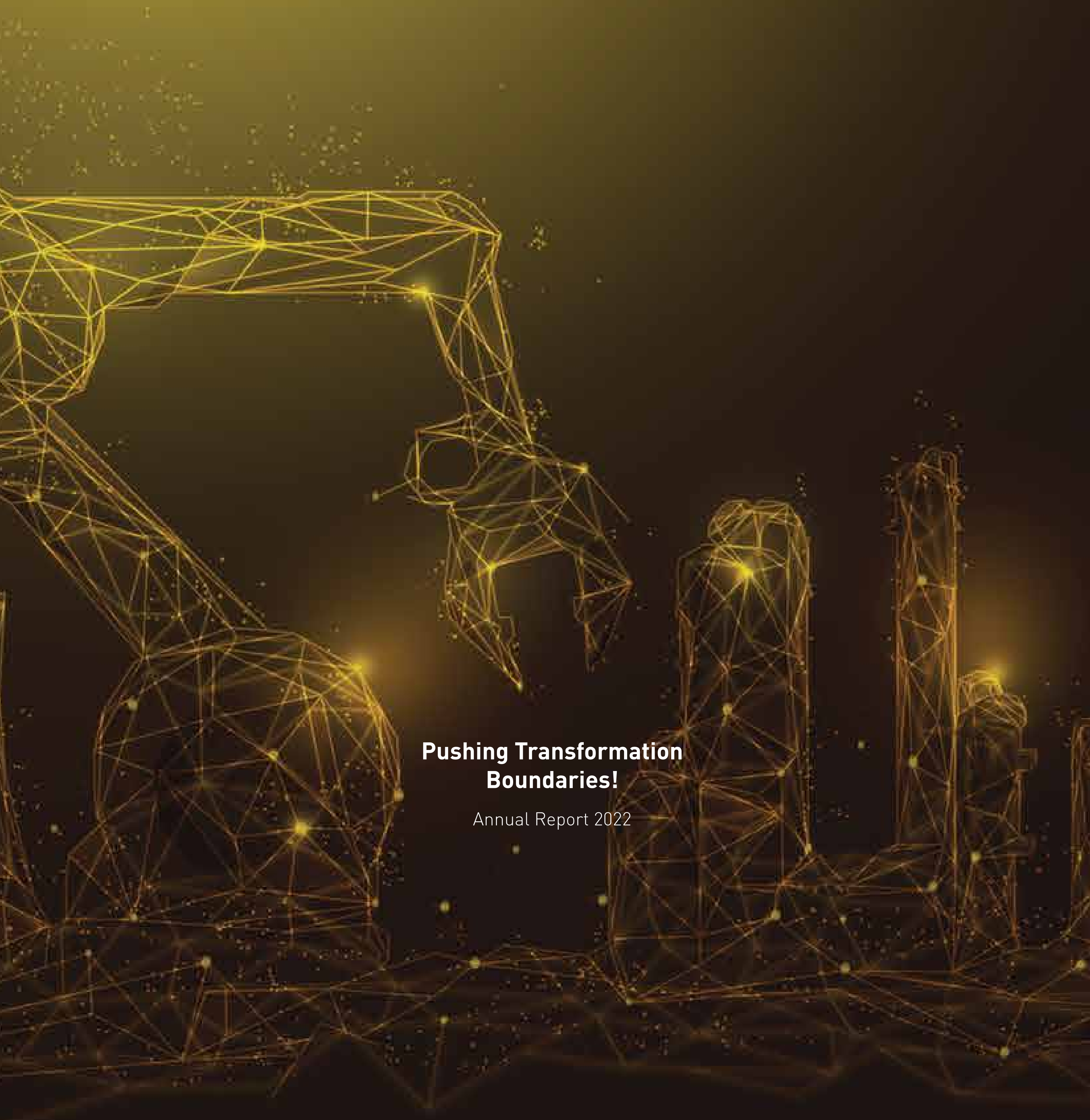
Mencast



# Pushing Transformation Boundaries!

Annual Report 2022

# CONTENTS



This Annual Report has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "**Sponsor**"). This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Ms Charmian Lim (Telephone: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

# CORPORATE PROFILE

Mencast Holdings Ltd. and its subsidiaries ("**Mencast**" or the "**Group**") is a regional Engineering and Maintenance, Repair and Overhaul ("**MRO**") solutions provider. We also have growing businesses in waste remediation, recycling and manufactured products.

From its establishment in 1981, the Group has grown into a leader in the manufacture and repair of propellers and sterngear equipment and has built on its core competencies to steadily expand business into new areas. These include waste management as well as innovation driven businesses.

Mencast constantly innovates to create customer value and drive sustainable business growth. In 2017, Mencast Innovation Centre Pte. Ltd. ("**MIC**") was established as an incubator that provides mentorship, facilities and networking opportunities for growth companies synergistic with our Group.

Mencast will continue to seek technology driven growth opportunities in MRO, environmental remediation, manufacturing and the recycling of waste products.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# MISSION & STRATEGY

## STRATEGY

### REVENUE
- Seek new revenue streams
- Cross-selling
- Leverage existing capabilities into new markets

### MARGINS
- Productivity and processes
- Rightsizing assets and operating overheads
- Lean costs

### CAPITAL SPREAD
- High ROCE & ROE
- Low WACC
- Fund growth business

## ENABLERS

### "PARTNER PERFECT"
- Culture of adding value
- Leverage teamwork
- Ownership culture
- Leverage existing platform and relationships

### TALENT
- Passion for performance
- Leverage teamwork
- Ownership culture

### SCALE
- Cost efficiency
- Market presence
- Able to invest in R&D

### FOCUS
- Excellence of execution
- Speed
- Invest in the best

# VISION

**Most admired MRO partner and employer in the world**

# CHAIRMAN'S MESSAGE

**Dear Shareholders**

## PUSHING TRANSFORMATIONAL BOUNDARIES

Over the past several years, Mencast has steadfastly focused on reshaping our business in terms of business units, operations, capital structure and sustainability.

As we look beyond the highly challenging environment of the past few years, I am pleased to share some of the considerable strides that Mencast has made in our multi-year journey of "Pushing Transformational Boundaries."

## ALIGNING TO GROWTH

Our transformation plan is ambitious. While much remains to be done, I am also greatly encouraged by the progress to date.

Capital has been deployed from low margin businesses like steelwork to growth areas such as waste treatment where capacity has been aggressively expanded and licenses to expand into new areas secured. We also aligned our business strategies with emerging opportunities by leveraging our skills in design, process and fabrication into new areas such as sustainable building materials and proprietary 3D printing technology for sterngear equipment.

## INNOVATING FOR A BRIGHTER FUTURE

Our commitment to innovate and grow has never been stronger. Singapore's government is implementing fiscal policies that support growth in infrastructure, green energy, decarbonisation and sustainable resources projects and our strategy is to advance new technologies in support of these goals.

As well as the work of our own Mencast Innovation Centre, we leverage on the expertise and resources of partners to remain at the forefront of our industry and strengthen our long term market position. We have sought strategic collaborations such as our multi-year partnership with a consortium of leading institutes to design next generation's sterngear and propeller products with higher efficiency and self-diagnostic capabilities.

These initiatives will not bring immediate gains and macroeconomic factors such as elevated interest rates and cost inflation in materials and energy costs will be headwinds for the foreseeable future. Nonetheless, we are confident that aligning our actions with long term strategic imperatives will allow us to accelerate profit and cash flow generation, creating long term value for shareholders.

## APPRECIATION AND THANKS

As we look ahead to 2023, we are optimistic about the future. Though uncertainties still persist in the global economy, our strategic focus and agile business model provide us with the resilience and adaptability needed to emerge from challenges hardened and strengthened.

Our progress in "Pushing Transformational Boundaries" is a testament to the perseverance, adaptability, and resourcefulness of our team. I extend my sincere gratitude for their unwavering commitment and spirit, which have been invaluable in helping us navigate challenges and seize opportunities.

I also extend my deepest appreciation to all our shareholders and our banks for your unwavering support and trust in Mencast. Your belief in our vision and strategic direction is instrumental to our transformation and a brighter future. Together, we will continue to push boundaries, innovate, and create value for our shareholders.

**SIM SOON NGEE GLENNDLE**
Executive Chairman and Chief Executive Officer

"We also aligned our **business strategies** with **emerging opportunities**"

# 主席致词

尊敬的股东们

## 突破转型的边界

在过去几年，Mencast 一直致力于重塑在业务单位、运营、资本结构及可持续性方面的业务。

当我们展望过去几年充满高度挑战的环境时，我很高兴与大家分享Mencast多年来在“突破转型的边界”的过程中所取得的一些显著进展。

## 向增长看齐

我们推出一系列雄心勃勃的转型计划。虽然仍有许多工作要做，但我也为迄今取得的进展感到非常鼓舞。

公司的资本已经从钢铁等低利润业务部署到了废物处理等增长领域，我们已取得拓展这些新领域的许可，并且这些增长领域的产能已取到积极扩展。我们也通过本身在设计、工艺和制造方面的技能，将我们的业务战略与新兴的机会结合起来，例如可持续建筑材料和用于船尾驱动设备的专有3D打印技术。

## 为更光明的未来而创新

我们对创新和发展的承诺比以往更加强烈。新加坡政府正在实施财政政策，支持基础设施、绿色能源、脱碳及可持续资源项目的增长，我们的战略是推进新技术以支持这些目标。

除了我们自己的Mencast创新中心的工作以外，我们还利用合作伙伴的专业知识和资源，以保持在行业的领先地位，并加强我们的长期市场地位。我们专注于寻求战略性合作。目前我们与业内领先的研究机构有多年的合作，设计出具有更高的效率和自我诊断能力的下一代船尾驱动和推进器产品。

这些举措不会带来立竿见影的收益，并且利率上升、材料及能源成本、通货膨胀等宏观经济因素，将成为在可预见未来中的挑战。尽管如此，我们有信心，让我们的行动与长期战略要务保持一致，将使我们能够加快利润和现金流的产生，为股东创造长期的价值。


## 赞赏与感谢

展望2023年，我们对未来持有乐观态度。虽然全球经济的不确定性仍然存在，但我们的战略重点和灵活的商业模式为我们提供了所需的弹性和适应性，使我们能够从挑战中坚挺地走过来。

我们在“推动转型的边界”方面取得的进展是对我们团队的毅力、适应能力和深谋远虑的一种证明。我衷心感谢他们坚定不移的承诺和精神，这在协助我们应对挑战和抓住机遇方面起了非常宝贵的帮助作用。

我还要向我们所有股东和银行表示最深切的谢意，感谢你们对Mencast公司坚定不移的支持和信任。你们对我们的愿景和战略方向的信念，对我们的转型和更美好的未来至关重要。我们将一起继续挑战极限，不断创新，为股东创造价值。

此致

**沈询益**
执行主席兼行政总裁

# FINANCIAL HIGHLIGHTS

| $'000 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| Revenue | 59,417* | 42,950* | 46,872 | 45,914* | 42,341 |
| Gross profit | 4,259* | 3,731* | 12,617 | 13,486* | 9,892 |
| (Loss)/profit before income tax | (9,104)* | (8,346)* | 5,902 | 5,060* | 101 |
| Net (loss)/profit | (6,613) | (5,776) | 5,196 | 6,626 | (349) |
| Total assets | 257,125 | 242,564 | 224,610 | 217,583 | 201,062 |
| Property, plant and equipment | 119,990 | 118,667 | 102,328 | 95,859 | 86,390 |
| Cash and cash equivalents | 16,385 | 18,314 | 15,604 | 14,307 | 9,026 |
| Total liabilities | 224,175 | 223,123 | 199,744 | 186,052 | 170,187 |
| Total equity | 32,950 | 19,441 | 24,866 | 31,531 | 30,875 |

* 2018, 2019 and 2021 P&L figures were restated for discontinued operations.

# FINANCIAL REVIEW

## REVENUE

Group revenue was 8% lower at $42.3m in FY2022, as we continued to scale back business activities in the Offshore & Engineering segment and disposed of our diving services unit. Revenue from Energy Services declined slightly, while Marine segment's revenue was relatively flat.

Revenue from Offshore & Engineering decreased 27% to $7.2m in FY2022 due to the scaling back of operations in precision engineering, as well as offshore structure and steel fabrication work. This business segment has been extremely competitive for a number of years and our Group believes the capital investment to maintain competitiveness is better deployed into other areas.

Revenue for the Marine segment was unchanged from the prior financial year at $21.9m in FY2022. Demand for maintenance, repair and overhaul ("**MRO**") grew as did the demand for new build propellers due to the stronger economy and higher oil prices lifting customer sentiment. This was offset by the absence of retainer fee and short-term chartering income during the current financial year.

Revenue from waste management declined by 7% to $13.2m in FY2022 due to a reduction in customer orders.

## GROSS PROFIT

The inflationary pressures that swept the globe severely impacted our operating costs. During the current financial year, rising energy and material prices raised the cost of production such that production costs were largely unchanged despite the lower volume of work. This squeezed gross margins from 29% in FY2021 to 23% in FY2022. As a result, gross profit declined by 27% to $9.9m in FY2022.

## ADMINISTRATIVE EXPENSES

Group administrative expenses were reduced by 8% to $9.5m in FY2022. The Group continued to maintain tight cost discipline while also benefiting from a reduction in professional fees and bank charges related to the successful completion of the debt restructuring agreement last financial year.

## FINANCE EXPENSES

Finance expenses rose by 38% from $3.9m. This was despite a 7% reduction in borrowings under our program to dispose of non-core assets, as interest rates rose sharply during the current financial year.

## DISCONTINUED OPERATIONS

In June 2022, the Group disposed of the entire stake in our diving services companies as part of our ongoing program to reduce non-core assets. This resulted in a gain on disposal of $0.4m and a cessation in revenue from the time of disposal.

## FINANCIAL RESULTS

As a result of the above, the Group recorded a net loss from continuing operations of $0.2m in FY2022, as compared to a net profit from continuing operations of $6.9m in the prior financial year.

## CASH AND CASHFLOW

Cash and cash equivalents as at 31 December 2022 stood at $8.5m. This was a decrease from $13.5m in the prior financial year as the Group made repayments of bank borrowings and lease liabilities and payment of interests of approximately $18.6m.

Net cash inflow from operating activities was $13.5m during the current financial year. Net cash inflow from investing activities was $0.06m, largely due to $1.9m in sale of capital investment and dividend received from an associated company being offset by capital equipment of $2.4m.

# BOARD OF DIRECTORS


**SIM SOON NGEE GLENNDLE**
Executive Chairman & Chief Executive Officer

Glenndle Sim is the Executive Chairman & CEO of the Mencast Group. He is responsible for the strategic vision, overall management, operations and growth. As well as serving as Executive Chairman of the Board, Glenndle is a member of the Nominating Committee and Corporate Strategy & Communications Committee.

Glenndle was awarded "Best CEO" in year 2014 at the Singapore Corporate Awards in the category of companies with under $300 million in market capitalisation and EY Entrepreneur of the Year 2013 in the Marine and Offshore Engineering Services category.

Glenndle graduated from the National University of Singapore with a Bachelor in Business Administration and later obtained a Master of Business Administration from the University of Delaware in the USA. He is also a graduate of Harvard Business School's Owner/President Management Program. He was appointed to our Board on 30 January 2008 and was appointed as the Executive Chairman of the Board on 9 October 2009.

## WONG BOON HUAT
Executive Director

Mr. Wong Boon Huat is the Executive Director of Operations for Mencast Group and a member of the Corporate Strategy & Communications Committee. He is responsible for the operations across Mencast's Offshore & Engineering, Marine and Energy Services segments. He also oversees the formulation and implementation of the Group operation's plans and policies.

Boon Huat founded Top Great Engineering & Marine Pte Ltd, and has been involved in various vocations within the Marine industry. Armed with more than 30 years of experience in the industry, Boon Huat has contributed significantly to the development and growth of Mencast Group. He was appointed to our Board on 4 August 2011.

## SUNNY WONG FOOK CHOY
Lead Independent Director

Mr. Sunny Wong is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. A practising advocate and solicitor of the Singapore Supreme Court, Sunny was founder and managing director of the legal firm Wong Tan & Molly Lim LLC, where he is currently a consultant.

Sunny graduated from the National University of Singapore with a Bachelor of Laws (Honours) and is currently also a Non-Executive Director of Civmec Limited and InnoTek Limited. He joined our Board on 29 May 2008.

## LEOW DAVID IVAN
Independent Director

Mr. David Leow is the Chairman of the Audit Committee, the Chairman of the Corporate Strategy & Communications Committee and a member of the Remuneration Committee. He is a Lead Independent Director of SGX listed Trans China Automotive Holdings Limited, and a director of the Chartered Accountants Australia and New Zealand (Singapore) Private Limited, CAP Management Limited and MEC Asian Fund. He is also a Managing Director of Thaler Global Pte Ltd, a consultancy and investment firm in Singapore. He is also currently the CFO of Ufinity Group Pte Ltd.

David has served in various senior roles including as Director of Business Development for Virgin Asia Management, Vice President of UOB Kay Hian's Equity Capital Markets Group, Vice President of the DBS Bank's Private Equity Group and Associate Director of Research of HSBC Securities in Singapore.

David is a charter holder with the Chartered Financial Analyst Institute, a Fellow of the Chartered Accountants of Australia and New Zealand, and a Chartered Accountant of Singapore. He holds a Bachelor of Commerce from the University of Western Australia and is a graduate of Harvard Business School's Owner/President Management Program. He joined our Board on 7 June 2013.

## NG CHEE KEONG
Independent Director

Mr. Ng is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr. Ng joined PSA Corp in 1971 and has held various positions including Group President & CEO, President & CEO (Singapore region) and Global Head of Technical and Operations Development. He retired in January 2005.

Chee Keong received a Bachelor of Social Science (Economics, Upper Honours) from the then University of Singapore. He was awarded the Public Administration Medal (Gold) by the Singapore Government in 1997. He is also an Independent Director of Samudera Shipping Line Ltd. He joined our Board on 9 October 2009.

# KEY MANAGEMENT


## CHRIS SAN
Chief Financial Officer

Mr. Chris San is a senior professional with over 20 years of experience in accounting, financial and corporate matters. From 2006 to early 2017, he served as Chief Financial Officer at two SGX listed companies, being New Toyo International Holdings Ltd and Superior Multi-Packaging Limited. Prior to this, he held the position of Group Financial Controller at New Toyo International Holdings Ltd.

He holds a Bachelor of Business degree in Accountancy from the Edith Cowan University, Western Australia and is a Fellow of CPA Australia.

## WONG BOON HWEE
Head, Marine Division of Mencast Offshore & Marine Pte. Ltd.

Mr. Wong Boon Hwee is the Head of the Marine Division in Mencast Offshore & Marine Pte. Ltd. His responsibilities include the planning of project processes and procedures, optimising resource management of project activities, overseeing the day-to-day operations of projects and leading a cross-functional team in the timely manner while maintaining a high quality in execution of projects. Boon Hwee has more than 20 years of experience in the Marine industry and is essential to the functionality of Mencast Offshore & Marine Pte. Ltd. Boon Hwee is the brother of our Executive Director, Mr. Wong Boon Huat.

## DR. CHIA BOON TAT

Head of Research & Development, Mencast Holdings Ltd.
Deputy Director, Mencast Innovation Centre Pte. Ltd.

Dr. Chia Boon Tat has over 20 years of experience in technology development and commercialisation. He has been the Head of Research and Development in Mencast since 2014. From 1997 to 2002, he was EVP of Technology and Strategy at SGX-listed Keppel Telecoms & Transportation Ltd. From 2003 to 2006, he was Managing Director of Nexwave Technologies Pte Ltd, a fully owned subsidiary of SGX-listed Telechoice Ltd. From 2007 to 2013, he was the Founder and CEO of Interactive Microorganisms Laboratories Pte. Ltd. Dr. Chia is also an adjunct lecturer teaching entrepreneurship courses at the Nanyang Technological University. Dr. Chia graduated with a Doctorate degree from the Institut National Polytechnique de Grenoble, France.

## JAVEN KEE

Head of Propulsion System

Mr. Javen Kee is the Senior Operations Manager of Mencast Marine Pte Ltd.

He is responsible for the operation of marine activities, overseeing the day-to-day operations that include sterngear and propulsion manufacturing services.

He joined the Group in March 1992 as a Machinist, rose to the rank of Workshop Manager in 2012 and in June 2020 was promoted to Senior Operations Manager.

## KOH SHU YONG

General Manager of Mencast Marine Pte Ltd

Mr. Koh Shu Yong is currently the General Manager of Mencast Marine Pte Ltd. He is responsible for overseeing the day-to-day operations, ensuring the group strategies are implemented and executed to grow and transform new business developments.

He has been involved in various high turnkey projects in his career from new vessel construction, ships in operations, certification, sustainability and industry transformation projects that are of interest in development to the eco-system & value chain towards the Maritime sector.

Thinking differently, agility to pivot and keep it simple is his growth and passion for the industry in the past 20 years. He has built up his experience within the industry and worked through the ranks with different organisations. He went through several portfolio in his career from production, engineering, operations, project management, commercial, business development, general management, innovation and new technology. He actively dedicates his time in serving the industry through his involvement in societies and associations.

He holds a Bachelor of Naval Architecture (1st Class Honors) with Newcastle University and a Master of Science in Maritime Studies and Master of Administration in International Trading with Nanyang Technology University.

## SUSAN TAN SOCK KIANG

Head of Corporate HR & Administration Manager

Ms. Susan Tan has more than 30 years of experience in human resources and administration. She is responsible for the full spectrum of HR, payroll and administration of Mencast Group. She oversees the talent management programs of the Group including recruitment, performance management, training and professional development, benefits and compensation package. She manages the Group's Insurance policies.

Ms. Susan ensures compliance with the Group's policies and procedures. She is always in close contact with different government authorities on the latest developments and guidelines to ensure all the Group's HR policies are aligned to legal requirements and best practices.

# CORPORATE SOCIAL RESPONSIBILITY


Mencast believes that it is our responsibility to support and uplift our people and community. This is a cornerstone of our commitment to build and develop a talented and engaged workforce.

In recognition of the tremendous challenges of the past few years and the dedication of all our staff to surmount these challenges, Mencast together with Apex Club of Bukit Timah sponsored, packed and delivered meals to elderly residents in the Redhill and Kim Tian housing estates. This was followed by a communal sharing and bonding session with the residents and Mencast volunteers.

# SUSTAINABLE WASTE MANAGEMENT

# GROUP STRUCTURE

**Mencast**
MENCAST HOLDINGS LTD

## MARINE

- 100% **MENCAST MARINE PTE LTD** (Singapore)[a]
  - 100% **MENCAST MARINE (HK) LIMITED** (Hong Kong)[d]
  - 100% **MENCAST LOGISTICS PTE. LTD.** (FORMERLY KNOWN AS STONE MARINE MENCAST PTE. LTD.) (Singapore)[a]
- 100% **RECON PROPELLER & ENGINEERING PTE LTD** (Singapore)[a]

## OFFSHORE & ENGINEERING

- 100% **MENCAST OFFSHORE & MARINE PTE. LTD.** (Singapore)[a]
  - 100% **TOP GREAT HOLDINGS PTE. LTD.** (Singapore)[a]
    - 100% **TOP GREAT ENGINEERING SERVICES LLC** (Oman) (In the process of Member's Voluntary Winding Up)
- 100% **TOP GREAT ENGINEERING & MARINE PTE LTD** (Singapore)[a]
  - 100% **PT. MENCAST OFFSHORE & MARINE** (Indonesia)[b]
- 100% **S&W PTE LTD** (Singapore)[a]
- 100% **MENCAST ENGINEERING PTE LTD** (Singapore)[a]
  - 100% **CHINYEE ENGINEERING & MACHINERY PTE LTD** (Singapore)[a]

## ENERGY SERVICES

- 70% **MENCAST ENERGY PTE. LTD.** (Singapore)[a]
  - 100% **MENCAST ENERGEERS PTE. LTD.** (Singapore)[a]
  - 20% **VAC-TECH ENGINEERING PTE LTD** (Singapore)[a][e]

- 100% **MENCAST PROCUREMENT (SINGAPORE) PTE. LTD.** (Singapore)[a]
- 100% **MENCAST INNOVATION CENTRE PTE. LTD.** (Singapore)[a]
- 100% **MENCAST INVESTMENT HOLDINGS PTE. LTD.** (Singapore)[a]
  - 50% **VIRESTORM PTE. LTD.** (Singapore)[a]
  - 60% **MENJI INTERNATIONAL PTE LTD** (Singapore)[f]
- 49.73% **MENJI PTE. LTD.** (Singapore)[a]
  - 100% **MENJI TECHNOLOGY DEVELOPMENT (SHANGHAI) CO., LTD.** [c]

**NOTE:**
(a) Audited by CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation), Singapore
(b) Audited by Riyanto, SE, AK, Indonesia
(c) Audited by Shanghai CLA Global TS Certified Public Accountants (formerly known as Shanghai Nexia TS CPAS), China
(d) Audited by Eden & Co., Certified Public Accountants (Practising), Hong Kong
(e) Completed the legal disposal on 1 February 2023
(f) Incorporated on 30 March 2023

# SUSTAINABILITY REPORT CONTENTS

# ABOUT THE REPORT

**Reporting Boundary**
This report seeks to provide an overview of our sustainability practices, commitment, and performance of the Group's material Environmental, Social and Governance ("**ESG**") topics.

As a guide, this report covers operations and all subsidiaries for which Mencast Holdings Ltd. ("**Mencast**" or together with its subsidiary corporations, the "**Group**") has operational control, unless otherwise stated. This report excludes reporting of metrics for PT Mencast Offshore and Marine ("**PT MOM**"), as the property housing the operations of PT MOM has been approved by the Board of Directors for disposal. Subsequently, the Group expects to further scale down the business activities of PT MOM, as such, reporting of those metrics moving forward would not be meaningful.

No restatements were made from the previous report except (1) disclosure of spending on local suppliers on page 24 due to disposal of subsidiary corporations, (2) energy consumption on page 28, (3) number of employees on page 29 and (4) average training per employee on page 32 due to change in measurement methodologies.

**Reporting Period & Standard**
The reporting period is the same as the financial year of the Group (1 January 2022 to 31 December 2022 – FY2022). This report was prepared with reference to the Global Reporting Initiative ("**GRI**") Standards 2021 and Singapore Exchange Catalist Rules 711(A) and (B).

The GRI Standards is the most widely used and internationally accepted sustainability reporting framework. The GRI Content Index at the end of the report specifies the location of the relevant disclosures.

**Independent Assurance**
The ESG performance data presented in the report have mainly been extracted from internal information systems and original records to ensure accuracy. The Group has not sought external assurance for this sustainability report but has relied on internal verification to ensure the accuracy of data.

# FEEDBACK

We are fully committed to our stakeholders and we welcome feedback on any aspect of our sustainability policies, processes and performance. Kindly address all feedback to ir@mencast.com.sg. Your feedback is vital to us in achieving our goals to build a sustainable and thriving business. As an attempt to promote environmental conservation, there will be no hard copies of this report.

# BOARD STATEMENT ON SUSTAINABILITY

Mencast Holdings Ltd. ("**Mencast**" or together with its subsidiary corporations, the "**Group**") is pleased to issue its sixth sustainability report, prepared with reference to the GRI Standards and in line with the SGX-ST guidelines on sustainability reporting.

The Group endeavours and is committed to continually consider material environmental, social and governance topics as part of our core business strategy. The report seeks to present an accurate account of our practices and performances in our mission to be a sustainable, responsible corporate citizen.

The Board of Directors ("**Board**") and senior management ("**Management**") remain committed to establish and maintain an effective Sustainability Management framework, which is supported by underlying internal controls, risk management practices, clear accountability and reporting processes. In FY2022, all Directors have attended the mandatory training on sustainability matters as prescribed under Rule 720(6) of the Catalist Rules. The Board evaluates and considers ESG risks and opportunities relevant to the Group during the formulation of overall business strategy, objectives and performance measurements. The Sustainability Reporting ("**SR**") Committee supports the Management in identifying the type of relevant ESG topics caused by its day-to-day operations. Management then determines the materiality of the ESG topics based on the level of significance of impact, and influence on stakeholder values, and the achievement of the Group's strategic objectives. The Board supports and approves the identification and assessment parameters of material ESG topics.

Additionally, aligned with global focus on climate related risks, opportunities and its impact to businesses, the Group adopted in FY2022 a phased approach for climate related disclosure in accordance with the recommendations of Task Force on Climate Related Disclosures ("**TCFD**").

In adapting to the recommendations of TCFD, the Group is taking a phased approach by firstly understanding the overall climate related risks & opportunities, Scope 1 and 2 carbon emission. Moving forward, with the reinforced understanding of the carbon emission footprint in its value chain, the Group will evaluate quantitative financial impacts analysis and set and describe targets (where applicable) to manage climate related risks.

The Board and Management shall continue to dedicate leadership and maintain a high standard of sustainability governance to drive continuous and long-term growth for all its stakeholders. The Group will continue to work towards a balanced disclosure on the management and monitoring of material ESG topics for continuous improvement.

## GOVERNANCE STRUCTURE

**Board of Directors**
The Board maintains overall responsibility and ensures that sustainability matters (including material ESG factors, Climate Related Disclosures) are considered as part of our business strategy. The Board provides oversights on sustainability matters and delegates the formulation, implementation and review of the Group's sustainable policies and practices, sustainability development programs and initiatives to the Sustainability Committee.

**Sustainability Committee**
Sustainability is integrated into our business and embedded across various roles and functions. The SR Committee, chaired by Mr Sim Soon Ngee Glenndle, our Executive Chairman and Chief Executive Officer ("**CEO**"), comprises of senior management from all business units to provide oversight over the integration of sustainability practices into all aspects of the business. There were no changes in the composition of the Committee since the first year of reporting.

Periodic reviews are carried out at both the Committee and business unit levels to ensure effective implementation and that initiatives remain in line with the Group's strategic development.

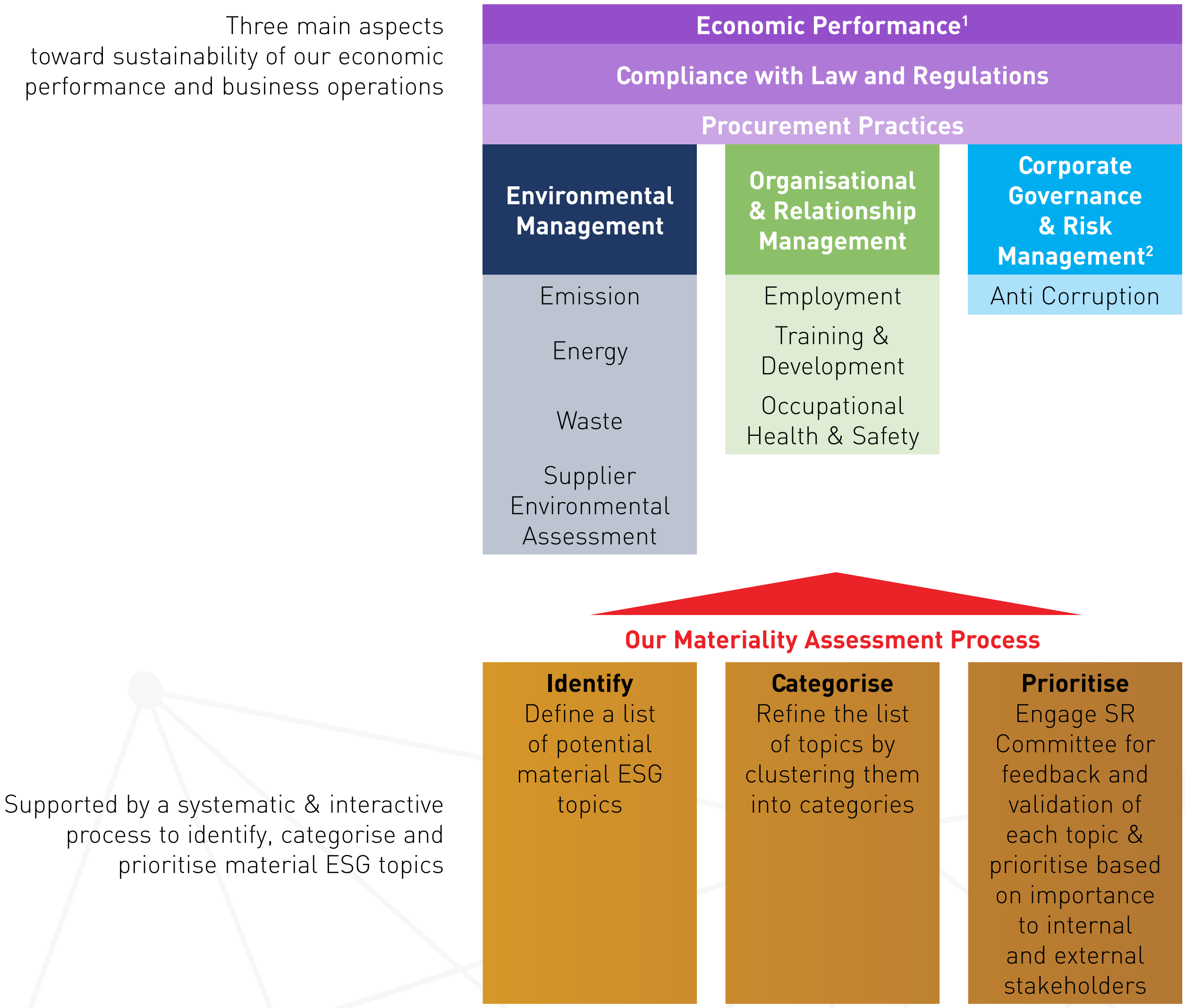
For FY2022, the Board and Management have:

- Reviewed the ESG factors relevant to stakeholders of the Group and considered it as part of overall business strategy;
- Reviewed climate-related risks and its qualitative financial impact from the short, medium and long term perspective as part of the overall risks management process;
- Performed a baseline assessment of its greenhouse gas emission footprint by collecting Scope 1 and 2 emissions of the Group; and
- Evaluate opportunities and action plans associated with climate-related risks.

## STRATEGIC APPROACH FOR SUSTAINABILITY

Mencast firmly believes that while our businesses are driven by earnings, we must also have a positive impact on environment, employees and all other stakeholders in our value chain. In FY2022, with the help of an Independent External Consultant ("**Consultant**"), the Group reviewed and defined our approach to sustainability management. We have reviewed the main aspects and existing non-financial topics for FY2022 reporting disclosure and performed a peer analysis on the topics of interest of the industry. The Management identified Emission as an additional topic that will be material and important to the business and stakeholders, hence included it in the FY2022 sustainability report.

**Exhibit 1. An Overview of Our Approach to Sustainability Management**




1. Please refer to Financial Statements of the Annual Report 2022 ("**AR2022**").
2. Please refer to the Corporate Governance section of the AR2022.

# STAKEHOLDER ENGAGEMENT

Mencast recognises that knowing and understanding the demands and concerns of stakeholders is key to sustainable growth and that regular engagement with stakeholders helps us to understand and establish material areas of focus. The Group operates and maintains multiple communication channels and platforms to obtain stakeholders' feedback and opinions.

Our stakeholders are those who have a considerable influence on our business, and whom our business has a significant impact on. In FY2022, the SR Committee reassessed the relevant stakeholders and ascertained that our key stakeholder groups remained as follows: employees, customers, shareholders, bankers, investors, business partners and community (See Exhibit 2).

**Exhibit 2. Our Key Stakeholder Groups**

**Employees**
We recognise that our employees are fundamental to the Group's productivity and continuity. We aim to nurture them well to increase their engagement and contribution to the Group.

**Customers**
We strive to maximise our customer satisfaction, which reflects sales and revenue. We ensure that we understand our customers' needs and expectations and we aim to build long lasting relationships with our customers so that they are likely to engage our services again.

**Shareholders, Bankers and Investors**
We aim to maintain profitability in our Group and maximise shareholders' return. We also strive to maintain corporate governance and improve level of transparency through reporting and communication.

**Business Partners**
We work closely with our business partners / subcontractors to ensure that all our operations are aligned with our sustainability efforts and industry practices.

**Community**
We work closely with our community and remain fully committed to continue procuring responsibly while generating positive economic and social benefits for the local communities we operate in.

**Membership of Associations**
Aspiring to widen our exposure to industry standards and collaborate within and beyond the industry to improve on current sustainable practices, Mencast and its subsidiary corporations have joined and actively participated in the following industry associations:

- Singapore Business Federation
- Association of Singapore Marine Industries
- Singapore Chinese Chamber of Commerce & Industry
- Singapore National Employers Foundation
- Waste Management & Recycling Association of Singapore

## MATERIALITY ASSESSMENT

Materiality with respect to sustainability reporting, as defined by GRI Standards, includes topics and indicators that reflect the organisation's significant economic, environmental, and social impacts; and would substantively influence the assessments and decisions of stakeholders.

Guided by our Consultant and having considered the topics of concern and expectations of identified key stakeholders, the SR Committee together with the Management have assessed and prioritised the material topics and considered and aligned our targets and commitments for the short, medium and long term. With the exception of emission which is our initial year of assessment, our targets and commitments are set to meet our long term goals, hence, we are committed to such goals in the short, medium and longer term.

**OUR TARGETS AND COMMITMENTS**

| | |
|---|---|
| **ECONOMIC** | |
| **Financial Performance** | • To improve our internal efficiency and effectiveness in our existing operations and to leverage on our existing strengths for new business opportunities. |
| **Procurement Practices** | • Continue to collaborate with the right business partners and suppliers to redesign our product offerings to reduce the negative impacts on our environment. |
| **Compliance with Law & Regulations** | • Zero incidents of non-compliance |
| **ENVIRONMENTAL MANAGEMENT** | |
| **Emission** | *No targets had been set as FY2022 is the initial year of assessment* |
| **Energy** | • Maintain and achieve energy efficiency and a balance energy intensity usage in relation with business growth. |
| **Waste** | • Ensure waste treatment and disposal methods are in accordance with regulatory requirements. |
| **ORGANISATIONAL & RELATIONSHIP MANAGEMENT** | |
| **Employment** | • Continue to promote diversity and equal opportunity in the workplace.<br>• Comply with local labour regulations across our operations. |
| **Training and Education** | • Achieve an average of 2 hours of training per employee annually. |
| **Occupational Health and Safety** | • Zero fatalities and/or workplace injuries. |
| **CORPORATE GOVERNANCE** | |
| **Anti-Corruption** | • Zero incidents of bribery and corruption, including facilitation payment.<br>• Zero tolerance towards all forms of bribery and corruption. |

The material ESG topics were reviewed by the Board and determined to be relevant. Moving forward, the SR Committee will continue to review our material ESG topics, targets and commitments annually against the changing business environment, stakeholder opinions and emerging global and local trends.

# ECONOMIC

## PROCUREMENT PRACTICES

The Group firmly believes that the suppliers and subcontractors we engage with are critical to creating positive economic impact and enhancing stakeholder's return. In this respect, the Group maintains a strict vendor selection process, which is based on their past track records and adherence to occupational health and safety standards.

As we consider sustainability to be one of the key factors in selecting a supplier, we evaluate the potential candidates based on their sustainability performance and practices. We collaborate frequently with business partners and suppliers to redesign our product offerings to reduce the negative impact on our environment. For the purposes of this Sustainability Report, we considered the entities located in Singapore as the "significant locations of operations".

Purchases from local material suppliers accounted for approximately 67% (Restated FY2021: 90%[#]) of the total purchases in FY2022. The remaining raw materials were procured from overseas suppliers as they were not available locally.

Currently, the use of foreign subcontractors and import purchases are kept to a minimum, and we remain fully committed to continue procuring responsibly while generating positive economic and social benefit for the local community we operate in.

[#] Purchase from local material suppliers is 1% lower than previously reported

# COMPLIANCE WITH LAW AND REGULATIONS

The Group has in place a governance structure[1] to manage non-compliance with law and regulations. Over the years, the Group's operations continue to conform to laws and regulations. The Group maintains a zero tolerance for non-compliance and encourage our stakeholders to report any incidences via our established whistle blowing channels. All employees of Mencast are encouraged to be proactive and forthcoming in managing and reporting compliance related issues and complaints.

Aligned with our targets, there were no incidents of non-compliance nor fines incurred for non-compliance with law and regulations for the current or previous reporting period.

The Board and Management continue to review and improve current management system and practices and ensure that all our activities and operations comply with regulatory requirements.

[1] Please refer to the Corporate Governance Statement for details of our board composition, risk management and internal controls activities.

# ENVIRONMENTAL MANAGEMENT

To address global issues of resource scarcity and a changing climate, we recognise the importance of integrating environmental considerations into the Group's business decisions. We are committed to understanding, managing and minimising our environmental footprint across our value chain, including our business operations, suppliers and customers.

Our environmental efforts are largely focused on maximising material utilisation and optimising energy consumption. We will continue to strengthen our expertise in the areas of environmental programs and be selective about the strategic initiatives that will yield a greater positive impact in the future.

To further strengthen the Group's awareness and understanding of climate change impact, the Group adopted in FY2022 a phased approach for climate related disclosure in accordance with the recommendations of TCFD. In managing climate related risks and opportunities:

## Governance

- The Board of Directors maintains overall responsibility and provide oversight on sustainability matters (including material ESG factors, climate related risks and opportunities). Sustainability topics, climate risks and opportunities are considered as part of the overall business strategy.

- The Sustainability Committee led by the Chief Executive Officer and senior management from all business unit is responsible for formulation, implementation and review of the Group's sustainable policies and practices, sustainability development programs and initiatives to the Sustainability Committee.

## Strategy

- Climate related risks have been embedded in the Group's risks assessment, identifying the relevant physical and transition risks applicable to the business.

- Risks identified are reviewed by the Board of Directors and Sustainability Committee and the impact to the Group assessed from a short, medium and long term basis.

## Risk Management

- Climate risks & opportunities have been integrated into the overall risks management process.

- The Group's risks, impact and action plans are reviewed at least annually.

## Metrics

- For FY2022, Scope 1 and 2 greenhouse gas emissions have been identified across the business to understand the Group's emission.

The relevant physical and transition risks and associated financial impact are described below. The risk ratings are aligned with the Group's risk parameters and definition of risk ratings:

| Climate Risk Category & Description | | Financial Impact | Short Term (< 1 year) | Medium Term (1 – 3 years) | Long Term (>3 years) |
|---|---|---|---|---|---|
| Physical (Acute) | Disruption to operations from extreme weather condition | Reduction in revenue | Low | Low | Medium |
| Physical (Acute) | Increase in cost of operations due to damage to strategic assets | Increase in cost of operations / asset replacement | Low | Low | Medium |
| Transition (Policy & Legal) | Increase in cost of operations (materials, logistics, transport, utilities) as a result of changes to climate related policies and regulations | Increase in costs of maintenance / operations | Medium | Medium | High |
| Transition (Technology & Market) | Unable to develop products or services that are aligned with industry regulation changes and customer preference to green technologies | Reduction in revenues | Medium | Medium | High |
| Transition (Reputation) | Inability to meet policy / regulations around climate change | Reduction in revenues | Low | Low | Low |

In recognising the impact of climate related risks, the Group is also actively pursuing opportunities to lower costs and emission via installation of renewable energy – solar panels and improving the overall manufacturing process via 3D printing, additive manufacturing and increase recycling efforts across overall supply chain.

# EMISSION

GRI305 Emissions are identified as the metrics used to assess climate related risks & opportunities. The operational control approach is used for consolidation of data based on Greenhouse Gas ("**GHG**") protocol. Our Scope 1 and 2 $CO_2e$ emissions are detailed below:

| | FY2022 |
|---|---|
| Total carbon emission, (tonnes $CO_2$ equivalent)[1] | 4,242 |
| **Scope 1 Emission(s)** | |
| • Stationary fuel combustion[2] | 1,242 |
| • Mobile fuel combustion[3] | 459 |
| • Fugitive emissions (refrigerants)[4] | 77 |
| **Scope 2 Emission(s)** | |
| • Electricity (Location Based)[5] | 2,464 |
| GHG Emission Intensity Scope 1 & 2 (t $CO_2$ / Revenue) | 0.0001 |

As FY2022 is the initial year that the Group has identified, collected and disclosed Scope 1 and 2 emission data, there are no comparative figures provided for FY2021. The Group will continue to monitor and develop a better understanding of its emission exposure before determining a reasonable target to reduce carbon emission where applicable.

In further strengthening our understanding and monitoring of carbon emission, the Group has also participated in the LowCarbonSG[6] Programme and commenced tracking of average emissions on a monthly and annual basis across its value chain.

TOWARDS A LowCarbonSG PARTICIPANT 2023

[1] GHG emissions are derived in accordance with the requirements of the "GHG Protocol Corporate Accounting and Reporting Standard". The Global Warming Potential dataset is based on the 2014 IPCC Fifth Assessment Report and equivalent $CO_2$ emission for electricity based on the operating margin factors from the Energy Market Authority of Singapore.

[2] Stationary fuel combustion are primarily liquefied petroleum gas ("**LPG**") used in the waste water treatment plant ("**WWTP**"), ship repair and waterfront project.

[3] Mobile fuel combustion are primarily diesel fuel and motor gasoline used by private and commercial vehicles and boiler of WWTP of the Group.

[4] Fugitive emissions are loss of refrigerants from air-conditioning system and chiller in the WWTP and recovery waste system ("**RWS**").

[5] Electricity are location based with data derived consumption of electricity from the national grid.

[6] LowCarbonSG is a programme that provides resources and guidance to organisations on carbon emission tracking, monitoring and reduction.

## ENERGY

In FY2022, the Group consumed approximately 6.08 million kWh of electricity, which comprises a mix of direct and indirect sources of energy. The Group registered a 3% decrease in energy consumption as compared to FY2021 *(FY2021 restated consumption: 6.28 million kWh of electricity)*, which was mainly attributable to the decrease in energy consumption for Offshore & Engineering business due to its lower revenue contribution and termination of lease at 107 Gul Circle Singapore 629593, as explained on Note 5.3 to the financial statements. Nonetheless, there is an increase of energy consumption in the Energy services segment due to the introduction of a new process plant at 42E Penjuru Road.

Direct energy refers to primary sources of energy from our solar generation on site, whereas indirect energy is electricity purchased from external suppliers – the grid. The breakdown of energy consumption by respective businesses are as follows:

| Business | Energy Consumption ('000 kWh) | |
|---|---|---|
| | FY2022 | FY2021 (Restated)# |
| Offshore & Engineering | 396 | 891 |
| Marine | 3,579 | 3,776 |
| Energy | 2,102 | 1,616 |
| **Total** | **6,077** | **6,283** |
| Energy Intensity (kWh / Revenue) | **0.14** | **0.14** |

To improve energy efficiency, the Group will continue to evaluate alternatives and optimise operations and processes; technological improvements, including the adoption of more sustainable building designs and materials, and the use of energy-efficient equipment and devices.

# Energy consumption is 6.2% lower than the consumption previously reported due to change in reporting methodology.

## WASTE

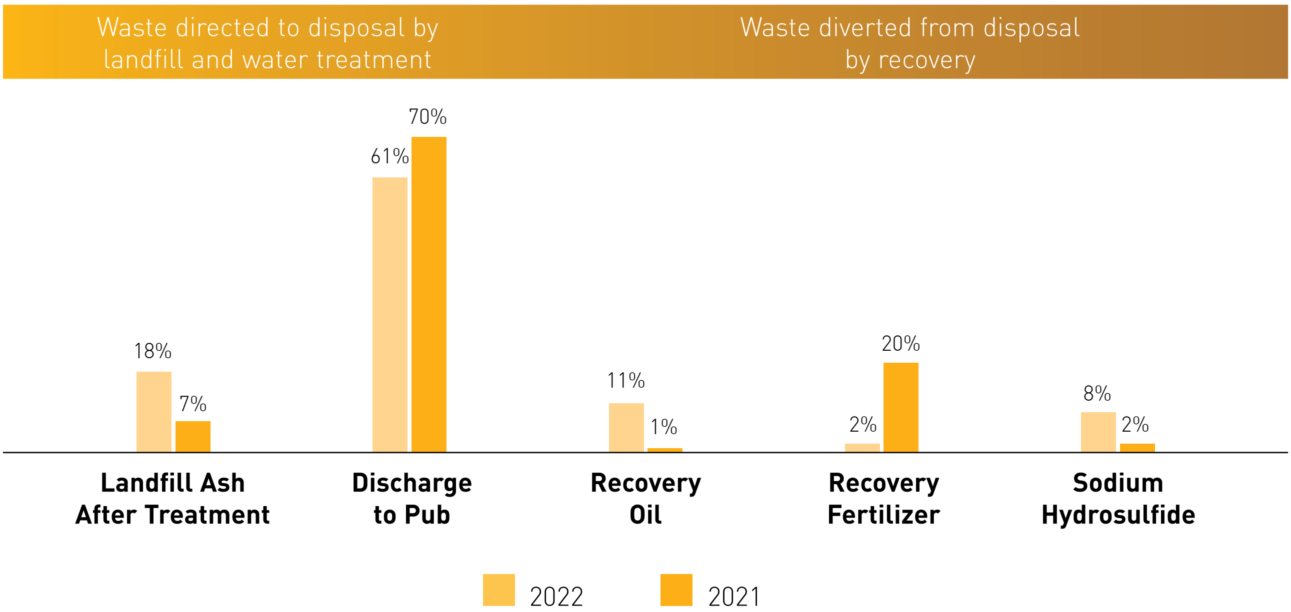
Waste management is critical for global sustainable development. The Group conscientiously monitors our waste discharge into the environment and seeks to reduce any ecological impact. It is thus vital to prioritise waste disposal methods such as recovery that minimise the corresponding residual effects on the environment. As part of the Group's waste management business, the Group holds a valid Toxic Industrial Waste Collector's License.

In FY2022, total volume of hazardous waste collected has decreased by 3% as compared to FY2021.

All hazardous waste collected were treated and disposed by Mencast in compliance with the following rules & regulations:

- The Environmental Public Health (Toxic Industrial Waste) Regulations 1988
- Sewerage and Drainage Act, Chapter 294 and the Sewerage and Drainage (Trade Effluent) Regulations
- Singapore Standard SS 603: 2014 Code of Practice for Hazardous Waste Management

The hazardous waste collected consists of contaminated soil, slop oil, oil sludge, oily water, plating effluent etc. These hazardous wastes were treated and disposed through the following methods:




To further manage significant waste impact, the Group is investing into fertilizer plant and spent caustic recovery plant which are on track for operations in 2023.

## ORGANISATIONAL & RELATIONSHIP MANAGEMENT

## EMPLOYMENT

Our employees are one of our most valuable assets and the Group believes in and is committed to fair employment practices, upholding human rights principles and investing in developing and training our people. We provide equal opportunities to all employees without discrimination.

As of 31 December 2022, we have a total of 272 employees. 99.6% of our total workforce are full-time employees, the remaining being part-time.

The Group only has 1 part-time employee (male) as of 31 December 2022 (FY2021: Nil).

| | FY2022 | | FY2021 (Restated)# | |
|---|---|---|---|---|
| **Total No. of Employees** | 272 | | 303 | |
| **Distribution by Gender (%)** | 89% | 11% | 88% | 12% |

# FY2021 total employees is <1% higher than previously reported due to change in reporting methodology.

| | FY2022 | FY2021 |
|---|---|---|
| **New Hires** | **Total No.** | **Total No.** |
| | 74 | 67 |

93% of new hires in FY2022 were male due to the nature of work, compared to 78% in FY2021.

**Age Group**

| | FY2022 | | | FY2021 | | |
|---|---|---|---|---|---|---|
| | **< 30** | **30 - 50** | **> 50** | **< 30** | **30 - 50** | **> 50** |
| **Total No. of New Hire by Age Group** | 25 | 34 | 15 | 21 | 35 | 11 |
| **% of New Hire by Age Group** | 34% | 46% | 20% | 31% | 52% | 17% |

**Turnover**

| | FY2022 | | | FY2021 | | |
|---|---|---|---|---|---|---|
| | **Total No.** | | | **Total No.** | | |
| | 68 | | | 67 | | |
| | **< 30** | **30 - 50** | **> 50** | **< 30** | **30 - 50** | **> 50** |
| **Total No. of Turnover by Age Group** | 7 | 47 | 14 | 11 | 42 | 14 |
| **% of Turnover by Age Group** | 10% | 69% | 21% | 16% | 63% | 21% |

During the financial year 2022, there is an approximately 10% decrease in employees primarily due to the disposal of Unidive Subsea Pte. Ltd. (formerly known as Mencast Subsea Pte Ltd) resulting in a reduction of 37 employees.

We strive to foster an inclusive and performance-driven work environment to attract, retain and develop our talents. As an equal opportunity employer, the Group has implemented a fair system to ensure equal opportunities and non-preferential treatment for all employees. There are no preferences or prejudices against religion, age, ethnicity, any physical disability, or gender. Employees are required to observe and adhere to all relevant policies and practices.

Due to the inherent nature of labour-intensive work and physically challenging working conditions, most of our employees are male. Mencast makes a conscious effort to maintain diversity in the middle management, to generate creativity and innovation and improve the organisation's culture. There were no reported incidences of discrimination raised by our employees in FY2022.

The Group also has an open-door policy where employees are encouraged to raise their concerns or report any grievances directly to their superior, heads of department, human resource department, chief executive officer and/or independent directors. This is to reinforce our commitment to our employees to provide them with a workplace that is healthy, safe, and secure. Across our business segments, there were no workplace grievance cases reported in FY2022.

**Employee Remuneration and Benefit**

The Group recognises the valuable contribution of all employees. We strongly believe in fair remuneration and sets packages which are competitive and sufficient to attract, retain and motivate personnel with adequate experience and expertise to manage the business and operations of the Group. In setting remuneration packages, the Group considers the regulatory requirements, salary, and employment conditions within the same industry and in comparable companies. For FY2022, in addition to the competitive remuneration offered, we extended our employees a set of benefits including, but not limited to the following:

| Employment Benefits | Descriptions |
|---|---|
| **Life Insurance** | If our employee becomes critically ill or permanently disabled, their family will receive a sum of money to provide them with financial protection and coverage against risks. |
| **Medical Insurance** | Employees are reimbursed for outpatient treatments, surgery or hospitalisation expenses covered under medical insurance. |
| **Disability Insurance** | Our employees are covered under personal accident insurance and work-related injury. For instance, the organisation will reimburse any rehabilitation costs or monthly pay-outs for each case of disability. |
| **Parental Leave** | Both female and male employees are entitled to maternity leave and paternity leave when applicable. We provide other leave benefits catering to our employees' children during the stages of infant care and childcare.<br><br>In FY2022, the Group had a return-to-work rate of 100% and remained employees of the Group for more than a year. The Group will continually work towards building a pro-parent workplace through enhancing our Group welfare practices and culture. |
| **Retirement Provision** | For employees qualified for pension approaching the retirement age, the government will provide them with monthly cash pay-outs of their CPF contributions. |
| **Workers Dormitory and Canteen** | Workers are granted dormitory accommodation, coupled with basic necessities such as proper sanitation and water. |

The Group is in full compliance with local labour regulations across our operations, as well as minimum wage laws, where such laws exist. Being in an industry that is largely labour-intensive, we are dedicated to constantly reviewing our employment policies, benefits and remuneration practices to ensure compliance with the updated employment laws, to keep up with the best industry practices to provide the optimal working conditions for our people.

The Group has organised several welfare activities including Chinese New Year Lucky Draw, distribution of Love Letter tarts to employees, a trip to Singapore Flyer organised by Raining Raincoats, food sponsorship and distribution to elderly residents, Christmas celebration and a trip to Jurong Bird Park.

The Group continually cultivates a transparent and inclusive environment for all employees, as well as ensures a top-down approach to promote fair and ethical business dealings. Mencast maintains a zero-tolerance stance on unethical labour practices such as child labour, forced labour, slavery and human trafficking across all our operations.

## TRAINING & DEVELOPMENT

The Group recognises that employees need to stay informed and be updated in their skill sets in the ever-changing work environment. To encourage and support our employees to develop their potential and have a fulfilling career, both on-the-job and ad-hoc trainings are made available to our employees. Employees are encouraged to attend courses which are relevant to their specific industries and work.

In FY2022, the company has clocked a total of 2,447 hours (FY2021: 3,867 hours) in training (30% decrease in average hours of training per employee).

| | FY2022 | FY2021 (Restated)# |
|---|---|---|
| **Average Hours of Training Per Employee** | 9.0 hours | 12.8 hours |

# FY2021 average hours of training per employee is 36% lower than previously reported period due to change in reporting methodology.

**Programmes for Upgrading Employee Skills and Transition Assistance**

The Group is committed to continue to allocate the necessary budget and establish skills upgrading plan to equip employees to meet strategic targets of the Group. We believe that by improving the skills of our employees, it enhances Mencast's human capital and contributes to employees' satisfaction, which will then create a positive impact on our overall performance.

Training sessions have been conducted to educate the employees on sustainability, technical and safety knowledge across the different business units, such as:

- Sustainability in Business, Sustainability as Business
- LED - Environmental, Social and Governance Essentials (Core)
- E-Briefing on the Expansion of Progressive Wage Approach and Coverage
- Job Redesign and Reskilling Workshop
- SIC for Shipyard Workers (General Trade)
- Shipyard Low Levy Training - 3G SMAW
- Implement Incident Management Process
- Occupational First Aid Refresher Course

**Performance and Career Development Review**

The performance appraisal and career review process are conducted annually whereby there will be two-way communication and engagement between supervisors and subordinates to assess the performance of the employee. Upon completion of the appraisal process, consideration of career advancement such as promotion, quantum of salary increment, and annual variable bonus will be determined based on the performance appraisal results. Employees are assessed and remunerated fairly based on their experience, qualifications, and performance.

In FY2022, 95% of total employees (those with more than one year service) had gone through their annual performance and career development review. The remaining 5% are employees who would be reviewed upon confirmation of their employment.

The Group shall continue to provide training and education opportunities through development programmes wherever applicable and promote a conducive corporate environment where employees can reach their fullest potential.

# OCCUPATIONAL HEALTH & SAFETY

Safety is an integral part of our business, and a key focus area for our board of directors and senior management.

**Occupational Health & Safety Management Framework**

In FY2022, the Group continue to be certified to meet Singapore's standards for occupational safety and health management, such as ISO 45001 occupational health and safety management system and ISO 14001 environmental management system.

Processes are in place to identify, mitigate and report risks and communicate best practices across the Group, and we work with our employees and stakeholders to ensure that they understand our requirements and expectations.

Our safety management system continues to be routinely audited by independent consultants.

**Key Elements of Our Health & Safety System**


To facilitate the physical supervision of the workplace safety and the relaying of Workplace Safety and Health ("**WSH**") related messages, each individual subsidiary has established its own Health, Safety and Environment ("**HSE**") Committee. The HSE Committee is headed by the Chairman who was appointed by the Director and oversees our subsidiary corporations' operations to ensure that safety standards are upheld and also up to industry leading practices.

The Committee conducts regular and surprise inspections on their workers' workplace safety. In addition, the roles and responsibilities of the HSE Committee includes reviewing, effectively implementing and reinforcing safety standards and regulations to ensure all areas of safety are adequately covered. Committee meetings are conducted at least once a month to review safety inspection results, ensure corrective actions are taken promptly, as well as coordinate and organise HSE campaigns. We also constantly seek feedback from non-committee members regarding areas of improvement and all relevant HSE matters. The entire workforce is represented well as they access to participate fully in the establishment and implementation of occupational health and safety policies, procedures, investigations, and risk assessments.

**Inherent Occupational Risk**

As a Group, we periodically assess the occupational injuries and diseases risks that may occur due to workplace conditions. In FY2022, due to the nature of the work, we continue to consider chemical exposure as a key risk in our business.

Findings from our risk assessments are considered in the determination of facility requirements, training programmes and operational controls. The Group ensures each worker is well protected before the start of each assignment with sufficient protective equipment, through the documentation on personal protective equipment records. We have also developed a list of protocols and precautions for workers to ensure that their safety is fully covered in all areas of work.

**Workplace Health & Safety Performance**

| Category | FY2022 Total | FY2021 Total |
|---|---|---|
| Fatality or Total Permanent Disabilities | 0 | 0 |
| Reportable Injuries | 11 | 6 |
| Occupational Disease | 0 | 0 |

In FY2022, a total of 164 man-days were lost due to injury, which had decreased when compared with FY2021 (i.e.195 man-days). For each of these injuries reported, the Group Quality, Health & Safety, Environmental ("**QHSE**") Manager prepares an Investigation report, consisting of mainly the details of the accident, and a corrective action plan such as conducting training and education to prevent similar injuries and workplace inspections to minimise the likelihood of similar accidents occurring again. The Group has maintained zero occupational disease and fatality or total permanent disabilities for 2022.

Additionally, we ensure that our employees attend medical consultations for early detection. These medical consultations include:

- Audiometry tests for employees exposed to excessive noise hazards; and
- Medical examinations for employees exposed to oil and tar.

Moving forward, the Group strives to continue to maintain its health & safety standards with continuous improvement in its Operational Health and Safety processes and performances.

## CORPORATE GOVERNANCE

# ANTI CORRUPTION

Mencast is committed to uphold the highest standards of corporate governance and business integrity across our organisation, which are essential for the long-term viability of the Group's businesses and the enhancement of shareholder's value. The Board undertakes to investigate complaints of suspected fraud objectively and has put in place a whistle-blowing policy and procedures which provide employees with well-defined and accessible channels within the Group, including a direct channel to the Audit Committee, for reporting suspected bribery, corruption, dishonest practices, or other similar matters.

The whistle-blowing policy aims to encourage the reporting of such matters in good faith, with the confidence that employees making such reports will be treated fairly and to the extent possible, be protected from reprisal. The policy and its effectiveness will be reviewed by the Audit Committee periodically, with recommendations regarding updates or amendments, if any, to be made to the Board as required.

In FY2022, there were no incidents of confirmed incidents of corruptions and actions taken, nor regulatory non-compliance across Mencast's group of businesses. There were also no reported incidents pertaining to whistleblowing for this reporting period under review. The Group continues to work towards reinforcing a full compliance culture.

**Moving Forward**
The Audit Committee continues to support the Board in its oversight of anti-corruption processes and is responsible for driving the Group's focus on implementing effective compliance and governance systems. At an operational level, the respective departments within the Group continue to be responsible for assessing the adequacy and effectiveness of mitigating measures, and manage their financial, operational, information technology, compliance and reputational related risks.

Please refer to the Corporate Governance Statement of the Annual Report for more information.

# GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

| | |
|---|---|
| **Statement of use** | Mencast Holdings Ltd. has reported the information cited in this GRI content index for the period 1 January 2022 to 31 December 2022 with reference to the GRI Standards. |
| **GRI 1 used** | GRI 1: Foundation 2021 |

| GRI STANDARD | DISCLOSURE | | PAGE REFERENCE |
|---|---|---|---|
| **GRI 2: General Disclosures 2021** | 2-1 | Organizational details | Page 1, 3, 16 |
| | 2-2 | Entities included in the organization's sustainability reporting | Page 18 |
| | 2-3 | Reporting period, frequency and contact point | Page 18 |
| | 2-4 | Restatements of information | Page 18 |
| | 2-5 | External assurance | Page 18 |
| | 2-6 | Activities, value chain and other business relationships | Page 1, 9, 16 |
| | 2-7 | Employees | Page 29 - 30 |
| | 2-8 | Workers who are not employees | None Applicable. |
| | 2-9 | Governance structure and composition | Page 39 - 43 |
| | 2-10 | Nomination and selection of the highest governance body | Page 45 - 48 |
| | 2-11 | Chair of the highest governance body | Page 44 - 45 |
| | 2-12 | Role of the highest governance body in overseeing the management of impacts | Page 39 - 42 |
| | 2-13 | Delegation of responsibility for managing impacts | Page 39 - 42 |
| | 2-14 | Role of the highest governance body in sustainability reporting | Page 20 |
| | 2-15 | Conflicts of interest | Page 39, 40 |
| | 2-16 | Communication of critical concerns | Page 65 - 67 |
| | 2-17 | Collective knowledge of the highest governance body | Page 40 |
| | 2-18 | Evaluation of the performance of the highest governance body | Page 45 - 51 |

| GRI STANDARD | DISCLOSURE | | PAGE REFERENCE |
|---|---|---|---|
| | 2-19 | Remuneration policies | Page 52 - 53 |
| | 2-20 | Process to determine remuneration | Page 51 - 54 |
| | 2-22 | Statement on sustainable development strategy | Page 19 |
| | 2-23 | Policy commitments | Page 19 - 22 |
| | 2-24 | Embedding policy commitments | Page 20 & 23 |
| | 2-25 | Processes to remediate negative impacts | Page 24, 58 - 63 |
| | 2-26 | Mechanisms for seeking advice and raising concerns | Page 24, 58 - 63 |
| | 2-27 | Compliance with laws and regulations | Page 24 |
| | 2-28 | Membership associations | Page 22 |
| | 2-29 | Approach to stakeholder engagement | Page 22 |
| | 2-30 | Collective bargaining agreements | Not Applicable.<br><br>Refer to Page 29 - 31 on our commitment to compliance on labour regulations. |
| **GRI 3: Material Topics 2021** | 3-1 | Process to determine material topics | Page 20 - 21, 23 |
| | 3-2 | List of material topics | Page 23 |
| | 3-3 | Management of material topics | Page 24 - 34 |
| **GRI 201: Economic Performance 2016** | 201-1 | Direct economic value generated and distributed | Page 8, 80 - 86 |
| | 201-2 | Financial implications and other risks and opportunities due to climate change | Page 26 |
| **GRI 204: Procurement Practices 2016** | 204-1 | Proportion of spending on local suppliers | Page 24 |
| **GRI 205: Anti-corruption 2016** | 205-3 | Confirmed incidents of corruption and actions taken | Page 34 |
| **GRI 302: Energy 2016** | 302-1 | Energy consumption within the organisation | Page 28 |
| | 302-3 | Energy intensity | Page 28 |
| | 302-4 | Reduction of energy consumption | Page 28 |
| **GRI 305: Emissions 2016** | 305-1 | Direct (Scope 1) GHG emissions | Page 27 |
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# FINANCIAL CONTENTS

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "**Board**") of Mencast Holdings Ltd. (the "**Company**") is committed to achieving a high standard of corporate governance within the Company and its subsidiary corporations (the "**Group**") and to put in place effective self-regulatory corporate practices to protect the interests of the Company's shareholders ("**Shareholders**") and enhance long-term Shareholders' value. This statement outlines the main corporate governance practices that were in place during the year.

The Company adopts practices based on the Code of Corporate Governance 2018 (the "**Code**"). The Board is pleased to report on the compliance of the Company with the Code except where otherwise stated and such compliance is regularly reviewed to ensure transparency and accountability. Reasons have been provided for any deviation from complying with and adhering to the provisions of the Code.

## BOARD MATTERS

### The Board's Conduct of Affairs

**Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.**

Provisions of the Code

1.1 *Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.*

Group's Corporate Governance practices

The current Board of the Company has five directors which comprises of an Executive Chairman who is also the Chief Executive Officer ("**CEO**"), an Executive Director and three Non-Executive Independent Directors ("**Independent Directors**"). The Board is collectively responsible for the long-term success of the Company and works with Management to achieve this objective and Management remains accountable to the Board.

The Board's role is to:
- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of Shareholders' interest and the Company's assets;
- review the performance of Management;
- set the Group's values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met;
- identify the key stakeholders groups and recognise that their perceptions affect the Company's reputation; and
- consider sustainability issues such as environmental and social factors, as part of its strategic formulation and governance factors as part of the Board's strategic formulation.

All directors exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

Apart from its statutory duties and responsibilities, the Board supervises the management of the businesses and affairs of the Group. The Board reviews and approves the Group's strategic plans, key operational initiatives, major funding and investment proposals, reviews management performance, identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation, identifies principal risks of the Group's businesses and establishes a framework of prudent and effective controls which enables risks to be assessed and managed; set the Company's values and standards (including ethical standards), and ensures that obligations to Shareholders and other stakeholders are understood and met as well as considers sustainability issues such as environmental and social factors as part of its strategic formulation.

# CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the approval of the Company's half year and annual financial results, annual report and accounts, major investments and funding, material acquisitions and disposal of assets and interested person transactions of a material nature.

The Board has clear policies and procedures for dealing with conflicts of interest. Where a director faces a conflict of interest, the director will disclose this and recuse himself from meetings and decisions involving the issue. The Company has established procedures for all interested persons transactions and are reviewed and approved by the Audit Committee and that these transactions are conducted on an arm's length basis.

The Board also deliberates and makes decisions on capital structure, funding, dividend payments and other matters such as those that may involve a conflict of interest.

The Group's business is effectively managed by the Board and properly conducted by Management and the Board ensures that proper observance of corporate governance practices, appropriate tone-from-the-top, desired organisational culture and ensure proper accountability within the Group. The Board has put in place a Code of Conduct and Ethics for the Board. The Code of Conduct and Ethics will be made available on the Company's intranet and website after approval and adoption by the Board.

1.2 *Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.*

The Company is responsible for arranging and funding the training of directors. The directors are provided with updates on the relevant laws, financial reporting standards, Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), codes and regulations to enable them to make informed decisions. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors (SID), Singapore Exchange Limited, business and financial institutions, and consultants. In the financial year ended 31 December 2022 ("**FY2022**"), all Directors have attended the mandatory training on sustainability matters as prescribed under Rule 720(6) of the Catalist Rules.

Newly appointed directors, if any, will be provided with a formal letter of appointment and receive comprehensive induction briefings and orientations by the Executive Directors and Management to ensure that they are familiar with the Group's business, strategic directions and policies, the regulatory environment in which the Group operates and the Company's corporate governance. During FY2022, no new director was appointed.

1.3 *The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring Board approval are disclosed in the company's annual report.*

The Group has in place detailed guidelines that set forth all the matters reserved for the Board's decision and which provide Management with clear directions on the matters that require the prior approval of the Board, such as financial authorisation limits for operating and capital expenditure and other matters that fall outside the annually approved budgets, the drawing down or obtaining of credit lines and the acquisition and disposal of material assets and investments.

# CORPORATE GOVERNANCE STATEMENT

1.4 *Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.*

To facilitate effective management, certain functions have been delegated by the Board to the following committees ("**Board Committees**"):

- Audit Committee ("**AC**")
- Nominating Committee ("**NC**")
- Remuneration Committee ("**RC**")
- Corporate Strategy and Communications Committee ("**CSCC**")

These Board Committees operate under clearly defined terms of references and operating procedures and are given specific responsibilities and are empowered to deal with matters within the limits of the authority set out in the terms of reference of their appointments. They assist the Board operationally without the Board losing authority over major issues.

The Chairman of the respective committees reports the outcome of all committee meetings to the Board.

1.5 *Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.*

The Board meets formally at least four times in a year. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by the circumstances.

The Company's Constitution also provides for telephone conference and video conferencing meetings. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolution. Directors may, at any time, request for further explanation, briefings or informal discussions on any aspect of the Group's operations or business issues from Management.

The attendance of the Directors at meetings of the Board and Board Committees, and also Annual General Meeting ("**AGM**") for FY2022 as well as the frequency of these meetings, are disclosed as follows:

| | **Board** | **AC** | **NC** | **RC** | **CSCC** | **AGM** |
|---|---|---|---|---|---|---|
| **No. of meetings held** | **4** | **4** | **1** | **1** | **1** | **1** |
| | No. of meetings attended | | | | | |
| Sim Soon Ngee Glenndle | 4 | 4* | 1 | 1* | 1 | 1 |
| Wong Boon Huat | 4 | 4* | 1* | 1* | 1 | 1 |
| Sunny Wong Fook Choy | 4 | 4 | 1 | 1 | 1* | 1 |
| Leow David Ivan | 4 | 4 | 1* | 1 | 1 | 1 |
| Ng Chee Keong | 4 | 4 | 1 | 1 | 1* | 1 |

* By Invitation

The meeting schedule for the Board and each of the Board Committees is firmed up before the end of each financial year for the next year so that all directors can arrange their schedules accordingly. If directors are unable to attend any meeting, valid reasons are required to be provided. If any director's attendance falls below 75%, his performance shall be critically reviewed by the NC.

# CORPORATE GOVERNANCE STATEMENT

1.6 *Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.*

Directors are regularly updated by Management on developments within the Group. To assist the Board in fulfilling its responsibilities, the Board is provided with management reports containing complete, adequate and timely information and papers containing relevant background or explanatory information required to support the decision-making process prior to Board meetings and whenever necessary. Detailed papers are circulated as necessary for items requiring the Board's approval.

1.7 *Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.*

The Management of the Company provides Board members with quarterly management accounts and other financial statements to enable the Board to fulfil its responsibilities. Management provides the Board members with information relevant to matters on the agenda for the meeting prior to each committee meetings. Board members have full and independent access to Senior Management and the Company Secretary at all times. In the furtherance assess of their duties, the Board or an individual Board member may seek independent professional advice, if necessary, at the Company's expense.

The Company Secretary or his representative attends all of the Board and Board Committees' meetings as required by the Board and is responsible for ensuring that Board procedures are being followed and the Company complies with the requirements of the Companies Act 1967 of Singapore (the "**Companies Act**"), and other rules and regulations, which are applicable to the Company.

The appointment and removal of the Company Secretary is a decision taken by the Board as a whole.

## Board Composition and Guidance

**Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.**

*Provisions of the Code*

2.1 *An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.*

*Group's Corporate Governance practices*

The Company believes that there should be a strong and independent element in the Board to exercise objective judgment on corporate affairs.

The Board currently has five members, comprising two Executive Directors and three Independent Directors. As at the date of this report, the Board comprises of the following members:

| | |
|---|---|
| Sim Soon Ngee Glenndle | Executive Chairman and CEO |
| Wong Boon Huat | Executive Director |
| Sunny Wong Fook Choy | Lead Independent Director |
| Ng Chee Keong | Independent Director |
| Leow David Ivan | Independent Director |

# CORPORATE GOVERNANCE STATEMENT

2.2 *Independent directors make up a majority of the Board where the Chairman is not independent.*

The three Independent Directors make up a majority of the board given that the Chairman is not independent. Mr. Sunny Wong Fook Choy ("**Mr. Sunny Wong**"), Mr. Ng Chee Keong and Mr. Leow David Ivan are considered to be independent having considered the following:

(a) the Independent Directors:

(i) are not employed by the Company or any of its related corporations in the current or any of the past three (3) financial years; and

(ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations in the current or any of the past three (3) financial years, and whose remuneration is determined by the RC;

(b) none of the Independent Directors and their immediate family members had, in the current or immediate past financial year,

(i) provided or received material services or significant payments to and/or from the Group when aggregated over any financial year in excess of S$50,000 for services other than compensation for board service; or

(ii) was a substantial shareholder, partner, executive officer or a director of any organisation which provided or received material services or significant payments to and/or from the Group when aggregated over any financial year in excess of S$200,000 for services rendered; and

(c) none of the Independent Directors are directly associated with a substantial shareholder of the Company.

The three Independent Directors have been on the board for more than 9 years as at the date of this report. Accordingly and pursuant to Rule 406(3)(d)(iv) of the Catalist Rules, they will no longer be deemed independent after the conclusion of the AGM of the Company for the coming financial year ending 31 December 2023.

2.3 *Non-executive directors make up a majority of the Board.*

The Independent Directors have at least 4 regular meetings with Management to keep abreast of the Group's business, financial performance and strategy plans. The Independent Directors have been actively participating in discussions and decision-making at the Board and the Board Committees' levels, and had open discussions with Management. Management regularly puts up proposals or reports for the Board's consideration and approval, for instance, proposals relating to specific transactions or general business direction or strategy of the Group. The Independent Directors will then evaluate these proposals or reports and where appropriate, provide guidance to Management.

2.4 *The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.*

The Board is of the opinion that the current size and composition of the Board and Board Committees are appropriate for decision-making, taking into account the scope and nature of the Group's operations.

The Board consists of high calibre members with a wealth of experience and knowledge in business. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, legal, business, industry knowledge and general corporate matters. The NC is of the

# CORPORATE GOVERNANCE STATEMENT

opinion that the current Board composition represents a well-balanced mix of expertise and experience to provide core competencies necessary to meet the Company's requirements. The Board constantly reviews the adequacy of the board size taking into consideration the size and operations of the Company.

The Board has put in place a Board Diversity Policy which will take into consideration criteria such as qualification, age, gender, skill, experience and knowledge in various fields and relevant industries.

The Board considers candidates based on their qualifications and required contribution to the Group's business and governance, while also working towards achieving diversity. The Board believes this approach reflects an appropriate balance between delivering business performance, growing shareholder returns, and progressing diversity.

The Board also recognises the importance and value of gender diversity in the composition of the Board. There is currently no female Board director and the Board will work towards achieving this in the future.

2.5 *Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.*

The Independent Directors meet regularly without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors and to ensure that Board matters can be effectively discussed independently from Management as and when necessary. Such meetings are arranged by the Lead Independent Director as warranted by the circumstances. The Lead Independent Director provides feedback to the Executive Chairman after such meetings.

**Chairman and Chief Executive Officer**

**Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.**

*Provisions of the Code*

3.1 *The Chairman and the Chief Executive Officer ("**CEO**") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.*

3.2 *The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.*

*Group's Corporate Governance practices*

Mr. Sim Soon Ngee Glenndle ("**Mr. Glenndle Sim**") is both the Executive Chairman of the Board and the CEO of the Company. As the Executive Chairman and the CEO, he gives guidance on the corporate direction of the Group, which includes the scheduling and chairing of Board meetings and controlling the quality, quantity and timeliness of information supplied to the Board.

The other roles of the Executive Chairman include the following:
- promote a culture of openness and debate at the Board meeting;
- ensure effective communication with Shareholders;
- encourage constructive relations within the Board and between the Board and Management;
- facilitate the effective contribution of independent directors; and
- promote high standards of corporate governance.

As the CEO, Mr. Glenndle Sim sets the business strategies and directions for the Group and manages the business operations of the Group.

# CORPORATE GOVERNANCE STATEMENT

The Board is of the opinion that based on the Group's current size and operations, it is not necessary to separate the roles of the Executive Chairman and the CEO. The Board is also of the view that it is in the best interests of the Company to adopt a single leadership culture.

The Board also views that vesting the roles of both the Executive Chairman and CEO on Mr. Glenndle Sim, who has been playing a pivotal and instrumental role in developing the Group's businesses and providing the Group with strong leadership and vision, would allow for more effective planning and execution of business strategies.

To enhance the independence of the Board, the Independent Directors comprise more than half of the Board and Mr. Sunny Wong, the Lead Independent Director of the Company, coordinates the activities of the Independent Directors and act as the principal liaison between the Independent Directors and the Executive Chairman on sensitive issues.

The AC, NC, RC and CSCC of the Company are also chaired by Independent Directors. The Board is of the view that there are sufficient safeguards and checks in place to ensure that the process of decision-making by the Directors is independent and based on collective decision-making without Executive Chairman and CEO of the Company being able to exercise considerable concentration of power or influence.

The Board has put in a Terms of Reference of the Executive Chairman/CEO and Lead Independent Director which will spell out their respective key roles and responsibilities. The Board believes that the Company's practices are consistent with the intent of Principle 3 of the Code.

3.3 *The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.*

Mr. Sunny Wong is the Lead Independent Director of the Company. He plays a facilitative role within the Board, and where necessary, he may facilitate communication between the Board and shareholders or other stakeholders of the Company. The Company has communicated clearly to the shareholders and other stakeholders on how Mr. Sunny Wong can be contacted and hence providing a channel to Independent Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

## Board Membership

**Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.**

*Provisions of the Code*

4.1 *The Board establishes a Nominating Committee ("**NC**") to make recommendations to the Board on relevant matters relating to:*

*Group's Corporate Governance practices*

The Company believes Board renewal to be an on-going process and is required to ensure good corporate governance as well as to maintain relevance to the changing needs of the Group's business.

The principal functions of the NC include:
- making recommendations to the Board on the appointment and re-appointment of Directors;
- making plans for succession for directors, in particular for the Executive Chairman, CEO and key management personnel;

# CORPORATE GOVERNANCE STATEMENT

- assessing the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director to the effectiveness of the Board;
- reviewing the training and professional development programs for the Board;
- evaluating the independence of the Directors; and
- regularly reviewing the Board structure, size and composition having regard to the scope and nature of the operations of the Group and the core competencies of the Directors as a group.

(a) *the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;*

The Board understands the importance of succession planning as being an important part of corporate governance. Board membership will be reviewed and refreshed in a progressive manner to avoid disruption to the institutional memory. The Board has put in place a succession planning policy for the Board and key management personnel. The NC also reviews succession and development plans for key management personnel, which will be subsequently approved by the Board.

(b) *the process and criteria for evaluation of the performance of the Board, its Board committees and directors;*

The structure, size and composition of the Board are reviewed periodically by the NC to ensure their relevance. The NC takes into consideration factors such as the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The NC evaluates the Board's effectiveness as a whole, Board Committees and the contribution of each director to the effectiveness of the Board. The Board has adopted a system of evaluating the effectiveness of the Board's, Board Committees' and individual director's performance, through principally a self-assessment process on factors such as size, skills, expertise and communications of the Board and its ability to account, provide oversight and guide the Company. The completed evaluation forms were submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review before submitting to the Board for discussion and determining areas for improvement and enhancement of the effectiveness of the Board, Board Committees and individual directors. Following a review conducted for FY2022, the Board is of the view that the Board and Board Committees operate effectively, and each director is contributing to the overall effectiveness of the Board.

(c) *the review of training and professional development programmes for the Board and its directors; and*

The NC reviews the skill, training and professional development needs and programs for the Board and its directors regularly to ensure that the directors possess the required skills and knowledge to function as an effective Board.

(d) *the appointment and re-appointment of directors (including alternate directors, if any)*

The process for the selection and appointment of all new directors is spearheaded by the NC. When an existing director chooses to retire or the need for the appointment of a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate skills, expertise and experience for the appointment as new director and if necessary conduct external searches for an appropriate candidate with relevant skills or industry experience. The NC interviews each prospective candidate with appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and commitment required and makes its recommendations to the Board for approval and adoption.

# CORPORATE GOVERNANCE STATEMENT

The role of NC also includes the reviewing of the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence, contribution and performance. Pursuant to the Company's Constitution, one-third of directors, including the CEO who also serves on the board (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. This results in all directors having to retire at least once in three years. All newly appointed directors by the Board shall only hold office until the next AGM, and be eligible for re-election at the AGM. A director who is due for retirement shall abstain from voting on any resolution in respect of his re-nomination as a director.

At the upcoming AGM, Mr. Glenndle Sim and Mr. Ng Chee Keong shall retire and being eligible, have agreed to stand for re-election.

The Board would generally avoid approving the appointment of alternate directors, unless in exceptional cases of medical emergency. No alternate director has ever been appointed to the Board since the Company was listed on SGX-ST.

4.2 *The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.*

The NC comprises three directors, a majority of whom are non-executive and independent. The NC Chairman is the Lead Independent Director and is not directly associated with any substantial shareholder of the Company. The current members of the NC comprise the following:

- Mr. Sunny Wong (NC Chairman and Lead Independent Director)
- Mr. Glenndle Sim (Member, Executive Director)
- Mr. Ng Chee Keong (Member, Independent Director)

4.3 *The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.*

Please refer to Principle 4.1(d) above.

4.4 *The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.*

The NC determines annually whether or not a director is independent in accordance with the guidelines on independence as set out in the Code, and considers, reviews and recommends to the Board any re-appointment of directors. Directors are required to disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any. Each Independent Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2022. The NC has reviewed and is satisfied with the independence of the Independent Directors.

The NC and Board have also rigorously reviewed the independence of Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan whose tenures exceed 9 years. Self and peer review assessments have been conducted by all the Board members on Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan. Based on the assessments and review, the NC is satisfied that Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan continue to serve effectively as Independent Directors of the Company. In arriving at this view, the NC and Board considered the following factors:

# CORPORATE GOVERNANCE STATEMENT

(a) The need to ensure both continuity and renewal on the Board, as reflected in the current balance of directorship tenures;
(b) The complementary mix of skills contributed by the directors on the Company's board; and
(c) The ability to continue to act as Independent Directors and their records of independent directorship at the Company during their tenures.

The NC and the Board have determined that Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan continue to remain objective and independent-minded in Board deliberations. Their vast experience enables them to provide the Board and the various Board Committees on which they have been serving, with pertinent experience and competence necessary to facilitate sound decision-making. The length of service does not in any way interfere with their ability to exercise of independent judgement nor hinder their ability to act in the best interest of the Company. After due consideration and careful assessment, and also having weighed the need for Board refreshment against tenure for relative benefit, the NC and the Board are of the view that Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan are able to continue to discharge their duties independently with integrity and competence. Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan have recused themselves from all NC and Board deliberations and decisions relating to each of their continued independence.

Notwithstanding the above, the Board notes Rule 406(3)(d)(iv) of the Catalist Rules (effective 11 January 2023) which states that a director will not be independent if he has been a director of the Company for an aggregate period of more than nine years. Such director may continue to be considered independent until the conclusion of the next AGM to be held for the financial year ending on or after 31 December 2023. Accordingly, the Company is in the process of identifying suitable candidates for appointment as Independent Directors in place of Mr. Sunny Wong, Mr. Ng Chee Keong and Mr. Leow David Ivan with a view towards having the appropriate board size and composition to ensure compliance with the Catalist Rules, the Code and considering the various diversity aspects in the Board Diversity Policy.

4.5 *The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.*

A formal letter stating the duties and responsibilities of the director is given upon the appointment of the director to join the Board and an orientation program to better understand their director's duties and the Company's business is also conducted.

All directors are required to declare their board representations. When a director has multiple board representations, the NC will consider whether the director is able to adequately carry out his duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments.

The NC considers that the multiple Board representations held presently by the Directors do not impede their performance in carrying out their duties to the Company after taking into account their actual conduct on the Board and has ascertained that for the period under review, the Directors were able to carry out and had been adequately carrying out their duties as Directors of the Company.

The Board is satisfied that all of the Directors have given sufficient time and attention to the affairs of the Company and have discharged their duties adequately. There is no limit set on the number of other board representations which a Director may hold had been imposed by the NC as the Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest from serving on other boards.

# CORPORATE GOVERNANCE STATEMENT

## Board Performance

**Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board committees and individual directors.**

*Provisions of the Code*

5.1 *The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.*

*Group's Corporate Governance practices*

The Board's performance is a function of the experience and expertise that each of the Directors bring with them. The NC would assess on an annual basis, the effectiveness of the Board as a whole. Each Director is required to complete a Board Performance Evaluation Form ("**Evaluation Form**") annually, to facilitate the NC in its assessment of the performance of the Board, the Board Committees and the Directors. Through the Evaluation Form, feedback is collated from the Board on various aspects of the performance of the Board, the Board Committees and the individual Directors, and the Company Secretary will compile the results of the Evaluation Form for the purpose of discussion during the NC meeting. During the meeting, the NC Chairman will then, based on the results, ascertain key areas for improvement and requisite follow-up actions. Following the review for FY2022, the Board is of the view that the Board and Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

The dates of first appointment and last re-election of each Director, together with their current and preceding three years' directorship in other listed companies and other principal commitments, are set out below:

**Further Information on Board of Directors**

**Sim Soon Ngee Glenndle**
Executive Chairman & Chief Executive Officer
Date of first appointment as a director: 30 January 2008
Date of last re-election as a director: 30 April 2021

| Mencast Board Committee(s) served on | Current Directorship(s) / Principal Commitment(s) | Directorship(s) or Principal Commitment(s) held over the preceding 3 years |
|---|---|---|
| NC Member<br>CSCC Member | Houston Technology Center Asia Pte. Ltd.<br>MIS Investment Pte Ltd<br>Mencast Energy Pte. Ltd.*<br>Mencast Innovation Centre Pte. Ltd.*<br>Mencast Investment Holdings Pte. Ltd.*<br>Menji Pte. Ltd.#<br>Menji Technology Development (Shanghai) Co., Ltd.#<br>Singapore Heavy Engineering Pte. Ltd.<br>Virestorm Pte. Ltd.* | KSE Development Pte. Ltd. (formerly known as Mencast-KSE Pte. Ltd.)<br>Vac-Tech Engineering Pte Ltd |

* Subsidiary corporations of Mencast Holdings Ltd.
# Associated company

# CORPORATE GOVERNANCE STATEMENT

**Wong Boon Huat**
Executive Director
Date of first appointment as a director: 4 August 2011
Date of last re-election as a director: 30 April 2021

| Mencast Board Committee(s) served on | Current Directorship(s) / Principal Commitment(s) | Directorship(s) or Principal Commitment(s) held over the preceding 3 years |
|---|---|---|
| CSCC Member | Chinyee Engineering & Machinery Pte Ltd*<br>Mencast Procurement (Singapore) Pte. Ltd.*<br>Mencast Energeers Pte. Ltd.*<br>Mencast Offshore & Marine group of companies*<br>Mencast Logistics Pte. Ltd.*<br>(formerly known as Stone Marine Mencast Pte. Ltd.)<br>Mencast Energy Pte. Ltd.*<br>Mencast Engineering Pte. Ltd.*<br>Mencast Innovation Centre Pte. Ltd.*<br>Mencast Marine Pte Ltd*<br>Mencast Marine (HK) Limited*<br>Recon Propeller & Engineering Pte Ltd*<br>S&W Pte Ltd*<br>Top Great group of companies*<br>Mencast Investment Holdings Pte. Ltd.*<br>Menji Pte. Ltd.#<br>Virestorm Pte. Ltd.* | Vac-Tech Engineering Pte Ltd<br>Subsea Group<br>KSE Development Pte. Ltd. (formerly known as Mencast-KSE Pte. Ltd.) |

* Subsidiary corporations of Mencast Holdings Ltd.
# Associated company

**Sunny Wong Fook Choy**
Lead Independent Director
Date of first appointment as a director: 29 May 2008
Date of last re-election as a director: 29 April 2022

| Mencast Board Committee(s) served on | Current Directorship(s) / Principal Commitment(s) | Directorship(s) or Principal Commitment(s) held over the preceding 3 years |
|---|---|---|
| NC Chairman<br>AC Member<br>RC Member | Civmec Limited<br>InnoTek Limited | Wong Tan & Molly Lim LLC<br>WTML Management Services Pte Ltd<br>Excelpoint Technology Ltd. |

# CORPORATE GOVERNANCE STATEMENT

**Leow David Ivan**
Independent Director
Date of first appointment as a director: 7 June 2013
Date of last re-election as a director: 29 April 2022

| Mencast Board Committee(s) served on | Current Directorship(s) / Principal Commitment(s) | Directorship(s) or Principal Commitment(s) held over the preceding 3 years |
|---|---|---|
| CSCC Chairman<br>AC Chairman<br>RC Member | Chartered Accountants Australia and New Zealand (Singapore) Private Limited<br>CAP Management Limited<br>MEC Asian Fund<br>Thaler Global Pte Ltd<br>Ufinity Group Pte Ltd<br>Trans China Automotive Holdings Limited | Bitapple Singapore Pte Ltd |

**Ng Chee Keong**
Independent Director
Date of first appointment as a director: 9 October 2009
Date of last re-election as a director: 26 June 2020

| Mencast Board Committee(s) served on | Current Directorship(s) / Principal Commitment(s) | Directorship(s) or Principal Commitment(s) held over the preceding 3 years |
|---|---|---|
| RC Chairman<br>NC Member<br>AC Member | Samudera Shipping Line Ltd | Jurong Port Pte Ltd - Chairman<br>Jurong Port Jakarta Holding Pte Ltd<br>Jurong Port Marunda Holding Pte Ltd<br>Rizhao Port Jurong Co., Ltd.<br>JTC Corporation<br>Jurong Port Rizhao Holding Pte Ltd<br>Jurong Port Hainan Holding Pte Ltd |

5.2 *The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.*

As disclosed in Provisions Principles 4.1 and 5.1, the Company Secretary collates the results of the Evaluation Form performed by each Director on an annual basis to facilitate the NC in its assessment of the performance of the Board, the Board Committees and the individual Directors. The Board has not engaged any other external facilitators in conducting the assessment of the Board's performance for FY2022. Where appropriate, the NC will consider such engagement. When it comes to evaluating the individual directors' performance, the NC has made available a process that would enable the members of the NC to assess the contribution of each individual to the effectiveness of the Board, taking into account numerous factors, including the directors' attendance, participation and contribution at the Board and various Board Committees meetings.

# CORPORATE GOVERNANCE STATEMENT

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

**Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.**

*Provisions of the Code*

*6.1 The Board establishes a Remuneration Committee ("**RC**") to review and make recommendations to the Board on:*

*(a) a framework of remuneration for the Board and key management personnel; and*

*(b) the specific remuneration packages for each director as well as for the key management personnel.*

*6.2 The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.*

*6.3 The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.*

*6.4 The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.*

*Group's Corporate Governance practices*

The Company believes in adopting a formal and transparent procedure for determining the remuneration of the directors and Management so as to ensure that the level of remuneration is appropriate to attract, retain and motivate the directors and Management to run the Group successfully.

The RC comprises three Non-Executive Directors, all of whom are independent. The current members of the RC comprise the following:
- Mr. Ng Chee Keong (RC Chairman, Independent Director)
- Mr. Sunny Wong (Member, Lead Independent Director)
- Mr. Leow David Ivan (Member, Independent Director)

The functions of the RC include:
- Recommending to the Board a framework of remuneration for the Board and the key executives of the Group, covering all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses and benefits-in-kind;
- Proposing to the Board, appropriate and meaningful measures for assessing the executive Directors' performance;
- Determining the specific remuneration package for the CEO; and
- Considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the directors and key executives of the Group to those required by law or by the Code.

In performing its function, the RC endeavours to establish an appropriate remuneration policy to attract, retain and motivate senior executives and executive Directors, while at the same time ensuring that the reward in each case takes into account individual performance as well as the Group's performance.

No director is involved in any discussion relating to his own compensation and the terms and conditions of service and the review of his performance. There were no termination, retirement and post-employment benefits granted to directors, the CEO and the top five Key Management Personnel.

# CORPORATE GOVERNANCE STATEMENT

The RC has access to professional advice from experts outside the Company on remuneration matters for Directors as and when necessary. The RC will ensure that existing relationships between the Company and its appointed consultants, if any, will not affect the independence and objectivity of the consultants. The Company will disclose the names and firms of the consultants, if any, and include a statement on whether the consultants have any such relationships with the Company. No remuneration consultant in respect of the remuneration matters of the Group was engaged during FY2022.

**Level and Mix of Remuneration**

**Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.**

*Provisions of the Code*

7.1 *A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.*

*Group's Corporate Governance practices*

The Company advocates a performance-based remuneration system for executive Directors and key executives that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus and participation in a performance share award scheme based on the Group's performance and linking it to the individual's performance.

In determining such remuneration packages, the RC ensures that they are adequate by considering, in consultation with the CEO, amongst other factors, the respective individuals' responsibilities, skills, expertise and contribution to the Group's performance, and whether they are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talents.

There is no contractual provision in the service contracts of Executive Directors and Key Management Personnel to allow the Company to reclaim incentive components from its Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company.

The RC also administers the Company's share-based remuneration incentive plans, such as Mencast Performance Share Award Scheme 2021 ("**PSAS 2021**").

The rationale of PSAS 2021 is to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate the Group's Executive Directors, Key Management Personnel and selected employees when and after pre-determined performance target(s) have been achieved. Performance targets set under the PSAS 2021 are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The PSAS 2021 is to provide the Company with a more comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining superior talent.

The PSAS 2021 is structured to link rewards to corporate and individual performance and is aligned with the interests of Shareholders and promotes the long-term success of the Company.

During FY2022, the Company has granted 4,189,000 shares under the PSAS 2021.

# CORPORATE GOVERNANCE STATEMENT

The Company adopts a remuneration policy for all staff comprising fixed and variable components. The fixed component is in the form of a base salary and allowances. The variable component is in the form of a variable bonus, performance shares or share options that is linked to the Group and each individual's performance and value creation for the Company's stakeholders. The grant of performance shares and share options promotes ownership, accountability and long-term success of the Company.

The RC carries out annual reviews of the remuneration packages of the directors and the key management personnel, with regards to their contributions as well as the financial performance conditions, which included targets for sales and operating profit before tax of the Group, have been achieved during the year.

7.2 *The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.*

The RC takes into account the industry norms and standards, the contribution in terms of effort, time spent and responsibilities of each director when determining the remuneration packages of the Non-Executive Directors.

7.3. *Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.*

The remuneration framework for fixing directors' fee and the key management personnel remuneration adopted by the Company takes into consideration the need to pay competitively to attract, retain and motivate the Non-Executive Directors and the Management staff. In addition, the Independent Directors are not overly-compensated to the extent that their independence may be compromised. The directors' fees are recommended by the RC and endorsed by the Board for approval by the shareholders of the Company at AGMs.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel. In exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company, the Board believes that remedies against the Executive Director(s) and senior management in case of such breach of fiduciary duties will be available.

**Disclosure of Remuneration**

**Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.**

*Provisions of the Code*

8.1 *The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:*

(a) *each individual director and the CEO; and*

(b) *at least the top five key management personnel (who are not directors or the CEO) in bands no wider than $250,000 and in aggregate the total remuneration paid to these key management personnel.*

*Group's Corporate Governance practices*

Please refer to Principles 7.1 to 7.3.

# CORPORATE GOVERNANCE STATEMENT

The Board has, on review, decided to disclose the remuneration of the Executive Chairman, CEO and the top six Key Management Personnel in remuneration bands of $250,000 and by a percentage breakdown in terms of categories and components, instead of disclosing the exact remuneration, given the competitive pressures in a specialised industry, potential for poaching of staff and other disadvantages that this might bring.

The remuneration of Independent Directors is determined to be appropriate to the level of contribution. Independent Directors receive Directors' fees in accordance with factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Directors' fees are recommended by the Board for approval by shareholders at the AGM of the Company.

No Directors participate in decisions on their own remuneration.

The Company has entered into Service Agreements with Mr. Glenndle Sim, the Executive Chairman and CEO for a fixed period of three years commencing from 25 June 2008 and Mr Wong Boon Huat, the Executive Director for a fixed period of three years commencing from 4 August 2011, and thereafter each renewable for a fixed period of three years. The Service Agreements of Mr. Glenndle Sim and Mr. Wong Boon Huat were last renewed in November 2020.

The following table shows a breakdown of the annual remuneration of the Directors of the Group for FY2022.

| Name of Executive Director | Salary and Other Benefits | Performance Bonus[1] | Directors' Fees[2] Cash-Based | Directors' Fees[2] Share Based | Total |
|---|---|---|---|---|---|
| | % | % | % | % | |
| **$500,001 to $750,000** | | | | | |
| Sim Soon Ngee Glenndle | 72 | 28 | - | - | 100 |
| **$250,001 to $500,000** | | | | | |
| Wong Boon Huat | 68 | 32 | - | - | 100 |

| Name of Independent Director | Salary and Other Benefits | Performance Bonus[1] | Directors' Fees[2] Cash-Based | Directors' Fees[2] Share Based | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| **$250,000 and below** | | | | | |
| Sunny Wong Fook Choy | - | - | 80 | 20 | 100 |
| Leow David Ivan | - | - | 80 | 20 | 100 |
| Ng Chee Keong | - | - | 80 | 20 | 100 |

**Notes:**
[1] Performance bonus is determined in accordance with the respective service agreement.
[2] Directors' fees are subject to Shareholders' approval at the AGM to be held on 26 April 2023.

For competitive reasons, the Company is not disclosing each individual Director's remuneration. Instead, the Company is disclosing their remuneration in bands of $250,000 for FY2022.

# CORPORATE GOVERNANCE STATEMENT

The remuneration of the Key Management Personnel of the Group (excluding the Executive Directors in the above table) is set out below:

| Name of Key Management Personnel | Salary and Other Benefits | Performance Bonus[1] | Total |
|---|---|---|---|
| | % | % | |
| **$250,001 to $500,000** | | | |
| San Meng Chee | 80 | 20 | 100 |
| **$250,001 and below** | | | |
| Phua Poh Cheng, Jack (last day of employment: 31 December 2022) | 93 | 7 | 100 |
| Cheng Shao Rong (last day of employment: 13 May 2022) | 87 | 13 | 100 |
| Wong Boon Hwee | 93 | 7 | 100 |
| Aung Wunna, Edward (last day of employment: 5 August 2022) | 100 | - | 100 |
| Chen WeiLun, Edwin (last day of employment: 8 April 2022) | 100 | - | 100 |
| Chia Boon Tat | 86 | 14 | 100 |
| Koh Shu Yong | 93 | 7 | 100 |
| Kee Kwee Peng | 82 | 18 | 100 |
| Tan Sock Kiang | 83 | 17 | 100 |

**Notes:**
(1) Performance bonus is determined in accordance with the respective service agreement.

The total remuneration paid to the Key Management Personnel (who are not Directors or the CEO) of the Company in FY2022 is $1,142,000.

For FY2022, there is no termination, retirement and post-employment benefits granted to Directors, the CEO and the Key Management Personnel.

The Board is also of the view that the disclosure of the indicative range and percentage of the Directors' and Key Management Personnel remuneration provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors and the Key Management Personnel. The policy and criteria for setting remuneration are also enumerated under Principle 7.1 to 7.3 of the Code.

The Company believes that the Company's practices are consistent with the intent of Principle 8.1 of the Code and shareholders' interest will not be prejudiced as a result of such nondisclosure of the amounts and breakdown of remuneration of each director and key management personnel of the Company.

Taking into consideration the new Catalist Rule 1204(10D), the Company will disclose the exact amounts with breakdown of remuneration paid by the Company and its subsidiaries to each individual director and the CEO on a named basis in its annual report in respect of the financial year ending 31 December 2024 onwards.

# CORPORATE GOVERNANCE STATEMENT

8.2 *The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds $100,000 during the year, in bands no wider than $100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.*

The breakdown of the total remuneration of employees who are immediate family members of the Executive Directors for FY2022 is set out below:

| Name of Employee | Salary and Other Benefits | Performance Bonus[1] | Total |
|---|---|---|---|
| | % | % | |
| **$150,001 to $200,000** | | | |
| Wong Boon Hwee | 93 | 7 | 100 |

**Notes:**
(1) Performance bonus is determined in accordance with the respective service agreement.

Mr. Wong Boon Hwee is the brother of the Executive Director, Wong Boon Huat.

Other than as specified above, there are no immediate family members of a Director, CEO or substantial shareholder whose remuneration exceeds $100,000 for FY2022.

8.3 *The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.*

The Executive Director is not entitled to receive director's fees and the Independent Directors received only directors' fees and shares granted during the year.

For the Independent Directors' Fees in FY2022, they are receiving $139,584 in cash and the remaining $34,896 in share awards granted pursuant to the PSAS 2021.

Cash Component in the Directors' Fees

Each independent director receives a basic retainer fee. Independent directors who perform additional services in Board committees receive additional fees.

Share Component in the Directors' Fees

The PSAS 2021 consists of the outright grant of fully paid shares, without any vesting conditions attached.

The number of shares to be awarded to a participating independent director will be determined by reference to the Volume Weighted Average Price ("**VWAP**") of a share in the Company on the SGX-ST over the 5 trading days immediately after the Company's forthcoming AGM. The number of shares to be awarded will be rounded down to the nearest thousand, with cash to be paid in lieu of the remaining shares arising.

The Company has share-based remuneration incentive plans, such as the Mencast Performance Share Award Scheme 2021 ("**PSAS 2021**").

# CORPORATE GOVERNANCE STATEMENT

The rationale of PSAS 2021 is to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate the Group's Executive Directors, key management and selected employees when and after pre-determined performance target(s) have been achieved. Performance targets set under the PSAS 2021 are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The PSAS 2021 is to provide the Company with a more comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining superior talent.

The PSAS 2021 is structured to link rewards to corporate and individual performance and is aligned with the interests of Shareholders and promotes the long-term success of the Company.

During FY2022, the Company has granted 4,189,000 shares under the PSAS 2021.

Please see Directors' Statement on Performance Shares and also Note 26 to the financial statements for further details on PSAS 2021.

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

**Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.**

*Provisions of the Code*

9.1 *The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.*

*Group's Corporate Governance practices*

The Board and AC are assisted by the Enterprise Risk Management Committee ("**ERMC**") to evaluate the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The ERMC was formed in year 2012 as part of the Group's efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.

The ERMC oversees the risk management framework and policies of the Group. It is responsible for, among other things, reviewing the Group's strategy, policies, enterprise risk management framework, processes and procedures for identifying, measuring, reporting and mitigating key risks in the Group's businesses and operations.

# CORPORATE GOVERNANCE STATEMENT

The ERMC comprises the following members:

| Name | Department | Designation | ERM Role |
|---|---|---|---|
| Glenndle Sim | Corporate | Executive Chairman/CEO | ERM Sponsor |
| San Meng Chee | Corporate | CFO | ERM Champion |
| Janis Anne Mojica | Corporate | Financial Controller | ERM Coordinator |
| Wong Boon Huat | Corporate | Executive Director | Member |
| Susan Tan | Corporate | Head of Admin & HR | Member |
| Chia Boon Tat | Corporate | Head, Research & Development | Member |
| Abdul Malik | Corporate | Group QHSE Manager | Member |
| Koh Shu Yong | Marine | Assistant General Manager | Member |

The Company had engaged Mazars LLP as an independent consultant to assist in setting up the Enterprise Risk Management ("**ERM**") and to document the framework that enables Management to address the financial, operational, information technology and compliance risks of the key operating units. The process involved the identification of major risks through workshops conducted for the Group's various business units whereby the business units' key risks of financial, operational, information technology and compliance nature, as well as the countermeasures in place or required to mitigate these risks were summarised for review by the AC. The documentation provided an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type in the business units and the various assurance mechanisms in place.

During FY2022, the Group's Independent Auditor and Internal Auditor had conducted annual review of the effectiveness of the Group's internal controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the AC.

The Board acknowledges that it is responsible for the governance of risks and the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

9.2 *The Board requires and discloses in the company's annual report that it has received assurance from:*

(a) *the CEO and the Chief Financial Officer ("***CFO***") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and*

(b) *the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.*

The Board had received assurance from the CEO and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and regarding the effectiveness of the Company's risk management and internal control systems.

In addition, the CEO and CFO have given assurance to the Board that the risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

The risk management and internal control procedures for financial, operational, compliance and information technology and their effectiveness and adequacy are reviewed by the ERMC and the Board and updated regularly to reflect changes in market conditions and the activities of the Group.

# CORPORATE GOVERNANCE STATEMENT

Based on the internal controls established and maintained by the Group, works performed by the Independent and Internal auditors, and reviews performed by the Management and AC, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate and effective as at 31 December 2022 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

The Board and the Audit Committee are also responsible for (a) monitoring the Company's risk of becoming subject to, or violating, any Sanction Law; and (b) ensuring timely and accurate disclosures to SGX-ST and other relevant authorities. The Company will inform shareholders on any sanction-related risks on the Company, the impact on such risk on the financials and operations of the Group, if any, and also the cessation of sanctions-related risk via announcement to SGXNet.

## Audit Committee

**Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.**

*Provisions of the Code*

*10.1 The duties of the AC include:*

*(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;*

*(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;*

*(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;*

*(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;*

*(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and*

*(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.*

*Group's Corporate Governance practices*

The AC carried out its functions in accordance with Section 201B(5) of the Companies Act. In performing those functions, the committee carried out the following:

- Reviews the scope and results of internal audit procedures with the Internal Auditor and the effectiveness of the Company's internal audit function;
- Reviews the adequacy of the Group's internal controls, including financial, operational compliance and information technology as well as sanctions-related risk controls and risk management policies and systems;
- Reviews with the Independent Auditor the audit plan and its report on the weaknesses of internal accounting controls arising from the statutory audit;

# CORPORATE GOVERNANCE STATEMENT

- Reviews the assistance given by management to the Independent Auditor, and discusses problems and concerns, if any, arising from the statutory audit, with the Management;

- Reviews the balance sheet of the Company and the consolidated financial statements of the Group for the financial year before their submission to the Board of Directors, as well as the Independent Auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

- Reviews the Group's financial results before submission to the Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

- Reviews and discusses with the Independent Auditor any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management response;

- Reviews non-audit services performed by the Independent Auditor to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the Independent Auditor before recommending to the Board;

- Reviews the independence and objectivity of the Independent Auditor and the Company's internal audit function;

- Evaluates the quality of work carried out by Independent Auditor and the Company's internal audit function;

- Considers the appointment and re-appointment of the Independent Auditor and approve the remuneration and terms of engagement of the Independent Auditor;

- Reviews transactions falling within the scope of Chapter 9 of the Catalist Rules;

- Reviews the Group's overall risk assessment processes and review the assurance provided by the CEO and CFO that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Group's operations and finances; and

- Reviews disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and financial-related risks and controls, including assurances received from the CEO and CFO or other Key Management Personnel.

The AC also undertakes:

- Such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

- Such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

To effectively discharge its responsibility, the AC has full access to, and the co-operation of, the Management and has full discretion to invite any Director and other relevant party to attend its meetings. Full resources are made available to the AC to enable it to discharge its function properly.

The AC has full access to the Independent Auditor and Internal Auditor and meets them at least once a year without the presence of Management.

# CORPORATE GOVERNANCE STATEMENT

Changes to accounting standards and issues which have a direct impact on financial statements will be highlighted to the AC from time to time by the Independent Auditor. The Independent Auditor will work with Management to ensure that the Group complies with the new accounting standards, if applicable.

During the year under review, the aggregate amount of fees paid to the Independent Auditor for the audit and non-audit services amounted to $172,000 and $18,000 respectively. Having satisfied the independence of the Independent Auditor, the AC, with the concurrence of the Board, has recommended the re-appointment of CLA Global TS Public Accounting Corporation ("**CLA Global TS**") (formerly known as Nexia TS) at the upcoming AGM.

Save for two foreign-incorporated subsidiary corporations which are not principal subsidiary corporations, all the Company's subsidiary corporations are audited by CLA Global TS and its member firms. The Board and AC are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. The Group is in compliance with Rule 712 and Rule 716 of the Catalist Rules in relation to its Independent Auditor.

The Group has put in place a Whistle Blowing Policy (the "**Policy**"), which provides a channel for employees of the Group to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy is to assist the AC in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence. The Company ensures the identity of the whistleblower is kept confidential and will provide protection to the whistleblower against detrimental or unfair treatment.

There have been no incidents pertaining to whistle-blowing for FY2022.

10.2 *The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.*

The AC comprises three members, all of whom are Independent Directors. The AC Chairman and members have the recent and relevant accounting and financial management expertise or experience to discharge their responsibilities.

The current members of the AC comprise the following:

- Leow David Ivan (AC Chairman, Independent Director)
- Sunny Wong (Member, Lead Independent Director)
- Ng Chee Keong (Member, Independent Director)

10.3 *The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.*

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC. None of the AC members have any financial interest in the Company's independent auditors.

# CORPORATE GOVERNANCE STATEMENT

10.4 *The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.*

The internal audit function has been outsourced to a professional firm, Mazars LLP ("**the Internal Auditor**") in order to satisfy and comply with the requirements of best practices set out in the Code. The Internal Auditor reports directly to the AC Chairman on audit related matters and reports to the CFO of the Company on administrative-related matters. The AC approves the hiring, removal, evaluation and remuneration of the accounting/audit firm or corporation to which the internal audit function is outsourced. The engagement partner-in-charge has more than 20 years of internal audit experience. He manages a portfolio of outsourced internal audits of various listed companies and government bodies. The engagement team comprises of staff who are accountancy graduates with relevant professional certifications such as CA (Singapore), CPA, CIA and CISA. The Internal Auditor plans its audit schedules in consultation with, but independent of, the Management. The audit schedules are approved by the AC. The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The AC and Board review the independence, adequacy and effectiveness of the internal audit function annually and they are satisfied that the Internal Auditor is independent and effective. The Internal Auditor also has adequate resources and appropriate standing within the Group and the Company.

10.5 *The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.*

The AC meets with the internal and external auditors without the presence of Management at least once a year in order to have unfettered access to information that they may require.

## SHAREHOLDER RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

**Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.**

*Provisions of the Code*

11.1 *The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.*

The Group encourages active shareholder participation at the general meetings of the Company. Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the newspapers and posted onto the SGXNet. Shareholders are encouraged to attend the general meetings to ensure high level of accountability, to put forth any questions they may have on the motions to be debated and decided upon and to stay informed of the Group's strategic goals and business update.

# CORPORATE GOVERNANCE STATEMENT

11.2 *The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.*

Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions. Each item of special business in the notices of the Shareholders' general meetings is accompanied as appropriate, by an explanation for the proposed resolution. Except for resolutions that are interdependent and linked to form one significant proposal, separate resolutions are presented for voting for each substantially separate issue. All resolutions at general meetings of the Company will be put to vote by poll so as to better reflect shareholders' shareholding interest and ensure greater transparency. The results of the poll voting on each resolution tabled will be announced after the general meetings via SGXNet and the Company's website.

11.3 *All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.*

It is the Company's policy that all Directors, including the Chairman of the AC, NC, RC and CSCC are present at the general meetings to receive shareholders' feedback and address their queries. The External Auditors are also invited to attend the AGM and will assist the directors in addressing relevant queries by the shareholders relating to the conduct of the audit and the contents of the External Auditors' report.

<u>2022 AGM</u>

In view of the COVID-19 situation in Singapore, the last AGM was held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holder) Order 2020 ("**Alternative Meeting Arrangements**").

Alternative Meeting Arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically assessed via live audio-visual webcast and live audio-only stream), submission of questions to the Chairman of the meeting in advance of the AGM, addressing of substantial and relevant questions prior to or at the AGM and voting by appointing the Chairman of the meeting as proxy at the AGM, were put in place for the AGM. Details of the steps for pre-registration, submission of questions and voting at the AGM 2022 by shareholders were set out in a separate announcement released on SGXNet.

<u>2023 AGM</u>

The Company will hold its upcoming AGM physically to engage with its shareholders. Details of which are set out in the Notice of AGM. Shareholders can attend, raise questions and vote by him/herself in person or through an appointment of proxy.

11.4 *The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.*

Voting in absentia and by electronic mail may only be possible following careful study to ensure integrity of the information and authentication of the identity of shareholder through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

# CORPORATE GOVERNANCE STATEMENT

11.5 *The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.*

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such are published on SGXNet and the Company's corporate website within one month after the date of the meeting and available to Shareholders upon request.

11.6 *The company has a dividend policy and communicates it to shareholders.*

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the Company's shares will depend on its earnings, financial position, capital needs, plans for expansion and other factors which the Company's Directors may deem appropriate. The dividends that the Company's Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Company's Directors:

(i) the level of the Company's cash and retained earnings;
(ii) the Company's actual and projected financial performance;
(iii) the Company's projected levels of capital expenditure and other investment plans; and
(iv) restrictions on payment of dividends imposed on the Company by its financing arrangements (if any).

**Engagement with Shareholders**

**Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.**

*Provisions of the Code*

12.1 *The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.*

*Group's Corporate Governance practices*

The Company adopts the practice of regularly communicating major developments in its business and operations through SGXNet and where appropriate also directly to Shareholders, analysts, the media and its employees. The announcements of the Group's results and material developments are released through SGXNet to the SGX's and the Company's website in a timely manner to ensure fair disclosure of information. The Company does not practise selective disclosure of material information, where there is inadvertent disclosure made to a select group, the Company shall make the same disclosure publicly as promptly as possible. The Board provides the shareholders a balanced and clear assessment of the Group's performance, financial position and prospects via the Company's website at www.mencast.com.sg.

All Shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Catalist Rules and the Companies Act, the Board's policy is that all Shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Any notice of a general meeting to Shareholders is issued at least fourteen (14) days (without special resolution) or twenty-one (21) days (with special resolution) before the scheduled date of such meeting. Shareholders are informed of the rules, voting procedures that govern the general meeting of the Company.

At general meetings, Shareholders are given the opportunity to pose any questions to the Directors or Management relating to the Group's business or performance. The general meeting is the principal forum for any dialogue the Shareholders may have with the Directors and Management of the Company.

# CORPORATE GOVERNANCE STATEMENT

The Board complies with the relevant rules of the Catalist Rules with prompt announcements of the Company's financial results, presentation and other price sensitive information are disseminated to Shareholders through announcement via SGXNet, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

The Company is committed to disclosing all relevant information as much as possible in a timely, fair and transparent manner as well as to hearing and addressing its stakeholders' concerns.

12.2 *The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.*

12.3 *The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.*

The Corporate Strategy and Communications Committee ("**CSCC**") of the Company comprises the following members:

- Leow David Ivan (Chairman, Independent Director)
- Glenndle Sim (Member, Executive Chairman and CEO)
- Wong Boon Huat (Member, Executive Director)

The primary role of the CSCC is to:

a) Develop and oversee the Group's corporate strategy by reviewing the strategic plans and initiatives that Management shall be responsible for, including the setting of annual and multi-year goals and proposed major corporate and business initiatives of the Group, including financial and capital market activities; and

b) Communicate as appropriate, the Group's corporate strategy and initiatives to external stakeholders, including current and potential investors, business partners, financial institutions and intermediaries, media and the public.

The CSCC reviews and provides recommendations to management and the Board with respect to the Group's corporate strategy and external communications. The CSCC also assists management and the Board with the review of individual proposals made by Management as required by the Board as appropriate.

The Company's corporate governance practices are designed to promote the fair and equitable treatment to all Shareholders. To facilitate Shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company so as to enable Shareholders to make informed decisions about the Company.

The Board also endeavours to maintain regular, timely and effective communication with Shareholders and investors. Half year and Full year results and information on material matters required by the Listing Rules are promptly disseminated to Shareholders through announcements made via the SGXNet followed by a news release. Such releases are also made available for future viewing on the Company's website at www.mencast.com.sg.

The Board welcomes the view of Shareholders on matters affecting the Group. Shareholders are informed of meetings through notices published on SGXNet, the Company's corporate website and/or in the newspapers and reports or circulars sent to all Shareholders.

The Company may, from time to time, take steps to engage investors or Shareholders and solicit and understand the views of the Shareholder through various corporate presentations where the Company briefs Shareholders and other relevant stakeholders on its financial performance and business. Time is set aside for a Question & Answer session at every briefing.

# CORPORATE GOVERNANCE STATEMENT

The Group encourages feedback, views and participation of its shareholders at all general meetings and such feedback and views can be sent to the following investor relations contact:

Mr. Chris San, CFO
Mr. David Leow, Chairman of CSCC
Tel: 65 6268 4331
E-mail: ir@mencast.com.sg

The Company has put in place an Investor Relations Policy to enhance effective communications and engagements with its investors and shareholders.

## MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

**Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.**

*Provisions of the Code*

*13.1 The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.*

*Group's Corporate Governance practices*

Stakeholder relations are important for the sustainable growth of the Company's business and therefore the Company seeks to maintain an open and transparent dialogue with its material stakeholders. The Company engages its stakeholders regularly through the following channels to understand and address their needs and expectations.

*13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.*

The Company may, from time to time, take steps to engage investors or Shareholders and solicit and understand the views of the Shareholder through various corporate presentations where the Company briefs Shareholders and other relevant stakeholders on its financial performance and business. Time is set aside for a Question & Answer session at every briefing. The Company has put in place a Stakeholder Engagement Policy to enhance effective communications and engagements with its material stakeholders.

*13.3 The company maintains a current corporate website to communicate and engage with stakeholders.*

The Company maintains a corporate website www.mencast.com.sg to communicate to the public about its latest developments.

## OTHER CORPORATE GOVERNANCE MATTERS

### 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.

# CORPORATE GOVERNANCE STATEMENT

Transactions entered into with interested persons during FY2022 were as follows:

| Name of interested person | Nature of relationship | Aggregate value of all IPT during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholder's mandate pursuant to Rule 920) | | Aggregate value of all IPT conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than $100,000) | |
|---|---|---|---|---|---|
| | | 2022 $'000 | 2021 $'000 | 2022 $'000 | 2021 $'000 |
| McLink Asia Pte Ltd<br>MPS Solutions Pte Ltd<br>Sigi Beauty Pte Ltd<br>Ole Investment Pte Ltd<br>Ole Motorsports Pte Ltd | Associates | Nil* | Nil* | Nil** | Nil** |

* Amount is less than $100,000.
** There is no subsisting shareholders' mandate for interested person transactions pursuant to Rule 920 of the Catalist Rules.

**Material Contracts**

Except as disclosed on SGXNet or herein for the financial year concerned, there were no material contracts of the Company or its subsidiary corporations involving the interests of the CEO, Directors or controlling shareholders either still subsisting as at the financial year under review or if not subsisting, were entered into at the end of the FY2022.

**Securities Transactions**

The Company has adopted internal regulations with respect to dealings in securities by Directors and officers of the Group which complies with Rule 1204(19) of the Catalist Rules of the SGX-ST. The Directors, Management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Shares during the periods commencing one month before the announcement of the Group's half year and full year financial results, and ending on the date of announcement of such result, or when they are in procession of unpublished price-sensitive information of the Group. In addition, the officers of the Company are advised not to deal with the Shares for short-term considerations and they are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

**Sustainability Management**

The Group considers sustainability issues as part of its strategic formulation. We are committed to sustainability and corporate governance in setting our business strategies and operations. We adopt an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of our overall strategy to ensure that the best interests of the Group are served. Our Sustainability Report was prepared with reference to GRI Standards 2021 and Singapore Exchange Catalist Rules 711 (A) and (B), to understand and communicate our critical sustainability issues on environmental, economic and social performance ability issues to stakeholders. For more details and information on Sustainability Report, please refer to pages 17 to 37.

**Sponsorship**

The Company transferred its listing status from the Mainboard to the Catalist board of the SGX-ST with effect from 23 February 2023 ("**Effective Date**"). SAC Capital Private Limited (the "**Sponsor**") has been appointed to act as the Company's continuing sponsor upon the Effective Date. Save for the one-time listing transfer application fee paid to the Sponsor of $23,000, no other non-sponsor fees was paid to the Sponsor during FY2022.

# DIRECTORS' STATEMENT

**For the financial year ended 31 December 2022**

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2022 and the balance sheet of the Company as at 31 December 2022.

In the opinion of the Directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 80 to 160 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

The Directors of the Company in office at the date of this statement are as follows:

Sim Soon Ngee Glenndle
Wong Boon Huat
Sunny Wong Fook Choy
Leow David Ivan
Ng Chee Keong

## Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Performance Shares" on pages 70 to 71 in this statement.

## Directors' interests in shares or debentures

According to the register of Directors' shareholdings, none of the Directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

| | Holdings registered in the name of Director or nominee | | Holdings in which a Director is deemed to have an interest | |
|---|---|---|---|---|
| The Company | **At 31.12.2022** | At 1.1.2022 | **At 31.12.2022** | At 1.1.2022 |
| <u>No. of ordinary shares</u> | | | | |
| Sim Soon Ngee Glenndle | **86,852,900** | 86,852,900 | **63,402,800** | 63,402,800 |
| Wong Boon Huat | **31,531,106** | 31,531,106 | **-** | - |
| Sunny Wong Fook Choy | **2,361,500** | 1,960,000 | **-** | - |
| Leow David Ivan | **7,944,600** | 7,564,000 | **-** | - |
| Ng Chee Keong | **1,891,700** | 1,548,300 | **-** | - |

By virtue of Section 7 of the Companies Act 1967 of Singapore ("**Companies Act**"), Sim Soon Ngee Glenndle is deemed to have interests in the shares of all the subsidiary corporations at the beginning and at the end of the financial year.

The Directors' interests in the ordinary shares of the Company as at 21 January 2023 were the same as those as at 31 December 2022.

# DIRECTORS' STATEMENT

**For the financial year ended 31 December 2022**

**Performance shares**

**Mencast Performance Share Award Scheme 2021 (the "PSAS 2021")**

PSAS 2021 was approved by members of the Company at an Extraordinary General Meeting ("**EGM**") held on 30 April 2021. PSAS 2021 provides for the award of fully paid-up ordinary shares ("**Share Awards**") in the share capital of the Company, free of charge to group employees (which includes Group Executive Directors and Group Non-Executive Directors).

Controlling Shareholders or Associates of a Controlling Shareholder who meet the eligibility criteria are also eligible to participate in the PSAS 2021 provided that the participation of and the terms of each grant and the actual number of awards granted to a participant who is a Controlling Shareholder or an associate of a Controlling Shareholder shall be approved by the Independent Shareholders in separate resolutions for each such person.

The PSAS 2021 is a share incentive scheme which allows the Company to provide an incentive for the participants to achieve certain specific performance condition(s) by awarding fully paid shares after these targets have been met. The focus of PSAS 2021 is principally to target employees and executives in key positions who are in the best position to drive the growth of the Group through innovation, creativity and superior performance.

The Board of Directors believe that the purposes of adopting the PSAS 2021 are to:

(a) Provide an opportunity for participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(b) Motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(c) Give recognition to contributions made to or to be made by participants by introducing a variable component into their remuneration package; and

(d) Make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The PSAS 2021 is administered by the Remuneration Committee ("**RC**") composed of Independent Directors namely, Ng Chee Keong, Sunny Wong Fook Choy and Leow David Ivan.

The Company may deliver shares pursuant to awards granted under the PSAS 2021 by way of:

(i) Issuance of new shares; and/or

(ii) Transfer of treasury shares.

The aggregate number of ordinary shares over which the Company may grant under the PSAS 2021 shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

During the financial year ended 31 December 2022, the Company, pursuant to the PSAS 2021, granted for an aggregate of 3,064,000 and 1,125,000 Share Awards respectively to eligible employees of the Group and to its Independent Directors, which automatically vested on the date of grant (Note 26).

# DIRECTORS' STATEMENT

**For the financial year ended 31 December 2022**

**Performance shares** (continued)

**Mencast Performance Share Award Scheme 2021 (the "PSAS 2021")** (continued)

The following are the details of the Share Awards under the PSAS 2021 granted to Directors and Controlling Shareholders since its commencement:

| Name | Date of grant of Share Awards | Aggregate Share Awards granted and vested since commencement of the PSAS 2021 to 31 December 2021 | Share Awards granted and vested during the financial year 31 December 2022 | Aggregate Share Awards granted and vested since commencement of the PSAS 2021 to 31 December 2022 |
|---|---|---|---|---|
| | | '000 | '000 | '000 |
| **Sim Soon Ngee Glenndle*** | 12 May 2022 | 1,111 | - | 1,111 |
| **Wong Boon Huat** | 12 May 2022 | 889 | - | 889 |
| **Sunny Wong Fook Choy** | 12 May 2022 | 461 | 402 | 863 |
| **Leow David Ivan** | 12 May 2022 | 437 | 380 | 817 |
| **Ng Chee Keong** | 12 May 2022 | 394 | 343 | 737 |

* *Aside from being the Executive Chairman and Chief Executive Officer of the Company, Mr. Sim Soon Ngee Glenndle is also a Controlling Shareholder of the Company.*

As at 31 December 2022:

(a) There are no outstanding Share Awards under the PSAS 2021;

(b) 10,814,000 shares have been delivered upon vesting of the Share Awards granted under the PSAS 2021 since its commencement, representing approximately 2.39% of the issued shares (excluding treasury shares); and

(c) A total of 16 participants have been awarded under the PSAS 2021 since its commencement.

**Audit Committee**

The members of the Audit Committee at the end of the financial year were as follows:

Leow David Ivan (Chairman)
Sunny Wong Fook Choy
Ng Chee Keong

All members of the Audit Committee were independent and non-executive Directors.

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act. In performing those functions, the Audit Committee:

- Reviewed the scope and results of internal audit procedures with the Internal Auditor and the effectiveness of the Company's internal audit function;

# DIRECTORS' STATEMENT

**For the financial year ended 31 December 2022**

**Audit Committee** (continued)

In performing those functions, the Audit Committee: (continued)

- Reviewed the adequacy of the Group's internal controls, including financial, operational compliance and information technology as well as sanctions-related risk controls and risk management policies and systems;

- Reviewed with the Independent Auditor, the audit plan and its report on the weaknesses of internal accounting controls arising from the statutory audit;

- Reviewed the assistance given by Management to the Independent Auditor, and discussed matters and concerns, if any, arising from the statutory audit, with the Management;

- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year before their submission to the Board of Directors, as well as the Independent Auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

- Reviewed the Group's financial results before submission to the Board of Directors for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

- Reviewed and discussed with the Independent Auditor any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and Management response;

- Reviewed non-audit services performed by the Independent Auditor to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the Independent Auditor before recommending to the Board of Directors;

- Reviewed the independence and objectivity of the Independent Auditor and the Company's internal audit function;

- Evaluated the quality of work carried out by Independent Auditor and the Company's internal audit function;

- Considered the appointment and re-appointment of the Independent Auditor and approved the remuneration and terms of engagement of the Independent Auditor;

- Reviewed transactions falling within the scope of Chapter 9 of the Catalist Rules;

- Reviewed the Group's overall risk assessment processes and reviewed the assurance provided by the Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") that the financial records have been properly maintained, and that the financial statements give a true and fair view of the Group's operations and finances; and

- Reviewed disclosures in the annual report relating to the adequacy and effectiveness of risk management and internal control systems in relation to financial reporting and financial-related risks and controls, including assurances received from the CEO and CFO or other Key Management Personnel.

The Audit Committee has recommended to the Board of Directors that the independent auditor, CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation), be nominated for re-appointment at the forthcoming Annual General Meeting ("**AGM**") of the Company.

# DIRECTORS' STATEMENT

**For the financial year ended 31 December 2022**

**Independent Auditor**

The Independent Auditor, CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation), has expressed its willingness to accept re-appointment.

On behalf of the Directors

……………………………………….
**Sim Soon Ngee Glenndle**
Director

……………………………………….
**Wong Boon Huat**
Director

**30 March 2023**

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mencast Holdings Ltd.**

## Report on the Audit of the Financial Statements

*Opinion*

We have audited the accompanying financial statements of Mencast Holdings Ltd. (the "**Company**") and its subsidiary corporations (the "**Group**") which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 80 to 160.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 of Singapore (the "**Companies Act**") and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

*Basis for Opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mencast Holdings Ltd.**

**Report on the Audit of the Financial Statements** (continued)

*Key Audit Matters* (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **1. Revenue recognition**<br><br>As disclosed in Notes 2.2 and 4 to the financial statements, the Group's revenue is primarily generated from:<br><br>i. Sale of goods, services income from maintenance, repair and overhaul and waste management are recognised at a point in time when the Group satisfied its performance obligation by transferring the control of the promised goods and services to the customers, that is when the goods are delivered to the destination specified by the customers and when services are rendered and accepted by customers; and<br><br>ii. Construction contracts for the manufacturing and production of specialised equipment for contract customers are recognised when the control over specialised equipment has been transferred to the customer. The specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. Revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment.<br><br>During the financial year ended 31 December 2022, the Group recognised revenue of $42,341,000 (2021 restated: $45,914,000) from the above revenue segments.<br><br>We focused on this area as a key audit matter as there is a presumed fraud risk with regards to revenue recognition and revenue is one of the key performance indicators of the Group. The potential existence of Management to override controls and large volume of transactions also increase the inherent risk of material misstatement in the amount of revenue reported. | In obtaining sufficient audit evidence, the following procedures have been performed:<br><br>• Obtained samples of contracts with customers and reviewed the terms and conditions, along with discussion with Management, to assess the Group's revenue recognition policy is in accordance with SFRS(I) 15 *Revenue from Contracts with Customers,* in particular the identification of performance obligations, and the timing of revenue recognition (i.e. at a point in time or over time);<br><br>• Discussed with Management on the processes involved in the sales cycle for each revenue stream and performed walkthrough tests to consolidate our understanding;<br><br>• Evaluated the effectiveness of key controls over sales cycle and performed test of controls to ascertain the reliabilities of such key controls;<br><br>• Assessed the risks of material misstatement arising from ordinarily presumed fraud risk on revenue recognition in accordance with *SSA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements;*<br><br>• Performed test of details and sales cut-off tests to ascertain the validity and completeness of revenue and whether it has been recognised in the appropriate financial year; and<br><br>• Reviewed the adequacy of disclosures by Management in Notes 2.2 and 4 to the financial statements. |

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mencast Holdings Ltd.**

**Report on the Audit of the Financial Statements** (continued)

*Key Audit Matters* (continued)

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **2. Impairment assessment on goodwill** | |
| As disclosed in Notes 3(a) and 22 to the financial statements, the intangible assets of the Group, primarily consisting of goodwill arising from consolidation amounted to $4,781,000 (2021: $4,781,000) as at 31 December 2022. The goodwill is assessed for impairment annually and whenever there is indication that the goodwill may be impaired. Management applies the value-in-use method to determine the recoverable amount of its existing goodwill arising from Recon Propeller & Engineering Pte Ltd ("**Recon**"), being the cash-generating unit ("**CGU**") identified and allocated according to operating entities.<br><br>Significant judgements are used by the Management to assess the recoverable amount of the CGU which is highly dependent on Management's forecasts and estimates, this includes, but not limited to, discount rate, growth rate, cost of disposal, projected cash flows and assumptions that are affected by future market and economic conditions. Management has considered all factors and concluded that there is no impairment required in respect of the goodwill as at 31 December 2022.<br><br>We focused on this area due to the level of the subjectivity associated with the judgement and assumptions involved in the forecast and estimates, which forms the basis of the assessment of recoverability over the goodwill. | In obtaining sufficient audit evidence, the following procedures have been performed:<br><br>• Evaluated Management's methodology used to assess the recoverable amount of goodwill;<br><br>• Reviewed the robustness of Management's budgeting process by comparing the actual results achieved against previously forecasted budgets;<br><br>• Reviewed the value-in-use calculations prepared by Management and reperformed the calculation to check their accuracy;<br><br>• Involved our internal valuation specialist in assessing the reasonableness of the discount rate used;<br><br>• Assessed the sensitivity of the key estimates on the impairment assessment, based on the reasonably possible changes in key estimates; and<br><br>• Reviewed the adequacy of goodwill disclosures by Management in Notes 3(a) and 22 to the financial statements. |

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mencast Holdings Ltd.**

**Report on the Audit of the Financial Statements** (continued)

*Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of Management and Directors for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, Management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mencast Holdings Ltd.**

**Report on the Audit of the Financial Statements** (continued)

*Auditor's Responsibilities for the Audit of the Financial Statements* (continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current financial year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# INDEPENDENT AUDITOR'S REPORT

**To the Members of Mencast Holdings Ltd.**

## Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Companies Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Companies Act.

The engagement director on the audit resulting in this independent auditor's report is Loh Hui Nee.

***CLA Global TS Public Accounting Corporation***
***(formerly known as Nexia TS Public Accounting Corporation)***
***Public Accountants and Chartered Accountants***

***Singapore***
**30 March 2023**

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the financial year ended 31 December 2022**

| | Note | 2022<br>$'000 | 2021<br>$'000<br>(Restated*) |
|---|---|---|---|
| **Continuing operations** | | | |
| Revenue | 4 | **42,341** | 45,914 |
| Cost of sales | | **(32,449)** | (32,428) |
| Gross profit | | **9,892** | 13,486 |
| Other gains and losses | | | |
| - Interest income – bank deposits | | **19** | 30 |
| - Write-back/(loss) of allowance on trade receivables | 30(b) | **42** | (20) |
| - Others | 5 | **4,922** | 5,225 |
| Expenses | | | |
| - Administrative | | **(9,496)** | (10,309) |
| - Finance | 8 | **(5,353)** | (3,881) |
| Share of profit of associated companies | 18 | **75** | 529 |
| Profit before income tax | | **101** | 5,060 |
| Income tax (expense)/credit | 9 | **(335)** | 1,834 |
| **(Loss)/profit from continuing operations** | | **(234)** | 6,894 |
| **Discontinued operations** | | | |
| Loss from discontinued operations | 14 | **(496)** | (268) |
| Gain on disposal of subsidiary corporations classified as held-for-sale | 14 | **381** | - |
| **Total net (loss)/profit** | | **(349)** | 6,626 |
| **Other comprehensive (loss)/income, net of tax** | | | |
| Item that may be reclassified subsequently to profit or loss: | | | |
| Currency translation differences for foreign operations | | | |
| - (Loss)/gain | 27 | **(433)** | 8 |
| Item that will not be reclassified subsequently to profit or loss: | | | |
| Fair value losses on financial assets, at FVOCI | 15 | **(4)** | (4) |
| **Total comprehensive (loss)/income** | | **(786)** | 6,630 |

* See Note 14(i) to the financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

**For the financial year ended 31 December 2022**

| | Note | 2022 $'000 | 2021 $'000 (Restated*) |
|---|---|---|---|
| **Net (loss)/profit attributable to:** | | | |
| Equity holders of the Company | | **(414)** | 6,509 |
| Non-controlling interests | | **65** | 117 |
| | | **(349)** | 6,626 |
| **(Loss)/profit attributable to equity holders of the Company relates to:** | | | |
| (Loss)/profit from continuing operations | | **(299)** | 6,777 |
| Loss from discontinued operations | | **(115)** | (268) |
| | | **(414)** | 6,509 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| Equity holders of the Company | | **(851)** | 6,513 |
| Non-controlling interests | | **65** | 117 |
| | | **(786)** | 6,630 |
| **(Loss)/earnings per share attributable to equity holders of the Company (cents per share)** | | | |
| Basic and diluted | | | |
| - From continuing operations | 10 | **(0.07)** | 1.52 |
| - From discontinued operations | 10 | **(0.02)** | (0.06) |

* See Note 14(i) to the financial statements.

# BALANCE SHEETS

**As at 31 December 2022**

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2022** | 2021 | **2022** | 2021 |
| | | **$'000** | $'000 | **$'000** | $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 11 | **9,026** | 14,307 | **1,750** | 5,351 |
| Trade and other receivables | 12 | **20,157** | 20,869 | **46,172** | 46,393 |
| Inventories | 13 | **5,642** | 5,504 | **-** | - |
| Contract assets | 4 | **334** | 1,194 | **677** | 831 |
| | | **35,159** | 41,874 | **48,599** | 52,575 |
| Assets of disposal group classified as held-for-sale | 14 | **74,610** | 70,593 | **-** | - |
| | | **109,769** | 112,467 | **48,599** | 52,575 |
| **Non-current assets** | | | | | |
| Financial assets, at FVOCI | 15 | **87** | 91 | **-** | - |
| Investments in subsidiary corporations | 16 | **-** | - | **50,821** | 55,120 |
| Investment in a joint venture | 17 | **-** | - | **-** | - |
| Investments in associated companies | 18 | **35** | 4,264 | **35** | 137 |
| Property, plant and equipment | 19 | **86,390** | 95,859 | **97** | 148 |
| Deposits for purchase of property, plant and equipment | | **-** | 121 | **-** | - |
| Intangible assets | 22 | **4,781** | 4,781 | **-** | - |
| | | **91,293** | 105,116 | **50,953** | 55,405 |
| **Total assets** | | **201,062** | 217,583 | **99,552** | 107,980 |
| **LIABILITIES** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 23 | **5,786** | 7,963 | **26,599** | 26,815 |
| Contract liabilities | 4 | **2,139** | 1,315 | **-** | - |
| Borrowings | 24 | **11,814** | 11,101 | **2,872** | 2,667 |
| Current income tax liabilities | | **738** | 796 | **-** | - |
| | | **20,477** | 21,175 | **29,471** | 29,482 |
| Liabilities directly associated with disposal group classified as held-for-sale | 14 | **68,344** | 69,120 | **-** | - |
| | | **88,821** | 90,295 | **29,471** | 29,482 |

*The accompanying notes form an integral part of these financial statements.*

# BALANCE SHEETS

**As at 31 December 2022**

| | Note | Group 2022 $'000 | Group 2021 $'000 | Company 2022 $'000 | Company 2021 $'000 |
|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | |
| Borrowings | 24 | **79,614** | 94,005 | **45,790** | 48,458 |
| Deferred income tax liabilities | 25 | **1,752** | 1,752 | **-** | - |
| | | **81,366** | 95,757 | **45,790** | 48,458 |
| **Total liabilities** | | **170,187** | 186,052 | **75,261** | 77,940 |
| **NET ASSETS** | | **30,875** | 31,531 | **24,291** | 30,040 |
| **EQUITY** | | | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | | | |
| Share capital | 26 | **93,082** | 92,952 | **93,082** | 92,952 |
| Fair value reserve | | **10** | 14 | **-** | - |
| Translation reserve | 27 | **(940)** | (507) | **(44)** | (6) |
| Accumulated losses | | **(62,988)** | (62,574) | **(68,747)** | (62,906) |
| | | **29,164** | 29,885 | **24,291** | 30,040 |
| Non-controlling interests | 16 | **1,711** | 1,646 | **-** | - |
| **Total equity** | | **30,875** | 31,531 | **24,291** | 30,040 |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**For the financial year ended 31 December 2022**

| | Note | Attributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Share capital $'000 | Fair value reserve* $'000 | Translation reserve* $'000 | Accumu-lated losses $'000 | Total $'000 | Non-controlling interests $'000 | Total equity $'000 |
| **Group** | | | | | | | | |
| **2022** | | | | | | | | |
| **Balance as at 1 January 2022** | | **92,952** | **14** | **(507)** | **(62,574)** | **29,885** | **1,646** | **31,531** |
| Share issue pursuant to: | | | | | | | | |
| - Share-based payment | 26 | 35 | - | - | - | 35 | - | 35 |
| - Share Awards under the PSAS 2021 | 26 | 95 | - | - | - | 95 | - | 95 |
| Total comprehensive (loss)/income for the financial year | | - | (4) | (433) | (414) | (851) | 65 | (786) |
| **End of financial year** | | **93,082** | **10** | **(940)** | **(62,988)** | **29,164** | **1,711** | **30,875** |
| 2021 | | | | | | | | |
| **Balance as at 1 January 2021** | | **92,654** | **18** | **(515)** | **(69,096)** | **23,061** | **1,805** | **24,866** |
| Share issue pursuant to: | | | | | | | | |
| - Share-based payment | 26 | 58 | - | - | - | 58 | - | 58 |
| - Share Awards under the PSAS 2021 | 26 | 240 | - | - | - | 240 | - | 240 |
| Effect of dilution on shareholdings in a subsidiary corporation | 18(i) | - | - | - | 13 | 13 | (13) | - |
| Disposal of non-controlling interest in a subsidiary corporation | | - | - | - | - | - | (83) | (83) |
| Dividends paid to non-controlling interests | 16 | - | - | - | - | - | (180) | (180) |
| Total comprehensive (loss)/income for the financial year | | - | (4) | 8 | 6,509 | 6,513 | 117 | 6,630 |
| **End of financial year** | | **92,952** | **14** | **(507)** | **(62,574)** | **29,885** | **1,646** | **31,531** |

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

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

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the financial year ended 31 December 2022**

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net (loss)/profit | | **(349)** | 6,626 |
| Adjustments for: | | | |
| - Income tax expense/(credit) | 9 | **335** | (1,829) |
| - Depreciation of property, plant and equipment | 19 | **9,078** | 9,982 |
| - Dividend income from financial assets, FVOCI | 5 | **(5)** | (8) |
| - Gain on disposal of non-current assets held-for-sale | 5 | **(145)** | - |
| - Gain on re-measurement of retained investment | 5 | **-** | (119) |
| - Gain on disposal of property, plant and equipment | | **(51)** | (43) |
| - Gain on disposal of subsidiary corporations | 14 | **(381)** | - |
| - Impairment loss on property, plant and equipment | 5 | **-** | 84 |
| - Loss from lease modification | 5 | **587** | - |
| - Shares Awards under the PSAS 2021 | 7 | **95** | 240 |
| - Share of profit of associated companies | 18 | **(75)** | (529) |
| - Interest income | | **(20)** | (32) |
| - Interest expense | | **5,364** | 3,893 |
| - Currency translation differences | | **64** | (8) |
| | | **14,497** | 18,257 |
| Change in working capital, net of disposal of subsidiary corporations | | | |
| - Trade and other receivables | | **(381)** | (864) |
| - Inventories | | **(138)** | 170 |
| - Contract assets | | **805** | (271) |
| - Trade and other payables | | **(1,723)** | 1,701 |
| - Contract liabilities | | **824** | (202) |
| Cash generated from operations | | **13,884** | 18,791 |
| Interest received | | **20** | 32 |
| Income tax paid | | **(393)** | (7) |
| **Net cash provided by operating activities** | | **13,511** | 18,816 |
| **Cash flows from investing activities** | | | |
| Dividend income from financial assets, FVOCI | | **5** | 8 |
| Dividend received from investment in an associated company | 18(ii) | **500** | 500 |
| Deemed disposal of a subsidiary corporation | 11 | **-** | (48) |
| Net proceeds from disposal of subsidiary corporations | 11 | **1,947** | - |
| Net cash outflow from disposal of non-current assets classified as held-for-sale | 11 | **(27)** | - |
| Proceeds from disposal of property, plant and equipment | | **51** | 83 |
| Purchase of property, plant and equipment | | **(2,417)** | (3,869) |
| Short-term bank deposits pledged | | **-** | (1) |
| **Net cash provided by/(used in) investing activities** | | **59** | (3,327) |

*The accompanying notes form an integral part of these financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

**For the financial year ended 31 December 2022**

| | Note | 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Cash flows from financing activities** | | | |
| Interest paid | | **(4,878)** | (3,966) |
| Repayment of bank borrowings | | **(13,806)** | (11,260) |
| Repayment of lease liabilities | | **(1,600)** | (1,457) |
| Increase/(decrease) of trade financing | | **1,709** | (77) |
| **Net cash used in financing activities** | | **(18,575)** | (16,760) |
| **Net decrease in cash and cash equivalents** | | **(5,005)** | (1,271) |
| **Cash and cash equivalents** | | | |
| Beginning of financial year | | **13,526** | 14,797 |
| **End of financial year** | 11 | **8,521** | 13,526 |

**Reconciliation of liabilities arising from financing activities**

| | As at 1 January 2022 $'000 | Proceeds from borrowings $'000 | Principal and interest payments $'000 | Non-cash changes: Lease modification $'000 | Non-cash changes: Disposal of subsidiary corporations | Non-cash changes: Interest expense $'000 | Non-cash changes: Accrued interest $'000 | As at 31 December 2022 $'000 |
|---|---|---|---|---|---|---|---|---|
| Bank borrowings* | 151,605 | - | (18,116) | - | - | 4,796 | (486) | 137,799 |
| Lease liabilities* | 22,278 | - | (2,140) | (392) | (22) | 540 | - | 20,264 |
| Bank overdraft | 306 | - | (315) | - | - | 9 | - | - |
| Trade financing* | - | 3,954 | (2,264) | - | - | 19 | - | 1,709 |

| | As at 1 January 2021 $'000 | Proceeds from borrowings $'000 | Principal and interest payments $'000 | Non-cash changes: Addition during the year $'000 | Non-cash changes: Interest expense $'000 | Non-cash changes: Accrued interest $'000 | As at 31 December 2021 $'000 |
|---|---|---|---|---|---|---|---|
| Bank borrowings* | 162,865 | - | (14,622) | - | 3,289 | 73 | 151,605 |
| Lease liabilities* | 23,668 | - | (2,043) | 67 | 586 | - | 22,278 |
| Bank overdraft | 303 | - | (14) | - | 17 | - | 306 |
| Trade financing | 77 | 130 | (208) | - | 1 | - | - |

* *Bank borrowings, lease liabilities and trade financing include the liabilities directly associated with disposal group classified as held-for-sale.*

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Mencast Holdings Ltd. on 30 March 2023.

## 1. General information

Mencast Holdings Ltd. (the "**Company**") is listed on the Catalist Board 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.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary corporations are disclosed in Note 16 to the financial statements.

## 2. Significant accounting policies

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("**SFRS(I)s**") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I)s requires Management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

***Going Concern***

On 10 November 2021, the Group entered into a letter agreement dated 13 October 2021 to amend certain terms of the Amendment and Restatement of Debt Restructuring Agreement ("**Amended DRA**") as below:

(a) All financial covenants under the relevant existing facility agreements (i.e. clauses pertaining to financial conditions, the breach of which would result in an event of default under such facility agreements) will be waived until 31 March 2024, and no event of default under and/or breach of such existing facility agreements shall arise therefrom;

(b) The Group shall deleverage its debt by at least $55,000,000 on or before 31 March 2024, through the divestment of certain agreed non-core assets and an identified non-core business unit of the Group; and

(c) During the restructuring period and until 31 March 2024, the Group shall not pay dividends or any other forms of distributions to its shareholders.

In the financial year ended 31 December 2022, the Management provided consistent and conscientious efforts by completing the disposal of identified non-core diving and rope access business units as disclosed in Notes 11(b) and 14(i) to the financial statements. On 9 March 2023, the Group entered into a conditional sale and purchase agreement in relation to the disposal of the identified non-core asset as disclosed in Note 33(b) to the financial statement. The Management is making a continuous effort and actively looking for potential buyers to divest identified non-core assets in order to deleverage its debts by at least $55,000,000 on or before 31 March 2024.

The Board of Directors has concluded that the Group has sufficient financial resources and there is no material uncertainty regarding the Group's ability to continue as a going concern for at least the next twelve months from the date of authorisation of these financial statements, having assessed the sources of funding made available to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

***Interpretations and amendments to published standards effective in 2022***

On 1 January 2022, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("**INT SFRS(I)**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years.

### 2.2 Revenue recognition

(a) *Sale of goods*

Revenue from sale of goods is recognised at a point in time when control of the products has transferred to its customer, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specified locations, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance terms have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) *Rendering of services*

*Services income from maintenance, repair and overhaul and waste management*

Revenue from service income from maintenance, repair and overhaul and waste management are recognised at a point in time when the services are rendered and accepted by customers. Advances from customers are deferred and classified as "Contract liabilities" until the revenue is recognised. Labour and overhead costs incurred relating to reconditioning services are deferred and classified as "Contract assets" until the revenue is recognised. Unbilled revenue on completed services is recognised as "Contract assets".

(c) *Construction contracts*

The construction division manufactures and produces specialised equipment for customers through fixed-price contracts. Revenue is recognised when the control over the specialised equipment has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. 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 relative to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.2 Revenue recognition (continued)

(c) *Construction contracts* (continued)

For certain contracts where the Group does not have an enforceable right to payment, revenue is recognised only when the completed specialised equipment is delivered to the customers and the customers have accepted it in accordance with the sales contract.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms are an industry practice to protect the customer from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by Management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments, a "Contract assets" is recognised. If the payments exceed the value of the goods transferred, a "Contract liabilities" is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(d) *Interest income*

Interest income is recognised using the effective interest rate method.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(f) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

(g) *Sale of scrap*

Revenue from sale of scrap is recognised at a point in time when the Group has delivered the scrap to the customer, the customer has accepted the scrap and the collectability of the related receivables is reasonably assured.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as "Other gains – net".

Government grants relating to assets are deducted against the carrying amount of the assets.

### 2.4 Group accounting

(a) *Subsidiary corporations*

(i) *Consolidation*

Subsidiary corporations are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary corporation's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary corporation, even if this results in the non-controlling interests having a deficit balance.

(ii) *Acquisitions*

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary corporation or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary corporation measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**2. Significant accounting policies** (continued)

**2.4 Group accounting** (continued)

(a) *Subsidiary corporations* (continued)

(ii) *Acquisitions (continued)*

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. If those amounts are less than the fair value of the identifiable net assets of the subsidiary corporation acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

Please refer to Note 2.6 "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary corporation results in a loss of control over the subsidiary corporation, the assets and liabilities of the subsidiary corporation including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific SFRS(I).

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2.8 "Investments in subsidiary corporations, associated companies and a joint venture" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary corporation that do not result in a loss of control over the subsidiary corporation are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(c) *Associated companies and joint venture*

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

Joint venture is an entity over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint venture are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**2. Significant accounting policies** (continued)

**2.4 Group accounting** (continued)

(c) *Associated companies and joint venture* (continued)

(i) *Acquisition*

Investments in associated companies and joint venture is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint venture represents the excess of the cost of acquisition of the associated companies or joint venture over the Group's share of the fair value of the identifiable net assets of the associated companies or joint venture and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associated companies' or joint venture's post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies or joint venture are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in associated companies or joint venture equals to or exceeds its interest in the associated companies or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated companies or joint venture. If the associated companies or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies or joint venture are eliminated to the extent of the Group's interest in the associated companies or joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associated companies or joint venture are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated companies or joint venture are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associated companies or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to Note 2.8 "Investments in subsidiary corporations, associated companies and a joint venture" for the accounting policy on investments in associated companies and a joint venture in the separate financial statements of the Company.

# NOTES TO THE FINANCIAL STATEMENTS
**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.5 Property, plant and equipment

(a) *Measurement*

(i) *Buildings on leasehold land*

Buildings on leasehold land are initially recognised at cost and are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by Management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs).

(b) *Depreciation*

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | Useful lives |
|---|---|
| Leasehold land | Over the lease periods of 9 to 60 years |
| Buildings on leasehold land | Over the lease periods of 9 to 60 years |
| Machinery and equipment | 10 - 15 years |
| Furniture and fittings | 5 years |
| Office equipment | 5 years |
| Motor vehicles | 5 to 10 years |
| Vessels | 15 years |
| Computers | 1 to 3 years |
| Renovation | 5 years |

No depreciation is provided on construction in progress, subject to impairment.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.5 Property, plant and equipment (continued)

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "Other gains – net".

### 2.6 Intangible assets

*Goodwill*

Goodwill on acquisitions of subsidiary corporations and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition - date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies and joint venture represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies and joint venture is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiary corporations, associated companies and joint venture include the carrying amount of goodwill relating to the entity sold.

### 2.7 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

The actual borrowing costs incurred during the period up to the asset being ready for its intended use less any investment income on temporary investment of these borrowings are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

### 2.8 Investments in subsidiary corporations, associated companies and a joint venture

Investments in subsidiary corporations, associated companies and a joint venture are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.9 Impairment of non-financial assets

(a) *Goodwill*

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("**CGU**") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) *Property, plant and equipment*
*Right-of-use assets*
*Investments in subsidiary corporations, associated companies and a joint venture*

Property, plant and equipment, right-of-use assets and investments in subsidiary corporations, associated companies and a joint venture are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

For an asset other than goodwill, management assesses at the end of the balance sheet date whether there is any indication that an impairment recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the recoverable amount of that asset is estimated and may result in a reversal of impairment loss. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.10 Financial assets

(a) *Classification and measurement*

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income (FVOCI)

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

<u>At initial recognition</u>

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

<u>At subsequent measurement</u>

(i) *Debt instruments*

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(ii) *Equity investments*

The Group subsequently measures all its equity investments at their fair values. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "Fair value gains/losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "Dividend income".

(b) *Impairment*

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 30(b) to the financial statements details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.10 Financial assets (continued)

(b) *Impairment* (continued)

For cash and bank balances and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(c) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profit along with the amount previously recognised in other comprehensive income relating to that asset.

### 2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.12 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiary corporations. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiary corporations fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

(a) amount initially recognised less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss allowance computed using the impairment methodology under Note 2.10 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.13 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### 2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

### 2.15 Leases

(a) *When the Group is the lessee*

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) *Right-of-use assets*

The Group recognises a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Right-of-use assets are presented within the respective categories in "Property, plant and equipment".

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.15 Leases (continued)

(a) *When the Group is the lessee* (continued)

(ii) *Lease liabilities*

The initial measurement of a lease liability is measured at the present value of the lease payments discounted using the interest rate implicit in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

Lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For a contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone prices of the lease and non-lease component. The Group has elected to not separate lease and non-lease components for property leases and account these as one single lease component.

Lease liabilities are measured at amortised cost using the effective interest method. Lease liabilities shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liabilities are remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) *Short term and low value leases*

The Group has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.15 Leases (continued)

(b) *When the Group is the lessor*

The Group leases office and workshop space under operating leases to non-related parties.

(i) *Lessor – Operating leases*

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

(ii) *Lessor – Subleases*

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

When the sublease is assessed as an operating lease, the Group recognises lease income from the sublease in profit or loss within "Other gains – net". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

### 2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

### 2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.17 Income taxes (continued)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations, associated companies and a joint venture, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovation credit) similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

### 2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

### 2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

(b) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's Shareholders after certain adjustments. The Group recognises an accrual when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.19 Employee compensation (continued)

(c) *Performance shares*

Benefits to employees including the Directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for the shares or right over shares ("**equity-settled transactions**"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or granted, excluding the impact of any non-market vesting conditions. These are fair value based on the market price of the entity's share on grant date. This fair value is recognised in profit or loss over the vesting period of the share-based payment scheme with the corresponding increase in equity. The value of change is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vested, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

(d) *Short-term compensated absences*

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.

### 2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The financial statements are presented in Singapore Dollar ("**SGD**" or "**$**"), which is the functional currency of the Company and have been rounded to the nearest thousand ("**$'000**").

(b) *Transactions and balances*

Transactions in a currency other than the functional currency ("**foreign currency**") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income within "Finance expenses". All other foreign exchange gains and losses impacting profit or loss are presented in the statement of comprehensive income within "Other gains – net".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.20 Currency translation (continued)

(c) *Translation of Group entities' financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the balance sheet date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the balance sheet date.

### 2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors whose members are responsible for allocating resources and assessing performance of the operating segments.

### 2.22 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, net of bank overdrafts and short-term bank deposits pledged. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

### 2.23 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("**Treasury shares**"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profit of the Company if the shares are purchased out of earnings of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 2. Significant accounting policies (continued)

### 2.24 Dividends to Company's Shareholders

Dividends to the Company's Shareholders are recognised when the dividends are approved for payment.

### 2.25 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

(a) Represents a separate major line of business or geographical area of operations; or

(b) Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) Is a subsidiary corporation acquired exclusively with a view to resale.

## 3. Critical accounting estimates, assumptions and judgements

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.

(a) *Impairment of goodwill*

There are no impairment charge on its goodwill during the financial years ended 31 December 2022 and 2021.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 22 to the financial statements, the recoverable amounts of the CGUs in which goodwill has been attributable to, are determined using value-in-use ("**VIU**") calculation.

Significant judgements are used to estimate the growth margin, weighted average growth rates and the pre-tax discount rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, Management has relied on past performance, its expectations of market developments and the industry trends. Specific estimates are disclosed in Note 22 to the financial statements.

For goodwill attributable to Recon CGU, the change in the estimated recoverable amount from any reasonably possible change in the key estimates does not materially cause the recoverable amount to be lower than its carrying amount, please refer to the key assumptions in Note 22 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 3. Critical accounting estimates, assumptions and judgements (continued)

(b) *Impairment of property, plant and equipment*

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, CGU have been determined based on fair value less costs to sell and VIU. The carrying amounts of property, plant and equipment at the balance sheet date are disclosed in Note 19 to the financial statements.

The Management had assessed and concluded that there is no impairment charge was recognised for the financial year ended 31 December 2022. However, the Group has recognised an impairment charge of $84,000 (Note 5) as the estimated recoverable amounts are less than carrying amount and/or fair value less costs to sell for the financial year ended 31 December 2021.

(c) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 60 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2022 was $86,390,000 (2021: $95,859,000) (Note 19). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised.

(d) *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 these 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 of completed projects.

As at 31 December 2022, $296,000 (2021: $589,000) (Note 4(b)) of the Group's contract assets is subject to the estimation of progress towards completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 5% from Management's estimates, the Group's revenue/contract assets would have been lower and higher by $3,006,000 and $3,216,000 (2021: $979,000 and $1,407,000). If the total contract costs to complete the on-going contracts had been higher by 10% from Management's estimates, no provision for onerous contracts would have been recognised for the financial years ended 31 December 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 3. Critical accounting estimates, assumptions and judgements (continued)

(e) *Expected credit loss ("**ECL**") for trade and other receivables and contract assets*

As at 31 December 2022, the Group's trade receivables and contract assets amounted to $13,615,000 (2021: $14,705,000) (Note 12) and $334,000 (2021: $1,194,000) (Note 4(b)) respectively, arising from the Group's different revenue segments – offshore & engineering, marine and energy services.

Based on the Group's historical credit loss experience, trade receivables and contract assets exhibited significantly different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, Management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. The Management had assessed and concluded that there is no loss allowance was recognised for the financial year ended 31 December 2022. However, the Group has recognised a loss allowance of $35,000 (Note 30(b)) for the financial year ended 31 December 2021.

The Group and the Company use the general approach for assessment of ECLs for other receivables. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition. As at 31 December 2022, the Company has made a loss allowance amounting to $2,151,000 (2021: $16,763,000) (Note 30(b)) as there is no reasonable ground to recover the receivables from these subsidiary corporations.

The Group's and the Company's credit risk exposure for trade and other receivables and contract assets by different revenue segments are set out in Note 30(b) to the financial statements.

(f) *Disposal group classified as held-for-sale*

As at 31 December 2022, the carrying amount of assets and liabilities held-for-sale were $74,610,000 and $68,344,000 respectively (2021: $70,593,000 and $69,120,000). The details were disclosed in Notes 14(c) and 14(d) to the financial statements. The balances are mainly related to Management's consistent and conscientious effort to dispose certain properties to pare down its debt in accordance with the Amended DRA.

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. No impairment charge was recognised for the financial years ended 31 December 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 4. Revenue from contracts with customers

(a) *Disaggregation of revenue from contracts with customers*

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following nature of revenue and geographical regions. Revenue is attributed to countries by location of customers.

| | At a point in time $'000 | Over time $'000 | Total $'000 |
|---|---|---|---|
| **2022** | | | |
| Construction contracts | | | |
| - Singapore | **-** | **885** | **885** |
| - Asia | **-** | **3,260** | **3,260** |
| - Rest of the world | **-** | **-** | **-** |
| | **-** | **4,145** | **4,145** |
| Sale of goods | | | |
| - Singapore | **14,100** | **-** | **14,100** |
| - Asia | **1,380** | **-** | **1,380** |
| - Rest of the world | **1,158** | **-** | **1,158** |
| | **16,638** | **-** | **16,638** |
| Services income from maintenance, repair and overhaul and waste management | | | |
| - Singapore | **20,787** | **-** | **20,787** |
| - Asia | **485** | **-** | **485** |
| - Rest of the world | **286** | **-** | **286** |
| | **21,558** | **-** | **21,558** |
| Total | **38,196** | **4,145** | **42,341** |

| | At a point in time $'000 (Restated) | Over time $'000 | Total $'000 (Restated) |
|---|---|---|---|
| 2021 | | | |
| 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 | 22,623 | - | 22,623 |
| – Asia | 1,827 | - | 1,827 |
| – Rest of the world | 430 | - | 430 |
| | 24,880 | - | 24,880 |
| Total | 40,993 | 4,921 | 45,914 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 4. Revenue from contracts with customers (continued)

(b) *Contract assets and liabilities*

| | Group | | | | | | Company | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | | | 2021 | | | **2022** | 2021 |
| | **At a point in time** | **Over time** | **Total** | At a point in time | Over time | Total | **At a point in time** | At a point in time |
| | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 | **$'000** | $'000 |
| Contract assets | | | | | | | | |
| - Construction contracts | **-** | **296** | **296** | - | 589 | 589 | **-** | - |
| - Services | **38** | **-** | **38** | 605 | - | 605 | **677** | 831 |
| Total contract assets | **38** | **296** | **334** | 605 | 589 | 1,194 | **677** | 831 |
| Contract liabilities | | | | | | | | |
| - Construction contracts | **-** | **70** | **70** | - | 9 | 9 | **-** | - |
| - Sale of goods | **2,068** | **-** | **2,068** | 1,103 | - | 1,103 | **-** | - |
| - Services | **1** | **-** | **1** | 203 | - | 203 | **-** | - |
| Total contract liabilities | **2,069** | **70** | **2,139** | 1,306 | 9 | 1,315 | **-** | - |

Contract assets relate primarily to the Group's right to consideration for works completed but not billed at the balance sheet date in respect of its construction contract of manufacture and production of specialised equipment. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group issue progress billings to the customers.

Contract liabilities pertain to the Group's obligation to transfer goods or services to customers for which the Group has advances received from customers.

During the financial year 31 December 2022, the Group's contract assets includes deferred cost of $18,000 (2021: $85,000).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**4. Revenue from contracts with customers** (continued)

(b) *Contract assets and liabilities* (continued)

(i) *Revenue recognised in relation to contract liabilities*

| | 2022 $'000 | 2021 $'000 |
|---|---|---|
| *Revenue recognised in current year that was included in the contract liability balance at the beginning of the financial year* | | |
| - Construction contracts | **9** | 43 |
| - Sale of goods | **1,103** | 1,269 |
| - Services | **203** | 205 |
| | **1,315** | 1,517 |

*There are no revenue recognised in current financial year from performance obligations satisfied in previous financial years.*

(c) *Assets recognised from costs to fulfil contracts*

Other than the contract assets disclosed above, the Group has no other current assets in relation to costs to fulfil contracts with customers. Deferred costs are costs incurred to fulfil a service obligation with customers. These costs are recognised to the profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

Based on Management's assessment, the expected cost to complete the remaining construction contracts as at 31 December 2022 is expected to be completely recovered through contract revenue, hence no expected loss is recognised in the financial years ended 31 December 2022 and 2021 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 5. Other gains – net

Following are the other income and gains/(losses) recognised during the financial year:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| | | (Restated) |
| Dividend income from financial assets, FVOCI | **5** | 8 |
| Foreign currency exchange (loss)/gain – net | **(142)** | 93 |
| Gain on disposal of non-current assets held-for-sale (Note 14) | **145** | - |
| Gain on recovery of prior financial year losses from cancellation of customer's contract | **929** | - |
| Gain on re-measurement of retained investment (Note 18(i)) | **-** | 119 |
| Gain on disposal of property, plant and equipment | **51** | 17 |
| Government grants | | |
| - Jobs Support Scheme[1] | **-** | 420 |
| - Foreign Workers Levy rebates and waiver[2] | **217** | 299 |
| - Others | **146** | 519 |
| Impairment loss on property, plant and equipment (Note 19) | **-** | (84) |
| Loss from lease modification[3] | **(587)** | - |
| Rental income on operating lease (Note 20(e)) | **2,564** | 2,999 |
| Sale of scrap | **856** | 708 |
| Write-back of long-outstanding payables and accruals | **494** | 127 |
| Write-down of inventories (Note 13) | **-** | (109) |
| Other income | **244** | 109 |
| | **4,922** | 5,225 |

(1) Grant income of $Nil (2021 restated: $420,000) was recognised during the financial year under the Jobs Support Scheme (the "**JSS**"). The JSS was a temporary scheme introduced in the Singapore Budget 2021 to help enterprises retain local employees. The scheme was extended up to 2021 by the Government. Under the JSS, employers received cash grants in relation to the gross monthly wages of eligible employees.

(2) As part of the Solidarity Budget, the Singapore Government provided companies who hire foreign workers on work permits and S-passes with Foreign Worker Levy ("**FWL**") waivers and FWL rebates to ease the labour costs of such firms during the Circuit Breaker period. During the financial year ended 31 December 2022, the Group recognised foreign worker levy rebates and waiver of $217,000 (2021 restated: $299,000) under government grants.

(3) Pursuant to a Deed of Surrender dated 26 August 2022, the Group:

- Terminated and returned its lease of the premises at 107 Gul Circle, Singapore 629593 on 30 August 2022 to JTC Corporation.
- Recorded a one-off non-cash loss from lease modification of $587,000 for the financial year ended 31 December 2022.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 6. Expenses by nature

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| | | (Restated) |
| Purchases of raw materials | **6,869** | 5,841 |
| Changes in inventories | **(138)** | 170 |
| Depreciation of property, plant and equipment (Note 19) | **8,684** | 9,191 |
| Directors' fees | **174** | 174 |
| Donation | **40** | 32 |
| Employee compensation (Note 7) | **13,363** | 13,262 |
| Employee welfare | **172** | 152 |
| Freight and handling charges | **1,616** | 1,734 |
| Insurance | **366** | 390 |
| Property tax | **962** | 997 |
| Professional fees | **817** | 1,024 |
| Repairs and maintenance | **1,277** | 1,378 |
| Rental expense on operating leases (Note 20(d)) | **229** | 336 |
| Subcontractors' cost | **3,110** | 4,186 |
| Surveyor and testing fees | **581** | 613 |
| Transportation and travelling | **250** | 223 |
| Utilities | **2,533** | 1,646 |
| Other | **1,040** | 1,388 |
| Total cost of sales and administrative expenses | **41,945** | 42,737 |

## 7. Employee compensation

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| | | (Restated) |
| Wages and salaries | **11,361** | 11,127 |
| Employers' contribution to defined contribution plans including Central Provident Fund | **1,393** | 1,437 |
| Other short-term benefits | **514** | 458 |
| Performance shares expense (Note 26) | **95** | 240 |
| | **13,363** | 13,262 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 8. Finance expenses

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| | | (Restated) |
| Interest expense | | |
| - Bank borrowings | **4,786** | 3,279 |
| - Bank overdraft | **9** | 17 |
| - Trade financing | **19** | 1 |
| - Lease liabilities - leasehold land (Note 20(c)) | **531** | 568 |
| - Lease liabilities - hire purchase (Note 20(c)) | **8** | 16 |
| | **5,353** | 3,881 |

## 9. Income tax expense/(credit)

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| | | (Restated) |
| Income tax expense/(credit) | | |
| From continuing operations | | |
| Under/(over) provision in prior financial years | | |
| - Current income tax – Singapore | **335** | 1 |
| - Deferred income tax (Note 25) | **-** | (1,835) |
| | **335** | (1,834) |
| From discontinued operations | | |
| Under provision in prior financial years | | |
| - Current income tax – Foreign | **-** | 6 |
| - Deferred income tax (Note 25) | **-** | (1) |
| | **-** | 5 |
| Tax expense/(credit) is attributable to: | | |
| - Continuing operations | **335** | (1,834) |
| - Discontinued operations (Note 14(a)) | **-** | 5 |
| | **335** | (1,829) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 9. Income tax expense/(credit) (continued)

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| | | (Restated) |
| (Loss)/profit before income tax from: | | |
| - Continuing operations | **101** | 5,060 |
| - Discontinued operations (Note 14(a)) | **(115)** | (263) |
| | **(14)** | 4,797 |
| Share of profit of associated companies, net of tax (Note 18) | **(75)** | (529) |
| (Loss)/profit before income tax and share of profit of associated companies | **(89)** | 4,268 |
| Tax calculated at tax rate of 17% (2021: 17%) | **(15)** | 726 |
| Effects of: | | |
| - Different tax rates in other countries | **-** | 2 |
| - Expenses not deductible for tax purposes | **1,119** | 1,079 |
| - Income not subject to tax | **(33)** | (298) |
| - Utilisation of previously unrecognised capital allowances and tax losses | **(1,071)** | (1,509) |
| - Under provision of current income tax in prior financial years | **335** | 7 |
| - Over provision of deferred income tax in prior financial years | **-** | (1,836) |
| Tax charge/(credit) | **335** | (1,829) |

## 10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) *Diluted (loss)/earnings per share*

For the purpose of calculating diluted (loss)/earnings per share, (loss)/profit 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.

There are no dilutive potential ordinary shares during the financial years ended 31 December 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 10. (Loss)/earnings per share (continued)

Basic and diluted (loss)/earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as below:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | **Continuing operations 2022** | Continuing operations 2021 (Restated) | **Discontinued operations 2022** | Discontinued operations 2021 (Restated) | **Total 2022** | Total 2021 |
| Net (loss)/profit attributable to equity holders of the Company ($'000) | **(299)** | 6,777 | **(115)** | (268) | **(414)** | 6,509 |
| Weighted average number of shares outstanding for basic and diluted earnings per share ('000) | **450,343** | 444,766 | **450,343** | 444,766 | **450,343** | 444,766 |
| Basic and diluted (loss)/earnings per share attributable to equity holders of the Company (SGD cents) | **(0.07)** | 1.52 | **(0.02)** | (0.06) | **(0.09)** | 1.46 |

## 11. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 $'000** | 2021 $'000 | **2022 $'000** | 2021 $'000 |
| Cash at bank and on hand | **8,521** | 13,802 | **1,750** | 5,351 |
| Short-term bank deposits | **505** | 505 | **-** | - |
| | **9,026** | 14,307 | **1,750** | 5,351 |

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise of the following:

| | Group | |
|---|---|---|
| | **2022 $'000** | 2021 $'000 |
| Cash and cash equivalents (as above) | **9,026** | 14,307 |
| Less: Short-term bank deposits pledged | **(505)** | (505) |
| Less: Bank overdrafts (Note 24) | **-** | (306) |
| | **8,521** | 13,496 |
| Cash and bank balances reclassified to disposal group (Note 14(c)) | **-** | 30 |
| Cash and cash equivalents per consolidated statement of cash flows | **8,521** | 13,526 |

The short-term bank deposits are pledged to secure certain bank borrowings (Note 24(a)).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**11. Cash and cash equivalents** (continued)

Disposal/deemed disposal of subsidiary corporations

(a) Disposal of S&W Process Equipment (Changshu) Co. Ltd. ("**SWP**")

On 11 February 2022, the Company completed the disposal of its 100% equity interest in SWP as disclosed in Note 14(ii)(b) to the financial statements.

(b) Disposal of Unidive Subsea Pte. Ltd. (formerly known as Mencast Subsea Pte. Ltd.) and its subsidiary corporations ("**Subsea Group**")

On 30 June 2022, the Group completed the disposal of its 100% equity interest in Subsea Group as disclosed in Note 14(i) to the financial statements.

(c) Deemed disposal of Menji Pte. Ltd.

On 30 September 2021, the Company's shareholding interest in a subsidiary corporation, Menji Pte. Ltd. ("**Menji Singapore**") decreased following the allotment and issuance of 55,000 shares of Menji Singapore to a non-related party as disclosed in Note 18 to the financial statements.

The effects of the disposals on the cash flows of the Group were:

| | | **Group** | |
|---|---|---|---|
| | **SWP At 11 February 2022 $'000** | **Subsea Group At 30 June 2022 $'000** | Menji Singapore At 30 September 2021 $'000 |
| Carrying amounts of assets and liabilities as at the date of disposal/deemed disposal: | | | |
| Cash and cash equivalents | **27** | **53** | 48 |
| Trade and other receivables | **4** | **1,417** | 195 |
| Contract assets | **-** | **55** | - |
| Investment in subsidiary corporation | **-** | **-** | 338 |
| Property, plant and equipment | **15** | **1,710** | 184 |
| Total assets | **46** | **3,235** | 765 |
| Trade and other payables | **(38)** | **(292)** | (500) |
| Lease liabilities | **-** | **(22)** | - |
| Total liabilities | **(38)** | **(314)** | (500) |
| Net assets | **8** | **2,921** | 265 |
| Less: Net Working Capital due to Company[1] | **-** | **(1,211)** | - |
| Less: Non-controlling interests | **-** | **-** | (133) |
| Less: Costs of 49.7% retained investment | **-** | **-** | (132) |
| Net assets disposed/deemed disposed of | **8** | **1,710** | - |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 11. Cash and cash equivalents (continued)

The effects of the disposals on the cash flows of the Group were: (continued)

| | Group | | |
|---|---|---|---|
| | **SWP** | **Subsea Group** | Menji Singapore |
| | **At 11 February 2022** | **At 30 June 2022** | At 30 September 2021 |
| | **$'000** | **$'000** | $'000 |
| Cash (outflows)/inflows arising from disposal/deemed disposal: | | | |
| Net assets disposed/deemed disposed of (as above) | **8** | **1,710** | - |
| Reclassification of currency translation reserve | **(153)** | **9** | - |
| Net (liabilities)/assets value of the disposed subsidiary corporations | **(145)** | **1,719** | - |
| Gain on disposal of non-current assets held-for-sale (Notes 5 and 14(i)) | **145** | **381** | - |
| Cash proceeds on disposal of non-current assets held-for-sale | **-*** | **2,100** | - |
| Cash proceeds on disposal of non-current assets held-for-sale consist of: | | | |
| - Purchase consideration | **-*** | **2,100** | - |
| Less: Deferred payment of purchase consideration[2] | **-** | **(100)** | - |
| Less: Cash and cash equivalents in subsidiary corporation disposed of/deemed disposed of (as above) | **(27)** | **(53)** | (48) |
| (Net cash outflow on disposal of/deemed disposal of subsidiary corporations)/net cash inflow on disposal of a subsidiary corporation classified as held-for-sale | **(27)** | **1,947** | (48) |

* Less than $1,000

(1) *As part of the sale and purchase agreement ("**SPA**"), the Net Working Capital ("**NWC**"), as defined in SPA, of Subsea Group as at 30 June 2022 shall belong to the Company and upon completion it shall be due and owing by the purchasers to the Company as receivables and shall be paid to the Company in the manner as set out in SPA.*

(2) *$100,000 payable within 6 months from the date of the SPA.*

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 12. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade receivables | | | | |
| - Non-related parties | **13,232** | 16,121 | **-** | - |
| - Associated companies | **895** | 377 | **-** | - |
| Less: Allowance for impairment of trade receivables (Note 30(b)) | **(512)** | (1,793) | **-** | - |
| Trade receivables – net | **13,615** | 14,705 | **-** | - |
| Other receivables | | | | |
| - Non-related parties | **4,401** | 4,213 | **4,206** | 4,175 |
| - Subsidiary corporations | **-** | - | **59,820** | 58,400 |
| - Associated companies | **1,202** | 840 | **1,030** | 536 |
| | **5,603** | 5,053 | **65,056** | 63,111 |
| Less: Allowance for impairment of other receivables (Note 30(b)) | **-** | - | **(18,914)** | (16,763) |
| Other receivables – net | **5,603** | 5,053 | **46,142** | 46,348 |
| Advances to suppliers | **617** | 294 | **3** | 3 |
| Advances to staff | **-** | 31 | **-** | - |
| Deposits | **41** | 49 | **1** | 1 |
| Dividend receivables from an associated company (Note 18(ii)) | **-** | 300 | **-** | - |
| Prepayments | **281** | 437 | **26** | 41 |
| | **20,157** | 20,869 | **46,172** | 46,393 |

The other receivables from subsidiary corporations and associated companies are unsecured, repayable on demand and interest-free, except for certain advances to the subsidiary corporations amounting to $14,593,000 (2021: $15,564,000) which bear interest at 4% (2021: 4%) per annum.

## 13. Inventories

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| At cost | | |
| Raw materials | **2,264** | 2,230 |
| Work-in-progress | **1,482** | 1,006 |
| Finished goods | **1,896** | 2,268 |
| | **5,642** | 5,504 |

The cost of inventories excluding write-down, recognised as an expense and included in "Cost of sales" for the financial year ended 31 December 2022 amounted to $6,731,000 (2021 restated: $6,011,000).

During the financial year ended 31 December 2022, the Group has written-down inventories of $Nil (2021: $109,000) (Note 5), due to inventories obsolescence under the Offshore and Engineering segment. No inventory reversal was recognised in the financial years ended 31 December 2022 and 2021.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 14. Discontinued operations and disposal group classified as held-for-sale

(i) Discontinued operations

Disposal of 100% equity interest in Subsea Group

On 10 June 2022, the Company entered into a sale and purchase agreement ("**SPA**") for the disposal of the Company's entire 100% stake in Unidive Subsea Pte. Ltd. (formerly known as Mencast Subsea Pte. Ltd.) ("**Subsea**"), represented by 500,000 ordinary shares in Subsea for an aggregate consideration of $2,100,000 under the terms and conditions of the SPA.

Subsea is the holding corporation of Unidive Offshore Private Limited, a company incorporated in Singapore, and Unidive Marine Services (Malaysia) Sdn Bhd, a company incorporated in Malaysia, and collectively known as the Subsea Group.

In compliance with SFRS(I) 5 *Non-current Assets Held-for-Sale and Discontinued Operations*, Subsea Group's financial results have been reclassified to "Discontinued Operations" as of 30 June 2022 and its prior financial year's financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income.

On 30 June 2022, the completion of the proposed disposal of Subsea Group took place and resulted in a gain on disposal of subsidiary corporations amounted to $381,000 as disclosed in Note 11 to the financial statements.

(ii) Disposal group classified as held-for-sale

As at 31 December 2022, the carrying amount of assets and liabilities held-for-sale/disposal were $74,610,000 and $68,344,000 (2021: $70,593,000 and $69,120,000) respectively.

(a) The balances as at 31 December 2022 comprised of the following:

i. The Group is under the Amended DRA to dispose of certain identified non-core assets to pare down its debt by at least $55,000,000 on or before 31 March 2024 (Note 2.1 – Going Concern). The carrying amount of the identified non-core assets and corresponding liabilities were $70,544,000 and $68,344,000 respectively.

ii. On 17 December 2022, Mencast Energy Pte. Ltd. ("**Mencast Energy**"), a 70% subsidiary corporation of the Company, entered into a sale and purchase agreement ("**SPA**"), for the disposal of its remaining 20% equity interest in Vac-Tech Engineering Pte Ltd ("**Vac-Tech**"), represented by 600,000 shares in Vac-Tech.

Pursuant to the SPA, the consideration for the buyer to purchase 100% of the share capital of Vac-Tech is $42,500,000 (the "**base consideration**"), of which 20% will be paid to Mencast Energy, subject to any applicable net cash and net working capital adjustments.

Following the Group's decision to sell Vac-Tech and in compliance with SFRS(I) 5 *Non-Current Assets Held-for-Sale and Discontinued Operations*, the investment in associated company - Vac-Tech amounting to $4,066,000 (Note 18) was reclassified as assets of disposal group classified as held-for-sale on the consolidated balance sheet.

On 1 February 2023, the proposed disposal of Vac-Tech was completed in accordance with the terms of the SPA, and the Group has ceased to hold any interest in Vac-Tech.

For the financial year ended 31 December 2022, Management has reviewed and concluded that the requirements of SFRS(I) 5 were met.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**14. Discontinued operations and disposal group classified as held-for-sale** (continued)

(ii) Disposal group classified as held-for-sale (continued)

(b) Disposal of S&W Process Equipment (Changshu) Co. Ltd. ("**SWP**")

On 27 December 2021, the Company entered into a sale and purchase agreement ("**SPA**"), for the disposal of its entire stake in SWP, for an aggregate consideration of Renminbi ("**RMB**") 1 under the terms and conditions of the SPA. SWP, a company incorporated in the People's Republic of China, is a wholly owned subsidiary corporation of the Company with no operation and has been inactive over the past few years.

Following the Group's decision to sell SWP and in compliance with SFRS(I) 5 *Non-current Assets Held-for-Sale and Discontinued Operations*, the carrying amount of its assets and liabilities of approximately $49,000 and $37,000 respectively 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 as at 31 December 2021.

The proposed disposal of the entire stake in SWP had taken place on 11 February 2022 and resulted in a gain of $145,000 on disposal of non-current assets held-for-sale as disclosed in Notes 5 and 11 to the financial statements.

Below are the results and impact of discontinued operations of Subsea Group:

(a) The results of the discontinued operations of Subsea Group are as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Revenue | **2,497** | 5,369 |
| Expenses | **(3,106)** | (5,845) |
| Other gains - net | **113** | 213 |
| Loss before income tax from discontinued operations | **(496)** | (263) |
| Income tax expense (Note 9) | **-** | (5) |
| **Loss after tax from discontinued operations** | **(496)** | (268) |
| Pre/post-tax gain on disposal of a subsidiary corporation classified as held-for-sale (Note 11) | **381** | - |
| **Net loss for the period/year from discontinued operations** | **(115)** | (268) |

(b) The impact of the discontinued operations on the cash flows of the Group was as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Operating cash inflows | **887** | 303 |
| Investing cash outflows | **(308)** | (109) |
| Financing cash outflows | **(1,524)** | (53) |
| Total cash (outflows)/inflows | **(945)** | 141 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 14. Discontinued operations and disposal group classified as held-for-sale (continued)

(c) Details of the assets in disposal group classified as held-for-sale were as follow:

| | Cash and cash equivalents $'000 | Trade and other receivables $'000 | Investment in associated company $'000 | Property, plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| Group | | | | | |
| **2022** | | | | | |
| Beginning of financial year | **30** | **4** | **-** | **70,559** | **70,593** |
| Disposal | **(30)** | **(4)** | **-** | **(15)** | **(49)** |
| Reclassification during the financial year (Note 18) | **-** | **-** | **4,066** | **-** | **4,066** |
| End of financial year | **-** | **-** | **4,066** | **70,544** | **74,610** |
| 2021 | | | | | |
| Beginning of financial year | - | - | - | 70,544 | 70,544 |
| Reclassification during the financial year | 30 | 4 | - | 15 | 49 |
| End of financial year | 30 | 4 | - | 70,559 | 70,593 |

(d) Details of the liabilities directly associated with disposal group classified as held-for-sale were as follow:

| | Group | |
|---|---|---|
| | **2022** **$'000** | 2021 $'000 |
| Trade and other payables | **-** | 37 |
| Borrowings | | |
| - Bank borrowings | **62,384** | 62,717 |
| - Trade financing | **333** | - |
| - Lease liabilities – leasehold land | **5,627** | 6,366 |
| | **68,344** | 69,120 |

As at 31 December 2022, the bank borrowings and trade financing include secured liabilities of $62,717,000 (2021: $62,717,000) on the Group's building on leasehold land.

For the financial year ended 31 December 2022, Management has reviewed and concluded that the requirements of SFRS(I) 5 was met.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 15. Financial assets, at FVOCI

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Beginning of financial year | **91** | 95 |
| Fair value loss | **(4)** | (4) |
| End of financial year | **87** | 91 |

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

## 16. Investments in subsidiary corporations

| | Company | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| *Equity investments at cost* | | |
| Beginning of financial year | **78,881** | 79,157 |
| Disposal of subsidiary corporations[1] | **(14,850)** | - |
| Deemed disposal of a subsidiary corporation[2] | **-** | (276) |
| End of financial year | **64,031** | 78,881 |
| *Accumulated impairment* | | |
| Beginning of financial year | **(23,761)** | (22,761) |
| Disposal of subsidiary corporations[1] | **10,551** | - |
| Impairment charge[3] | **-** | (1,000) |
| End of financial year | **(13,210)** | (23,761) |
| Net book value | | |
| End of financial year | **50,821** | 55,120 |

[1] As disclosed in Notes 11(b) and 14(i) to the financial statements, the Company completed the disposal of its entire stake in Subsea Group on 30 June 2022, with a carrying amount of investment in subsidiary corporations of $4,299,000, represented by 500,000 ordinary shares in Subsea.

[2] As disclosed in Notes 11(c) and 18 to the financial statements, the dilution of shareholdings in Menji Singapore on 30 September 2021 resulted in the cessation of Menji Singapore to be a subsidiary corporation of the Company.

[3] Management assesses for impairment whenever there is any objective evidence or indication that investments in subsidiary corporations may be impaired. An allowance for impairment loss was made in respect of the Company's investments in certain subsidiary corporations to reduce the carrying amount of the investments to the recoverable amounts, after taking into account the financial conditions of the subsidiary corporations. During the financial year ended 31 December 2022, impairment losses of $Nil (2021: $1,000,000) were recognised for the Company's investments in subsidiary corporations.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**16. Investments in subsidiary corporations** (continued)

Details of subsidiary corporations are as follows:

| Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by the Company | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|---|
| | | | **2022 %** | 2021 % | **2022 %** | 2021 % | **2022 %** | 2021 % |
| Mencast Marine Pte Ltd[a] | Manufacture, supply and refurbishment and reconditioning of sterngear | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Mencast Engineering Pte. Ltd.[a] | Supply of oil and gas equipment and precision engineering services | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Mencast Offshore & Marine Pte. Ltd.[a] | Collection of waste and building and repair of ships, tankers and other ocean-going vessels | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Mencast Energy Pte. Ltd.[a] | Investment holding | Singapore | **70** | 70 | **70** | 70 | **30** | 30 |
| Mencast Logistics Pte. Ltd.[a][j] | General warehousing, supporting services to water transport N.E.C. | Singapore | **-** | - | **100** | 100 | **-** | - |
| Recon Propeller & Engineering Pte Ltd ("**Recon**")[a] | Sterngear services | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Mencast Procurement (Singapore) Pte. Ltd.[a] | Inactive | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Top Great Engineering & Marine Pte Ltd[a] | Provision of mechanical engineering works, and repair of ships, tankers and other ocean- going vessels | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Unidive Subsea Pte. Ltd. (formerly known as Mencast Subsea Pte. Ltd.)[f][i] | Disposal group | Singapore | **-** | 100 | **-** | 100 | **-** | - |
| S&W Pte. Ltd.[a] | Inactive | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Mencast Innovation Centre Pte. Ltd.[a] | Engineering design and consultancy services | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Mencast Marine (HK) Limited[c] | Inactive | Hong Kong | **-** | - | **100** | 100 | **-** | - |
| Mencast Energeers Pte. Ltd.[a] | Inactive | Singapore | **-** | - | **70** | 70 | **30** | 30 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 16. Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows: (continued)

| Name of companies | Principal activities | Country of business/ incorporation | Proportion of ordinary shares directly held by the Company | | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|---|---|
| | | | **2022 %** | 2021 % | **2022 %** | 2021 % | **2022 %** | 2021 % |
| Chinyee Engineering & Machinery Pte Ltd[a] | Supply of oil and gas equipment and precision engineering services | Singapore | **-** | - | **100** | 100 | **-** | - |
| PT. Mencast Offshore & Marine[b][i] | Fabrication of steel structure, ship building and repairs | Indonesia | **-** | - | **100** | 100 | **-** | - |
| Top Great Holdings Pte. Ltd.[a] | Investment holding | Singapore | **-** | - | **100** | 100 | **-** | - |
| Top Great Engineering Services LLC[h] | In the process of voluntary liquidation | Sultanate of Oman | **-** | - | **100** | 100 | **-** | - |
| Unidive Marine Services (Malaysia) Sdn Bhd[f] | Disposal group | Malaysia | **-** | - | **-** | 100 | **-** | - |
| Unidive Offshore Private Limited[f] | Disposal group | Singapore | **-** | - | **-** | 100 | **-** | - |
| S&W Process Equipment (Changshu) Co. Ltd.[d][e] | Disposal group | China | **-** | 100 | **-** | 100 | **-** | - |
| Mencast Investment Holdings Pte. Ltd.[a] | Investment holding | Singapore | **100** | 100 | **100** | 100 | **-** | - |
| Virestorm Pte. Ltd.[a] | Manufacture of electrical machinery | Singapore | **-** | - | **50** | 50 | **50** | 50 |
| Menji Pte. Ltd.[a][g] | Deemed disposal | Singapore | **49.7** | 49.7 | **49.7** | 49.7 | **50.3** | 50.3 |

[a] Audited by CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation), Singapore.

[b] Audited by Riyanto, SE, AK, Indonesia.

[c] Audited by Eden & Co., Certified Public Accountants (Practising), Hong Kong.

[d] Audited by Shanghai CLA Global TS Certified Public Accountants (formerly known as Shanghai Nexia TS CPAS), China for the financial year ended 31 December 2021.

[e] Completed the proposed disposal on 11 February 2022 (Notes 11(a) and 14(ii)(b)).

[f] Completed the proposed disposal on 30 June 2022 (Notes 11(b) and 14(i)).

[g] Deemed disposal with 49.7% retained investment in 2021 (Notes 11(c) and 18).

[h] In the process of voluntary liquidation.

[i] Audited under full scope audit or audit of significant line items of the financial statements by CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation), Singapore for consolidation purpose.

[j] Formerly known as Stone Marine Mencast Pte. Ltd., the company changed its name and business activities effective on 23 February 2023

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 16. Investments in subsidiary corporations (continued)

In accordance with Rule 716 of Catalist Rules, the Audit Committee and the Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Company.

*Significant restrictions*

Cash in bank of $Nil (2021: $30,000) is held in the People's Republic of China ("**PRC**") and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on remitting capital from the country, other than through normal dividends.

*Carrying amount of non-controlling interests*

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Mencast Energy Pte. Ltd. | **1,750** | 1,684 |
| Other subsidiary corporations with immaterial non-controlling interest | **(39)** | (38) |
| Total | **1,711** | 1,646 |

**Summarised financial information of subsidiary corporations with material non-controlling interests**

There are no transactions with non-controlling interests for the financial years ended 31 December 2022 and 2021 respectively.

Set out below are the summarised financial information for subsidiary corporations with non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

| | Mencast Energy | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| ***Summarised Balance Sheet*** | | |
| **Current** | | |
| Assets | **1,739** | 1,453 |
| Liabilities | **(9)** | (5) |
| Net current assets | **1,730** | 1,448 |
| **Non-current** | | |
| Assets | **4,104** | 4,165 |
| Net non-current assets | **4,104** | 4,165 |
| Net assets | **5,834** | 5,613 |
| ***Summarised Income Statement*** | | |
| Revenue | **-** | - |
| Profit before income tax | **221** | 732 |
| Income tax expense | **-** | - |
| Total comprehensive income, representing net profit | **221** | 732 |
| Total comprehensive income allocated to non-controlling interests | **66** | 220 |
| Dividends paid to non-controlling interests | **-** | 180 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 16. Investments in subsidiary corporations (continued)

Set out below are the summarised financial information for subsidiary corporations with non-controlling interests that are material to the Group. These are presented before inter-company eliminations. (continued)

| | Mencast Energy | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| ***Summarised Cash Flows*** | | |
| Net cash (used in)/provided by operating activities | **(28)** | 34 |
| Net cash provided by investing activities | **500** | 500 |
| Net cash used in financing activities | **-** | (600) |
| Net increase/(decrease) in cash and cash equivalents | **472** | (66) |
| Cash and cash equivalents | | |
| Beginning of financial year | **332** | 398 |
| End of financial year | **804** | 332 |

## 17. Investment in a joint venture

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| *Equity investment* | | |
| Beginning and end of financial year | **-** | - |

Details of joint venture are as follows:

| Name of company | Principal activities | Country of business/ incorporation | Effective equity holding | |
|---|---|---|---|---|
| | | | **2022 %** | 2021 % |
| Towell Top Great Engineering Services LLC | Dormant | Sultanate of Oman | **50** | 50 |

The Group has joint control over the joint venture as under the contractual agreements, unanimous consent is required from all parties to the arrangements for all relevant activities. The Group's joint arrangement is structured as a limited company such that the Group and the parties to the arrangement have the rights to the net assets of the limited company under the arrangements. Therefore, these arrangements are classified as joint venture. There are no contingent liabilities relating to the Group's interest in a joint venture company.

No summarised financial information for the joint venture is presented as the joint venture is not material to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 18. Investments in associated companies

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| *Equity investment* | | | | |
| Beginning of financial year | **4,264** | 4,290 | **137** | - |
| Currency translation difference | **(38)** | (6) | **(38)** | (6) |
| Addition[i] | **-** | 251 | **-** | 251 |
| Dividend income[ii] | **(200)** | (800) | **-** | - |
| Share of profit of associated companies | **75** | 529 | **(64)** | (108) |
| Reclassified to disposal group (Note 14)[iii] | **(4,066)** | - | **-** | - |
| End of financial year | **35** | 4,264 | **35** | 137 |

Details of associated companies are as follows:

| Name of company | Principal activities | Country of business/ incorporation | Effective equity holding | |
|---|---|---|---|---|
| | | | **2022 %** | 2021 % |
| **Held by the Company** | | | | |
| Menji Pte Ltd ("**Menji Singapore**")[a] | Additive manufactured products for interior design used on marine and offshore and commercial accommodation | Singapore | **49.7** | 49.7 |
| **Held by Menji Singapore** | | | | |
| Menji Technology Development (Shanghai) Co., Ltd ("**Menji Shanghai**")[b] | Provision of engineering and construction services, and the wholesale of building and construction materials | China | **49.7** | 49.7 |
| **Held by Mencast Energy** | | | | |
| Vac-Tech Engineering Pte Ltd ("**Vac-Tech**")[a] | Sludge treatment, catalyst handling, environmental services and industrial cleaning services | Singapore | **14.0** | 14.0 |

[a] Audited by CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation), Singapore.

[b] Audited by Shanghai CLA Global TS Certified Public Accountants (formerly known as Shanghai Nexia TS CPAS), China.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**18. Investments in associated companies** (continued)

As at 31 December 2022, the Group has 2 associated companies namely:

(i) Menji Singapore and its subsidiary corporation

On 28 July 2021, Menji Singapore, a 55.2% owned subsidiary corporation of the Company (the "**Purchaser**") and Mr. Gong Kun (the "**Seller**") have mutually agreed in writing to vary and amend the terms of the sale and purchase agreement in relation to the proposed acquisition of 100% of the registered share capital in Menji Shanghai 旻集科技发展（上海）有限公司 dated 11 May 2021, by way of a supplemental agreement entered into between the parties on 28 July 2021 (the "**Supplemental Agreement**"). The consideration of the proposed acquisition was RMB 1.

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 that 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 (the "**Menji Group**").

On 30 September 2021, Menji Singapore entered into share subscription agreement for the allotment and issuance of 55,000 ordinary shares to Mr. Gong Kun for a consideration of $50,000 (the "**Transaction**").

Consequently, the Company's shareholdings in Menji Group reduced from 55.2% to approximately 49.7%. Menji Group ceased to be the subsidiary corporation and became the associated company accounted for using the equity method of accounting.

As a result of the Transaction for the financial year ended 31 December 2021, the Group recorded a decrease of $13,000 in accumulated losses and non-controlling interest. The Group also recognised a gain on re-measurement of retained investment as an associated company of $119,000 (Note 5) as of 31 December 2021.

(ii) Vac-Tech Engineering Pte Ltd ("**Vac-Tech**")

As disclosed in Note 14(ii) to the financial statements, the Group reclassified the carrying amount of its investment in Vac-Tech of $4,066,000 to disposal group classified as held-for-sale as at 31 December 2022.

During the financial year ended 31 December 2022, Vac-Tech declared dividends of $1,000,000. The Group was entitled to receive $200,000 of these dividends, which were fully received during the financial year ended on 31 December 2022.

During the financial year ended 31 December 2021, Vac-Tech declared dividends of $2,500,000 and $1,500,000. The Group's entitlement to these dividends amounted to $800,000, of which $500,000 was received during the financial year ended 31 December 2021 and $300,000 was received in early January 2022.

There are no contingent liabilities relating to the Group's interest in associated companies.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 18. Investments in associated companies (continued)

Set out below are the summarised financial information of Vac-Tech, a material associated company, based on its unaudited financial statements (not the Group's share of those amounts) prepared in accordance with SFRS(I) and a reconciliation with the carrying amount of the investment in the Group's consolidated financial statements:

| | **Vac-Tech** |
|---|---|
| | 2021 |
| | $'000 |
| ***Summarised Income Statement*** | |
| Revenue | 21,290 |
| **Profit before income tax** | 3,860 |
| Income tax expense | (679) |
| **Total comprehensive income, representing net profit** | 3,181 |
| Dividends received from associated company | 500 |
| ***Summarised Balance Sheet*** | |
| **Current** | |
| Assets | 17,396 |
| Liabilities | (8,850) |
| Net current assets | 8,546 |
| **Non-current** | |
| Assets | 9,246 |
| Liabilities | (4,441) |
| Net non-current assets | 4,805 |
| **Net assets** | 13,351 |
| **Reconciliation** | |
| Group's share of net assets | 2,671 |
| Fair value adjustment on re-measurement of retained investment at the point of disposal | 1,456 |
| **Carrying amount** | 4,127 |
| Add: carrying amount of immaterial associated company | 137 |
| Carrying amount of Group's interest in associated companies | 4,264 |

The following table summarises, in aggregate, the financial information of the Group's individually immaterial associated companies accounted for using the equity method:

| | **2022** | 2021 |
|---|---|---|
| | **$'000** | $'000 |
| - Assets | **1,539** | 1,048 |
| - Liabilities | **1,707** | 1,012 |
| - Revenue | **2,541** | 30 |
| - Net loss | **(130)** | (424) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 19. Property, plant and equipment

| | Leasehold land $'000 | Buildings on leasehold land $'000 | Machinery and equipment $'000 | Furniture and fittings $'000 | Office equipment $'000 | Motor vehicles $'000 | Vessels $'000 | Computer $'000 | Renovation $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | | | | |
| **2022** | | | | | | | | | | | |
| *Cost* | | | | | | | | | | | |
| Beginning of financial year | 18,306 | 62,941 | 67,008 | 1,151 | 884 | 2,487 | 30,901 | 2,457 | 2,304 | 5,280 | 193,719 |
| Additions | - | - | 539 | 25 | 8 | 118 | 78 | 39 | 14 | 1,717 | 2,538 |
| Currency translation differences | (2) | (383) | (95) | (3) | - | (15) | - | (18) | - | - | (516) |
| Disposal of subsidiary corporations (Note 11) | (64) | - | (3,348) | (8) | (279) | (254) | (4,249) | (17) | (21) | - | (8,240) |
| Disposals | - | (299) | (272) | (13) | - | (28) | - | (454) | (40) | - | (1,106) |
| Lease modification | (1,214) | (5,931) | - | (351) | | | | | (1,125) | - | (8,621) |
| Reclassification | - | - | 4,345 | - | - | - | - | - | - | (4,345) | - |
| Write-off | - | - | (1,464) | - | - | - | - | - | - | - | (1,464) |
| End of financial year | 17,026 | 56,328 | 66,713 | 801 | 613 | 2,308 | 26,730 | 2,007 | 1,132 | 2,652 | 176,310 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 19. **Property, plant and equipment** (continued)

| | Leasehold land $'000 | Buildings on leasehold land $'000 | Machinery and equipment $'000 | Furniture and fittings $'000 | Office equipment $'000 | Motor vehicles $'000 | Vessels $'000 | Computer $'000 | Renovation $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | | | | |
| **2022** | | | | | | | | | | | |
| *Accumulated depreciation and impairment losses* | | | | | | | | | | | |
| Beginning of financial year | 3,258 | 24,526 | 40,446 | 1,119 | 836 | 1,732 | 21,597 | 2,384 | 1,962 | - | 97,860 |
| Currency translation differences | (1) | (92) | (71) | (4) | - | (15) | - | (18) | - | - | (201) |
| Depreciation charge | | | | | | | | | | | |
| - Continuing operations (Note 6) | 1,004 | 2,235 | 3,989 | 17 | 12 | 253 | 970 | 70 | 134 | - | 8,684 |
| - Discontinued operations | - | 8 | 139 | - | 3 | 7 | 235 | 1 | 1 | - | 394 |
| Disposal of subsidiary corporations (Note 11) | (48) | - | (2,487) | (8) | (268) | (243) | (3,446) | (13) | (17) | - | (6,530) |
| Disposals | - | (299) | (272) | (13) | - | (28) | - | (454) | (40) | - | (1,106) |
| Lease modification | (839) | (5,483) | - | (344) | - | - | - | - | (1,051) | - | (7,717) |
| Write-off | - | - | (1,464) | - | - | - | - | - | - | - | (1,464) |
| End of financial year | 3,374 | 20,895 | 40,280 | 767 | 583 | 1,706 | 19,356 | 1,970 | 989 | - | 89,920 |
| ***Net book value*** | | | | | | | | | | | |
| **End of financial year** | 13,652 | 35,433 | 26,433 | 34 | 30 | 602 | 7,374 | 37 | 143 | 2,652 | 86,390 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 19. Property, plant and equipment (continued)

| | Leasehold land $'000 | Buildings on leasehold land $'000 | Machinery and equipment $'000 | Furniture and fittings $'000 | Office equipment $'000 | Motor vehicles $'000 | Vessels $'000 | Computer $'000 | Renovation $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | | | | |
| 2021 | | | | | | | | | | | |
| *Cost* | | | | | | | | | | | |
| Beginning of financial year | 18,273 | 62,914 | 67,404 | 1,208 | 880 | 2,521 | 30,817 | 2,497 | 2,304 | 2,761 | 191,579 |
| Additions | 33 | - | 1,093 | 127 | 36 | 206 | 125 | 28 | 78 | 2,089 | 3,815 |
| Currency translation differences | - | 27 | 49 | 3 | 1 | 1 | - | 4 | - | - | 85 |
| Deemed disposal of a subsidiary corporation to an associated company (Note 11) | - | - | - | (126) | - | - | - | - | (78) | - | (204) |
| Disposals | - | - | (78) | - | - | (241) | (41) | - | - | - | (360) |
| Reclassified to disposal group (Note 14 (c)) | - | - | (1,030) | (61) | (33) | - | - | (72) | - | - | (1,196) |
| Reclassification | - | - | (430) | - | - | - | | - | - | 430 | - |
| End of financial year | 18,306 | 62,941 | 67,008 | 1,151 | 884 | 2,487 | 30,901 | 2,457 | 2,304 | 5,280 | 193,719 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 19. Property, plant and equipment (continued)

| | Leasehold land $'000 | Buildings on leasehold land $'000 | Machinery and equipment $'000 | Furniture and fittings $'000 | Office equipment $'000 | Motor vehicles $'000 | Vessels $'000 | Computer $'000 | Renovation $'000 | Construction in progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| <u>Group</u> | | | | | | | | | | | |
| 2021 | | | | | | | | | | | |
| *Accumulated depreciation and impairment losses* | | | | | | | | | | | |
| Beginning of financial year | 2,169 | 21,860 | 37,115 | 1,152 | 805 | 1,721 | 20,275 | 2,338 | 1,816 | - | 89,251 |
| Currency translation differences | - | 7 | 48 | 3 | 1 | 1 | - | 4 | - | - | 64 |
| Depreciation charge | | | | | | | | | | | |
| - Continuing operations (Note 6) | 1,073 | 2,659 | 3,997 | 31 | 52 | 216 | 903 | 107 | 153 | - | 9,191 |
| - Discontinued operations | 16 | - | 288 | - | 8 | 17 | 460 | 1 | 1 | - | 791 |
| Deemed disposal of a subsidiary corporation to an associated company (Note 11) | - | - | - | (12) | - | - | - | - | (8) | - | (20) |
| Disposals | - | - | (56) | - | - | (223) | (41) | - | - | - | (320) |
| Impairment loss (Note 5) | - | - | 84 | - | - | - | - | - | - | - | 84 |
| Reclassified to disposal group (Note 14(c)) | - | - | (1,030) | (55) | (30) | - | - | (66) | - | - | (1,181) |
| End of financial year | 3,258 | 24,526 | 40,446 | 1,119 | 836 | 1,732 | 21,597 | 2,384 | 1,962 | - | 97,860 |
| ***Net book value*** | | | | | | | | | | | |
| **End of financial year** | 15,048 | 38,415 | 26,562 | 32 | 48 | 755 | 9,304 | 73 | 342 | 5,280 | 95,859 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 19. **Property, plant and equipment** (continued)

| | Office equipment $'000 | Computers $'000 | Motor vehicle $'000 | Renovation $'000 | Total $'000 |
|---|---|---|---|---|---|
| Company | | | | | |
| **2022** | | | | | |
| *Cost* | | | | | |
| Beginning of financial year | **4** | **124** | **259** | **24** | **411** |
| Addition | **2** | **11** | **-** | **-** | **13** |
| End of financial year | **6** | **135** | **259** | **24** | **424** |
| *Accumulated depreciation* | | | | | |
| Beginning of financial year | **3** | **111** | **125** | **24** | **263** |
| Depreciation charge | **1** | **11** | **52** | **-** | **64** |
| End of financial year | **4** | **122** | **177** | **24** | **327** |
| ***Net book value*** | | | | | |
| **End of financial year** | **2** | **13** | **82** | **-** | **97** |
| 2021 | | | | | |
| *Cost* | | | | | |
| Beginning and end of financial year | 4 | 124 | 259 | 24 | 411 |
| *Accumulated depreciation* | | | | | |
| Beginning of financial year | 3 | 98 | 73 | 24 | 198 |
| Depreciation charge | * | 13 | 52 | - | 65 |
| End of financial year | 3 | 111 | 125 | 24 | 263 |
| ***Net book value*** | | | | | |
| **End of financial year** | 1 | 13 | 134 | - | 148 |

* Less than $1,000

Additions during the financial year included motor vehicles acquired under lease liabilities – hire purchase amounting to $Nil (2021: $34,000).

The carrying amount of motor vehicles held under lease liabilities – hire purchase are $89,000 (2021: $150,000) at the balance sheet date.

Certain bank borrowings are secured by property, plant and equipment of the Group with carrying amounts of $41,786,000 (2021: $47,735,000) (Note 24(a)).

During the financial year ended 31 December 2022, impairment charges of $Nil (2021: $84,000) (Note 5) was recognised for property, plant and equipment as the estimated recoverable amounts are less than carrying amount and/or fair value less costs to sell.

Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 20 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 19. Property, plant and equipment (continued)

Included in the Group's property, plant and equipment are leasehold properties which are carried at cost less accumulated depreciation and impairment. The Group engaged independent valuers to carry out valuation of the Group's properties. Set out below are the fair values of the properties as at the balance sheet date:

| | | | | As at 31 December 2022 | | |
|---|---|---|---|---|---|---|
| **Location** | **Description** | **Land Area sqm** | **Latest valuation date** | **Net book value $'000** | **Fair values $'000** | **Excess of fair values over net book value $'000** |
| 12 Kwong Min Road | Office building, dormitory and workshop | 4,623 | Dec 2022 | 1,572 | 1,800 | 228 |
| 42A Penjuru Road[a] | Office building, canteen and workshop | 15,088 | Dec 2022 | 62,717 | 67,500 | 4,783 |
| 42B Penjuru Road | Office building and workshop | 16,200 | Dec 2022 | 14,686 | 26,500 | 11,814 |
| 42E Penjuru Road | Waterfront, office building and workshop | 19,292 | Dec 2022 | 15,070 | 20,000 | 4,930 |
| Jl. Brigjen Katamso Km 18[b] | Office building and workshop | 50,793 | Dec 2022 | 4,283 | 5,010 | 727 |
| Total | | | | **98,328** | **120,810** | **22,482** |

(a) This 100% owned property is included in the Assets of disposal group classified as held-for-sale as at 31 December 2022 (Note 14(c)).
(b) Proposed disposal of the 100% owned property on 9 March 2023 (Note 33(b)).

The net book value of leasehold properties, as disclosed above, do not include the respective carrying amounts for leasehold land.

The basis of valuation to determine the fair value of the Singapore properties was based on the sales comparison method. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction. The sales comparison method involves the analysis of comparable sales price of similar properties in close proximity and adjusted for price differences in key attributes such as property type and size. The most significant input in this valuation approach is the selling price per square metre.

For the Indonesia property located in Jl. Brigjen Katamso, the basis of valuation to determine its fair value was based on the direct comparison method for land and depreciated replacement cost method for building. The key assumption and estimation input for direct comparison method are location, size area and date of transaction of comparable land while input for depreciated replacement cost method are unit price of material and wages at which market participants will pay.

The fair values above are within Level 2 of the fair value hierarchy (Note 30(e)).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 20. Leases – The Group as a lessee

Nature of the Group's leasing activities

**Leasehold land**

The Group leases land for business operations from non-related parties under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewable rights.

Various leasehold lands are recognised within property, plant and equipment and disposal group classified as held-for-sale (Notes 19 and 14). The Group also makes monthly lease payments for leasehold land.

There are no externally imposed covenants on these lease arrangements.

**Motor vehicles**

The Group leases motor vehicles for operation purpose.

(a) Carrying amounts

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| ROU assets classified within Property, plant and equipment | | |
| Leasehold land | **13,652** | 15,048 |
| Motor vehicles | **89** | 150 |
| | **13,741** | 15,198 |
| ROU asset of disposal group classified as held-for-sale | | |
| Leasehold land | **7,828** | 7,828 |

(b) Depreciation charge during the financial year

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Leasehold land | | |
| - Continuing operations | **996** | 1,073 |
| - Discontinued operations | **8** | 16 |
| Motor vehicles | | |
| - Continuing operations | **57** | 68 |
| - Discontinued operations | **2** | 4 |
| Office equipment | | |
| - Continuing operations | **-** | 17 |
| | **1,063** | 1,178 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 20. Leases – The Group as a lessee (continued)

(c) Interest expense during the financial year

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Interest expense on lease liabilities – leasehold land | | |
| - Continuing operations (Note 8) | **531** | 568 |
| - Discontinued operations | **-*** | 1 |
| Interest expense on lease liabilities – hire purchase | | |
| - Continuing operations (Note 8) | **8** | 16 |
| - Discontinued operations | **-*** | 1 |
| | **539** | 586 |

** Less than $1,000*

(d) Lease expenses not capitalised in lease liabilities

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Lease expense – short term lease | | |
| - Continuing operations (Note 6) | **229** | 336 |
| - Discontinued operations | **169** | 361 |
| | **398** | 697 |

(e) Total income from subleasing ROU assets in 2022 was $2,564,000 (2021: $2,999,000) (Note 5).

(f) Total cash outflow for all leases in 2022 was $2,538,000 (2021: $2,740,000).

(g) Addition of ROU assets during the financial year 2022 was $Nil (2021: $67,000).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 21. Leases – The Group as a lessor

Nature of the Group's leasing activities - Group as an intermediate lessor

Subleases – classified as operating leases

The Group has leased out certain units of its leasehold properties to non-related parties for monthly lease receipts. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

The Group acts as an intermediate lessor under arrangement in which it subleases out units to non-related parties for monthly lease receipts. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating lease.

Rental income from leasehold properties is disclosed in Note 5 to the financial statements.

Maturity analysis of lease payments – Group as an intermediate lessor

The table below discloses the undiscounted lease payments to be received by the Group for its leases and sub-leases after the balance sheet date as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Less than one year | **2,509** | 2,892 |
| Later than one year but not later than five years | **646** | 1,302 |
| Total undiscounted lease payments | **3,155** | 4,194 |

## 22. Intangible assets

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Composition: | | |
| Goodwill arising on acquisition of business (Note 22(a)) | **-** | - |
| Goodwill arising on consolidation (Note 22(b)) | **4,781** | 4,781 |
| | **4,781** | 4,781 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 22. Intangible assets (continued)

(a) Goodwill arising on acquisition of business

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| *Cost* | | |
| Beginning and end of financial year | **3,488** | 3,488 |
| *Accumulated impairment* | | |
| Beginning and end of financial year | **(3,488)** | (3,488) |
| **Net book value** | **-** | - |

The goodwill is related to the acquisition of a business for one of the Company's subsidiary corporations, Mencast Engineering Pte. Ltd. The Management provided a full impairment in prior financial year ended 31 December 2017 due to slow recovery in the oil and gas and marine industry. The value-in-use calculation on the recoverable amount was lower than the carrying amount of the aforesaid goodwill.

(b) Goodwill arising on consolidation

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| *Cost* | | |
| Beginning of financial year | **36,812** | 36,812 |
| Disposal of subsidiary corporations[1] | **(12,777)** | - |
| End of financial year | **24,035** | 36,812 |
| *Accumulated impairment* | | |
| Beginning of financial year | **(32,031)** | (32,031) |
| Disposal of subsidiary corporations[1] | **12,777** | - |
| End of financial year | **(19,254)** | (32,031) |
| **Net book value** | **4,781** | 4,781 |

[1] The above pertains to disposal of Subsea Group as disclosed in Notes 11 and 14 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 22. Intangible assets (continued)

(b) Goodwill arising on consolidation (continued)

*Impairment tests for goodwill*

Goodwill is allocated to the Group's cash-generating units ("**CGUs**") identified according to operating entities as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Recon | **4,781** | 4,781 |

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by Management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

Key assumptions used for value-in-use calculations:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Growth rate[1]** | **Discount rate[2]** | Growth rate[1] | Discount rate[2] |
| Recon | **3%** | **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.

These assumptions were used for the analysis of each CGU within the business segment. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 23. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Trade payables | | | | |
| - Non-related parties | **1,379** | 3,077 | **-** | - |
| - Associated companies | **5** | 9 | **-** | - |
| Accruals for operating expenses | **2,850** | 3,625 | **1,359** | 1,457 |
| Other payables | | | | |
| - Non-related parties | **1,526** | 1,224 | **148** | 71 |
| - Associated companies | **26** | 28 | **26** | 28 |
| - Subsidiary corporations | **-** | - | **25,066** | 25,259 |
| | **5,786** | 7,963 | **26,599** | 26,815 |

Transactions with associated companies were made on normal commercial terms and conditions.

The other payables to subsidiary corporations and associated companies are unsecured, interest-free and are repayable on demand.

## 24. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| *Current* | | | | |
| Bank borrowings | **9,726** | 9,832 | **2,872** | 2,667 |
| Bank overdraft (Note 11) | **-** | 306 | **-** | - |
| Trade financing | **1,376** | - | **-** | - |
| Lease liabilities – hire purchase | **32** | 45 | **-** | - |
| Lease liabilities – leasehold land | **680** | 918 | **-** | - |
| | **11,814** | 11,101 | **2,872** | 2,667 |
| *Non-current* | | | | |
| Bank borrowings | **65,689** | 79,056 | **45,790** | 48,458 |
| Lease liabilities – hire purchase | **73** | 108 | **-** | - |
| Lease liabilities – leasehold land | **13,852** | 14,841 | **-** | - |
| | **79,614** | 94,005 | **45,790** | 48,458 |
| Total borrowings | **91,428** | 105,106 | **48,662** | 51,125 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 24. Borrowings (continued)

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| 6 months or less | **69,137** | 80,295 | **44,741** | 46,988 |
| 6 - 12 months | **-** | - | **-** | - |
| 1 - 5 years | **7,759** | 9,615 | **3,921** | 4,137 |
| Over 5 years | **14,532** | 15,196 | **-** | - |
| | **91,428** | 105,106 | **48,662** | 51,125 |

(a) Security granted

Bank borrowings and bank overdraft include secured liabilities of $70,989,000 (2021: $80,802,000) over short-term bank deposits (Note 11), certain buildings on leasehold land and vessels (Note 19).

Lease liabilities – hire purchase of the Group are effectively secured over the motor vehicles (Note 19), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the lease liabilities – hire purchase.

(b) Fair value of non-current borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Bank borrowings | **58,681** | 74,414 | **41,713** | 45,670 |

The fair values above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the Directors expect to be available to the Group as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **%** | % | **%** | % |
| Bank borrowings | **6.07** | 3.07 | **6.13** | 4.66 |

The fair values above are within level 2 of the fair values hierarchy (Note 30(e)).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**24. Borrowings** (continued)

(c) Financial covenants

The Group's bank borrowings are subjected to financial covenant clauses whereby the Group is required to meet certain key financial ratios and any breach of which would result in an event of default under the relevant existing facility agreements. As at 31 December 2022, the Group did not fulfil the gearing ratio and minimum tangible net worth as required in some of the Group's facility agreements but compliance with these covenants has been waived by the lenders up to 31 March 2024 as disclosed in financial statements Note 2.1 – Going Concern.

**25. Deferred income taxes**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting are shown on the balance sheet as follows:

| | **Group** | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Deferred income tax liabilities to be settled after one year | **1,752** | 1,752 |

The movement in deferred income tax liabilities prior to offsetting is as follows:

| | **Accelerated tax depreciation** |
|---|---|
| | **$'000** |
| Group | |
| **2022** | |
| Beginning and end of financial year | **1,752** |
| | |
| 2021 | |
| Beginning of financial year | 3,588 |
| Tax credited to profit or loss | |
| - Continuing operations (Note 9) | (1,835) |
| - Discontinued operations (Note 9) | (1) |
| Deferred income tax liabilities to be settled after one year | 1,752 |

The Group has unrecognised tax losses of $23,312,000 (2021: $23,505,000), donation of $35,000 (2021: $35,000) and capital allowance of $14,388,000 (2021: $20,497,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 26. Share capital and treasury shares

| | No. of ordinary shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | **Issued share capital '000** | **Treasury shares '000** | **Total '000** | **Share capital $'000** | **Treasury shares $'000** | **Total $'000** |
| Group and Company | | | | | | |
| **2022** | | | | | | |
| Beginning of financial year | **448,216** | **(455)** | **447,761** | **93,155** | **(203)** | **92,952** |
| Share issue pursuant to: | | | | | | |
| - Share-based payment | **1,125** | **-** | **1,125** | **35** | **-** | **35** |
| - Share Awards under the PSAS 2021 (Note 7) | **3,064** | **-** | **3,064** | **95** | **-** | **95** |
| End of financial year | **452,405** | **(455)** | **451,950** | **93,285** | **(203)** | **93,082** |
| | | | | | | |
| 2021 | | | | | | |
| 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 (Note 7) | 5,333 | - | 5,333 | 240 | - | 240 |
| End of financial year | 448,216 | (455) | 447,761 | 93,155 | (203) | 92,952 |

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

All the newly shares issued during the financial year rank *pari passu* in all respects with the previously issued shares.

**2022**

On 12 May 2022, the Company has allotted and issued an aggregate of 3,064,000 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 vested on the date of grant) 1,125,000 shares to the Independent Directors of the Company in accordance with Independent Directors' fee arrangement for the financial year ended 31 December 2022 (as approved by Shareholders of the Company at the annual general meeting held on 29 April 2022), whereby the Independent Directors shall receive $139,000 in cash and the remaining $35,000 in shares.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**26. Share capital and treasury shares** (continued)

**2021**

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 vested on the 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.

Performance Shares

*Mencast Performance Share Award Scheme 2021*

PSAS 2021 was approved by members of the Company at an Extraordinary General Meeting ("**EGM**") held on 30 April 2021. PSAS 2021 provides for the award of fully paid-up ordinary shares ("**Share Awards**") in the share capital of the Company, free of charge to group employees (which includes Group Executive Directors and Group Non-Executive Directors).

Controlling Shareholders or Associates of a Controlling Shareholder who meet the eligibility criteria are also eligible to participate in the PSAS 2021 provided that the participation of and the terms of each grant and the actual number of awards granted to a participant who is a Controlling Shareholder or an associate of a Controlling Shareholder shall be approved by the Independent Shareholders in separate resolutions for each such person.

The PSAS 2021 is a share incentive scheme which allows the Company to provide an incentive for the participants to achieve certain specific performance condition(s) by awarding fully paid shares after these targets have been met. The focus of PSAS 2021 is principally to target employees and executives in key positions who are in the best position to drive the growth of the Group through innovation, creativity and superior performance.

The Board of Directors believe that the purposes of adopting the PSAS 2021 are to:

(a) Provide an opportunity for participants to participate in the equity of the Company, thereby inculcating a stronger sense of identification with the long-term prosperity of the Group and promoting organisational commitment, dedication and loyalty of participants towards the Group;

(b) Motivate participants to strive towards performance excellence and to maintain a high level of contribution to the Group;

(c) Give recognition to contributions made to or to be made by participants by introducing a variable component into their remuneration package; and

(d) Make employee remuneration sufficiently competitive to recruit new participants and/or to retain existing participants whose contributions are important to the long-term growth and profitability of the Group.

The PSAS 2021 is administered by the Remuneration Committee ("**RC**") composed of Independent Directors namely, Ng Chee Keong, Sunny Wong Fook Choy and Leow David Ivan.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**26. Share capital and treasury shares** (continued)

Performance Shares (continued)

*Mencast Performance Share Award Scheme 2021* (continued)

The Company may deliver shares pursuant to awards granted under the PSAS 2021 by way of:

(a) Issuance of new shares; and/or

(b) Transfer of treasury shares.

The aggregate number of ordinary shares over which the Company may grant under the PSAS 2021 shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

Details of the Share Awards pursuant to the PSAS 2021 were as follows:

| | Aggregate Share Awards granted and vested since commencement of the PSAS 2021 to 31 December 2021 | Share Awards granted and vested during the financial year 31 December 2022 | Aggregate Share Awards granted and vested since commencement of the PSAS 2021 to 31 December 2022 |
|---|---|---|---|
| | '000 | '000 | '000 |
| Executive Directors | 2,000 | - | 2,000 |
| Independent Directors | 1,292 | 1,125 | 2,417 |
| Key management personnel | 889 | 2,602 | 3,491 |
| Group employees | 2,444 | 462 | 2,906 |
| | **6,625** | **4,189** | **10,814** |

As at 31 December 2022:

(i) There are no outstanding Share Awards under the PSAS 2021;
(ii) 10,814,000 shares have been delivered upon vesting of the Share Awards granted under the PSAS 2021 since its commencement, representing approximately 2.39% of the issued Shares (excluding treasury shares); and
(iii) A total of 16 participants have been awarded under the PSAS 2021 since its commencement.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 27. Translation reserve

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Beginning of financial year | **(507)** | (515) | **(6)** | - |
| Currency translation differences for foreign operations | **(433)** | 8 | **(38)** | (6) |
| End of financial year | **(940)** | (507) | **(44)** | (6) |

Translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

## 28. Contingencies

Group

During financial year ended 31 December 2019, a wholly owned subsidiary corporation of the Company provided a corporate guarantee to a major customer for a five-year contract secured by its associated company. The guarantee expires on 30 November 2024.

Company

The Company has given an undertaking to provide continued financial support to certain subsidiary corporations in the normal course of business.

On 22 August 2022, the Company has issued a corporate guarantee of approximately $1,255,000 to a customer for the receipt of 50% deposits of the purchase price by its wholly owned subsidiary corporation. The guarantee shall continue in force until all the obligations under the purchase orders have been duly performed by its wholly owned subsidiary corporation.

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations which are not secured over the assets of the subsidiary corporations. These bank borrowings amount to $5,802,000 (2021: $8,392,000) at the balance sheet date.

The Board of Directors estimated that the fair value of the corporate guarantees is negligible in the view that consequential liabilities to be derived from its guarantees to the banks, multinational customers and financial support provided to certain subsidiary corporations are not material and therefore not recognised.

## 29. Capital Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Property, plant and equipment | **721** | 1,838 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. Financial risk management

*Financial risk factors*

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set. The finance personnel identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The finance personnel measure actual exposures against the limits set and prepares weekly reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than functional currency such as United State Dollar ("**USD**").

(a) Market risk

(i) *Currency risk*

The Group's currency exposure based on the information provided to Key Management is as follows:

| | Group | | | |
|---|---|---|---|---|
| | **SGD $'000** | **USD $'000** | **Others $'000** | **Total $'000** |
| **2022** | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents and FVOCI financial assets | **8,100** | **788** | **225** | **9,113** |
| Trade and other receivables | **18,075** | **483** | **701** | **19,259** |
| Contract assets | **21** | **-** | **295** | **316** |
| Intercompany balances | **139,935** | **1,243** | **-** | **141,178** |
| | **166,131** | **2,514** | **1,221** | **169,866** |
| **Financial liabilities** | | | | |
| Trade and other payables | **(5,001)** | **(7)** | **(778)** | **(5,786)** |
| Borrowings* | **(159,446)** | **(204)** | **(122)** | **(159,772)** |
| Intercompany balances | **(139,935)** | **(1,243)** | **-** | **(141,178)** |
| | **(304,382)** | **(1,454)** | **(900)** | **(306,736)** |
| **Net financial (liabilities)/assets** | **(138,251)** | **1,060** | **321** | **(136,870)** |
| Add: Net non-financial assets* | **162,170** | **-** | **5,575** | **167,745** |
| **Currency profile including non-financial assets** | **23,919** | **1,060** | **5,896** | **30,875** |
| **Currency exposure of net financial assets/(liabilities) net of those denominated in the respective entities' functional currencies** | **13** | **1,060** | **(157)** | **916** |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. Financial risk management (continued)

*Financial risk factors* (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

| | Group | | | |
|---|---|---|---|---|
| | **SGD $'000** | **USD $'000** | **Others $'000** | **Total $'000** |
| 2021 | | | | |
| **Financial assets** | | | | |
| Cash and cash equivalents and FVOCI financial assets* | 12,641 | 1,414 | 373 | 14,428 |
| Trade and other receivables* | 18,120 | 1,476 | 546 | 20,142 |
| Contract assets | 606 | - | 503 | 1,109 |
| Intercompany balances | 142,703 | 1,253 | 106 | 144,062 |
| | 174,070 | 4,143 | 1,528 | 179,741 |
| **Financial liabilities** | | | | |
| Trade and other payables* | (6,244) | (1,032) | (724) | (8,000) |
| Borrowings* | (174,156) | - | (33) | (174,189) |
| Intercompany balances | (142,703) | (1,253) | (106) | (144,062) |
| | (323,103) | (2,285) | (863) | (326,251) |
| **Net financial (liabilities)/assets** | (149,033) | 1,858 | 665 | (146,510) |
| Add: Net non-financial assets* | 171,503 | - | 6,538 | 178,041 |
| **Currency profile including non-financial assets** | 22,470 | 1,858 | 7,203 | 31,531 |
| **Currency exposure of net financial assets net of those denominated in the respective entities' functional currencies** | 14 | 1,858 | 9 | 1,881 |

** Include the assets and liabilities directly associated with disposal group classified as held-for-sale (Note 14(c) and (d)).*

If the USD change against the SGD by 2% (2021: 2%) with all other variables including tax rate being held constant, the effects arising from the net financial asset position to the financial performance of the Group will be as follows:

| | Increase/(decrease) (Loss)/profit after tax | |
|---|---|---|
| | **2022 $'000** | 2021 $'000 |
| USD against SGD | | |
| - Strengthened | **(18)** | 31 |
| - Weakened | **18** | (31) |

The Company is not exposed to currency risk since all its financial assets and liabilities as at 31 December 2022 and 2021 are denominated in Singapore Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

**30. Financial risk management** (continued)

*Financial risk factors* (continued)

(a) Market risk (continued)

(ii) *Price risk*

The Group is exposed to equity securities price risk arising from the equity investments classified as financial assets, at FVOCI. These securities are listed in Malaysia.

Further details of these equity investments can be found in Note 15 to the financial statements.

*Equity price sensitivity*

In respect of equity investments classified as financial assets, at FVOCI, if equity prices had been 10% higher or lower, with all other variables including tax rate being held constant, the impact to the net profit and equity of the Group are not significant.

(iii) *Cash flow and fair value interest rate risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate bank borrowings that are mainly denominated in SGD. The Group manages its interest rate risk by keeping bank borrowings to the minimum required to sustain the operations of the Group.

If the SGD variable interest rates had been higher/lower by 1.0% (2021: 0.5%) with all other variables including tax rate being held constant, the net (loss)/profit would have been higher/lower by $975,000 (2021: lower/higher by $705,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining deposit where appropriate to mitigate credit risk; and

- High credit quality counterparties, where available.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Management at operating entity level based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at operating entity level by the respective Management and at the Group level by the Corporate Finance department.

The Group's investments in equity instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except for the corporate guarantees provided by the Group and the Company to non-related parties as disclosed in Note 28 to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. **Financial risk management** (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

The movements in credit loss allowance are as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| <u>Trade receivables</u> | | |
| Beginning of financial year | **1,793** | 1,778 |
| (Write-back)/loss allowance recognised in profit or loss during the financial year on | | |
| - Assets acquired presented under: | | |
| *Continuing operations (Note 3(e))* | **-** | 35 |
| - Reversal of unutilised amounts presented under: | | |
| *Continuing operations* | **(42)** | (15) |
| *Discontinued operations* | **(4)** | - |
| | **(46)** | (15) |
| | **(46)** | 20 |
| Disposal of subsidiary corporations | **(12)** | - |
| Receivables written off as uncollectible | **(1,223)** | (3) |
| Reclassified to assets of disposal classified as held-for-sale | **-** | (2) |
| End of financial year (Note 12) | **512** | 1,793 |

| | Company | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| <u>Other receivables</u> | | |
| Beginning of financial year | **16,763** | - |
| Loss allowance recognised in profit or loss during the financial year on: | | |
| - Assets acquired (Note 3(e)) | **2,151** | 16,763 |
| End of financial year (Note 12) | **18,914** | 16,763 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. Financial risk management (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

*Trade receivables and contract assets*

The trade receivables and contract assets are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring Expected Credit Losses (ECL) which uses a lifetime expected loss allowance.

The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on respective segments and the days past due for measuring the expected credit losses. Management further categorises the assets based on certain shared credit risk characteristics.

For non-credit-impaired debtors, the Group uses an allowance matrix to measure the lifetime expected credit loss allowances for trade receivables and contract assets. The allowance matrix is based on its historical observed default rates (over period of 36 months) over the expected life of the trade receivables and contract assets, and is adjusted for forward-looking estimates. At every balance sheet date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For credit-impaired debtors, the Group determines impairment of trade receivables and contract assets by making debtor-specific assessment for credit-impaired debtors. Evidence that a financial asset is credit-impaired includes the following observable data:

- Breach of contract such as a default or past due outstanding for more than the reasonable range of past due days, taking into consideration historical payment track records, current macroeconomics situation as well as the general industry trend;
- It is probable that the debtor will enter bankruptcy or other financial reorganisation or is having significant financial difficulty; or
- The disappearance of an active market for a security because of financial difficulties.

In measuring the expected credit loss for credit-impaired debtors, the Group has considered settlement arrangements entered into with various customers, such as instalment plans and contra settlements/arrangements with customers. The Group also considers available reasonable and supportive forward-looking information which includes actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations.

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.

Receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group and Company. The Management categorises receivables for write off when a debtor fails to make contractual payment greater than 180 days past due based on historical collection trend during the financial year. Where receivables have been written off, the Group and Company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. Financial risk management (continued)

*Financial risk factors* (continued)

(b) Credit risk (continued)

*Other receivables*

The Group and the Company use the general approach for assessment of ECLs for these financial assets. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECL at initial recognition.

At each balance sheet date, the Group and the Company assess whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, the loss allowance is measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment. If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the loss allowance is measured at an amount equal to 12-month ECLs.

As at 31 December 2022, the Group performed an assessment of impairment using the 12-month ECL basis on these financial assets. The Group concluded the loss allowance is adequate.

*Cash and cash equivalents*

The Group and the Company held cash and bank balances of $9,026,000 and $1,750,000 (2021: $14,307,000 and $5,351,000) respectively. Cash and bank balances are held with banks with sound credit ratings. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

*Non-trade receivables from subsidiary corporations*

Non-trade receivables from subsidiary corporations are provided mainly for short-term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis. The Company concluded that the loss allowance provided for non-trade receivables from subsidiary corporations is adequate. As at 31 December 2022, the Company has provided an additional loss allowance amounted to $2,151,000 (2021: $16,763,000) as there is no reasonable ground to recover the receivables from these subsidiary corporations.

*Financial assets, at FVOCI*

Financial assets, at FVOCI are equity securities listed in Malaysia amounting to $87,000 (2021: $91,000). These balances are measured at the 12-month expected credit losses and are subject to immaterial credit loss.

# NOTES TO THE FINANCIAL STATEMENTS
**For the financial year ended 31 December 2022**

**30. Financial risk management** (continued)

*Financial risk factors* (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term bank deposits as disclosed in Note 11 to the financial statements.

Management monitors rolling forecasts of the Group's and Company's liquidity reserve and cash and cash equivalents (Note 11) on the basis of expected cash flow. This is generally carried out at local level in the operating entities of the Group in accordance with the practice and limits set by the Group. These limits vary by operating entity to take into account the working capital requirement of each entity. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

| | **Less than 1 year $'000** | **Between 1 and 2 years $'000** | **Between 2 and 5 years $'000** | **Over 5 years $'000** |
|---|---|---|---|---|
| Group | | | | |
| **At 31 December 2022** | | | | |
| Trade and other payables | **5,786** | **-** | **-** | **-** |
| Borrowings* | **80,158** | **13,066** | **24,295** | **67,376** |
| At 31 December 2021 | | | | |
| Trade and other payables* | 8,000 | - | - | - |
| Borrowings* | 80,184 | 12,838 | 27,346 | 73,805 |

* Include the liabilities directly associated with disposal group classified as held-for-sale (Note 14(d)).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. Financial risk management (continued)

*Financial risk factors* (continued)

(c) Liquidity risk (continued)

| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | Over 5 years $'000 |
|---|---|---|---|---|
| Company | | | | |
| **At 31 December 2022** | | | | |
| Trade and other payables | **26,599** | **-** | **-** | **-** |
| Borrowings | **2,872** | **5,623** | **15,806** | **41,629** |
| Financial guarantees | **7,057** | **-** | **-** | **-** |
| At 31 December 2021 | | | | |
| Trade and other payables | 26,815 | - | - | - |
| Borrowings | 2,667 | 4,531 | 12,960 | 43,100 |
| Financial guarantees | 8,392 | - | - | - |

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to Shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on debt-to-equity ratio. The Group and the Company are also required by the banks to maintain debt-to-equity ratio not exceeding 3.20 times (2021: 3.20 times).

Debt-to-equity ratio is calculated as borrowings divided by total equity. Borrowings comprised of bank borrowings, bank overdraft, trade financing and lease liabilities - hire purchase. Total equity is defined as equity attributable to equity holders plus any deferred income tax liabilities, minus intangible assets.

| | Group | | Company | |
|---|---|---|---|---|
| | **2022 $'000** | 2021 $'000 | **2022 $'000** | 2021 $'000 |
| Borrowings* | **139,613** | 152,064 | **48,662** | 51,125 |
| Total equity | **26,135** | 26,856 | **24,291** | 30,040 |
| Debt-to-equity ratio (times) | **5.34** | 5.66 | **2.00** | 1.70 |

* Borrowings include the liabilities directly associated with disposal group classified as held-for-sale (Note 14(d)).

The Group and the Company did not fulfil the gearing ratio and minimum tangible net worth as required in some of the Group's loan agreements for the financial years ended 31 December 2022 and 2021 respectively. The breaches on the above financial covenants for financial year ended 31 December 2022 were waived by the lenders up to 31 March 2024 through the Amended DRA as explained in Note 24(c) to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 30. Financial risk management (continued)

*Financial risk factors* (continued)

(e) Fair value measurement

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).

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

| | **Group** | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Financial assets, at FVOCI | **87** | 91 |

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.

The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amounts. The fair value measurement of non-current borrowings is disclosed in Note 24(b) to the financial statements.

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 15 to the financial statements except for the following:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2022** | 2021 | **2022** | 2021 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Financial assets, at FVOCI | **87** | 91 | **-** | - |
| Financial assets at amortised cost | **28,601** | 35,588 | **48,570** | 52,531 |
| Financial liabilities at amortised cost | **165,558** | 182,189 | **75,261** | 77,940 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 31. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(a) Transactions with related parties

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Sales of goods and/or services to | | |
| - Associated company | **4,379** | 5,884 |
| Purchases of products and services from | | |
| - Associated companies | **879** | 1,575 |
| Miscellaneous income from | | |
| - Associated company | **28** | 25 |
| Recharges of common costs: | | |
| - Associated companies | **64** | 70 |

Related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel, directors and their close family members or is an associated company of the Group.

Outstanding balances as at 31 December 2022 and 2021, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 23 to the financial statements respectively.

(b) Key Management personnel compensation

Key Management personnel compensation is as follows:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Wages and salaries | **2,186** | 2,057 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | **120** | 129 |
| Share Award under the PSAS | **80** | 200 |
| | **2,386** | 2,386 |

Key Management personnel compensation includes Directors' remuneration amounting to $1,244,000 (2021: $1,207,000).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 32. Segment 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 Group's operating segments are the strategic business units which offer different services and are managed separately. The reportable segment presentation is based on the Group's Management and internal reporting structure used for its strategic decision-making purposes.

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 - Includes offshore structures, engineering, manufacturing, inspection and maintenance.

(b) Marine - Includes sterngear manufacturing and refurbishment works, ship inspection, repair and maintenance services and engineering and fabrication works.

(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.

| | Group | | | |
|---|---|---|---|---|
| | Offshore & Engineering | Marine | Energy Services | Total |
| | $'000 | $'000 | $'000 | $'000 |
| **Continuing Operations** | | | | |
| **2022** | | | | |
| **Revenue** | | | | |
| Total segment revenue | **7,160** | **23,412** | **13,279** | **43,851** |
| Inter-segment revenue | **(1)** | **(1,483)** | **(26)** | **(1,510)** |
| Revenue from external parties | **7,159** | **21,929** | **13,253** | **42,341** |
| **Gross (loss)/profit** | **(1,591)** | **8,100** | **3,383** | **9,892** |
| Other gains, net | | | | **4,983** |
| Expenses | | | | |
| - Administrative | | | | **(9,496)** |
| - Finance | | | | **(5,353)** |
| Share of profit of associated companies | | | | **75** |
| Profit before income tax | | | | **101** |
| Income tax expense | | | | **(335)** |
| **Loss from continuing operations** | | | | **(234)** |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 32. Segment information (continued)

| | Group | | | |
|---|---|---|---|---|
| | **Offshore & Engineering $'000** | **Marine $'000** | **Energy Services $'000** | **Total $'000** |
| | (Restated) | (Restated) | | (Restated) |
| **Continuing Operations** | | | | |
| 2021 | | | | |
| **Revenue** | | | | |
| Total segment revenue | 9,763 | 22,675 | 14,236 | 46,674 |
| Inter-segment revenue | (11) | (723) | (26) | (760) |
| Revenue from external parties | 9,752 | 21,952 | 14,210 | 45,914 |
| **Gross (loss)/profit** | (1,336) | 9,569 | 5,253 | 13,486 |
| - Impairment loss on property, plant and equipment | (84) | - | - | (84) |
| - Write down of inventories | (109) | - | - | (109) |
| - Other gains, net | - | - | - | 5,428 |
| Other gains, net | | | | 5,235 |
| Expenses | | | | |
| - Administrative | | | | (10,309) |
| - Finance | | | | (3,881) |
| Share of profit of associated companies | | | | 529 |
| Profit before income tax | | | | 5,060 |
| Income tax credit | | | | 1,834 |
| **Profit from continuing operations** | | | | 6,894 |

The following table provides an analysis of the Group's revenue by geographical market which is analysed based on the country of domicile of the customers:

| | Group | |
|---|---|---|
| | **2022 $'000** | 2021 $'000 |
| | | (Restated) |
| Singapore | **35,772** | 39,868 |
| Asia[1] | **5,125** | 4,739 |
| Rest of the world[2] | **1,444** | 1,307 |
| **Total** | **42,341** | 45,914 |

[1] Asia refers to customers from Malaysia, Brunei, People's Republic of China ("**PRC**"), Indonesia, Philippines, Thailand, Vietnam, Hong Kong, India, Sri Lanka, Maldives and Australia.

[2] Rest of the world refers to customers from Europe, the Middle East and United States of America.

Revenue of $16,932,000 (2021: $18,421,000) is derived from five (2021: four) external customers. This revenue is attributable mainly to Singapore Marine segment and Singapore Energy Services segment (2021: Singapore Marine segment and Singapore Energy Services segment).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 32. Segment information (continued)

The following table provides an analysis of the Group's non-current assets by geography which is analysed based on the location of the non-current assets:

| | Group | |
|---|---|---|
| | **2022** | 2021 |
| | **$'000** | $'000 |
| Singapore | **85,741** | 98,723 |
| Asia[1] | **5,552** | 6,393 |
| **Total** | **91,293** | 105,116 |

[1] Asia refers to non-current assets located in PRC, Indonesia and Malaysia.

## 33. Events occurring after balance sheet date

(a) As disclosed on Note 14(ii)(a)(ii) to the financial statements, the proposed disposal of Vac-Tech was completed in accordance with the terms of the SPA, and the Group ceased to hold any interest in Vac-Tech on 1 February 2023.

(b) On 9 March 2023, PT Mencast Offshore and Marine ("**PT MOM**"), a wholly owned subsidiary of the Group, entered into a conditional sale and purchase agreement (the "**SPA**") with PT Rainbow Tubulars Manufacture for the disposal of the property located at Jl. Brigjen Katamso KM 18, Tanjung Uncang, Batu Aji, Batam for a consideration of IDR 56,000,000,000 (approximately $4,840,000) subject to terms of the SPA.

(c) On 30 March 2023, the Company entered into a joint investment agreement with Mr. Gong Kun and Mr. Chen Xia to incorporate and operate Menji International Pte Ltd ("**Menji International**"), a company based in Singapore. The Company's initial investment in Menji International will be $60,000, representing 60,000 ordinary paid-up shares and 60% of the total issued and paid-up share capital of Menji International.

## 34. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published and are relevant for the Group's accounting periods beginning on or after 1 January 2023 and which the Group has not early adopted.

(a) Amendments to SFRS(I) 1-1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after 1 January 2023)

The narrow-scope amendments to SFRS(I) 1-1 *Presentation of Financial Statements* clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the balance sheet date. Classification is unaffected by the expectations of the entity or events after the balance sheet date (e.g., the receipt of a waiver or a breach of covenant). The amendments also clarify what SFRS(I) 1-1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

The Group does not expect any significant impact arising from applying these amendments.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 December 2022**

## 34. New or revised accounting standards and interpretations (continued)

(b) Amendments to SFRS(I) 1-12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023)

The amendments to SFRS(I) 1-12 *Income Taxes* require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

a. Right-of-use assets and lease liabilities, and
b. Decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate.

SFRS(1) 1-12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group does not expect any significant impact arising from applying these amendments.

# STATISTICS OF SHAREHOLDINGS

**AS AT 17 MARCH 2023**

## SHARE CAPITAL

| | | |
|---|---|---|
| Number of ordinary shares (excluding treasury shares and subsidiary holding) | : | 451,950,224 |
| Number of treasury shares held | : | 455,025 (0.1% of the total number of shares) |
| Class of shares | : | Ordinary shares |
| Voting rights | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 10 | 1.38 | 276 | 0.00 |
| 100 - 1,000 | 49 | 6.74 | 31,741 | 0.01 |
| 1,001 - 10,000 | 154 | 21.18 | 810,558 | 0.18 |
| 10,001 - 1,000,000 | 473 | 65.06 | 63,544,929 | 14.06 |
| 1,000,001 AND ABOVE | 41 | 5.64 | 387,562,720 | 85.75 |
| **TOTAL** | **727** | **100.00** | **451,950,224** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CITIBANK NOMINEES SINGAPORE PTE LTD | 97,009,956 | 21.46 |
| 2 | DBS NOMINEES (PRIVATE) LIMITED | 53,621,370 | 11.86 |
| 3 | WONG SWEE CHUN | 50,409,050 | 11.15 |
| 4 | CHUA KIM CHOO | 41,716,800 | 9.23 |
| 5 | SIM SOON YING (SHEN SHUNYING) | 21,686,000 | 4.80 |
| 6 | WONG CHEE HERNG | 12,544,400 | 2.78 |
| 7 | GOH KAI KUI | 9,706,000 | 2.15 |
| 8 | MAYBANK SECURITIES PTE. LTD. | 7,022,700 | 1.55 |
| 9 | RAFFLES NOMINEES (PTE.) LIMITED | 5,300,927 | 1.17 |
| 10 | HUANG ZHIYONG | 5,179,000 | 1.15 |
| 11 | SAN MENG CHEE | 4,816,100 | 1.07 |
| 12 | LEOW DAVID IVAN | 4,382,100 | 0.97 |
| 13 | NG KENG TEONG | 4,291,550 | 0.95 |
| 14 | PANG YOKE MIN | 4,278,800 | 0.95 |
| 15 | PHILLIP SECURITIES PTE LTD | 4,197,300 | 0.93 |
| 16 | GAY CHEE CHEONG | 3,858,000 | 0.85 |
| 17 | SONG SEI RYE | 3,837,632 | 0.85 |
| 18 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 3,831,971 | 0.85 |
| 19 | UOB KAY HIAN PRIVATE LIMITED | 3,551,000 | 0.79 |
| 20 | ANG KIAN HUI LARRY (WANG JIANHUI) | 3,546,900 | 0.78 |
| | **TOTAL** | **344,787,556** | **76.29** |

# STATISTICS OF SHAREHOLDINGS

**AS AT 17 MARCH 2023**

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 17 March 2023)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Sim Soon Ngee Glenndle[(1)] | 86,852,900 | 19.22 | 63,402,800 | 14.03 |
| Chua Kim Choo[(1)] | 41,716,800 | 9.23 | 108,538,900 | 24.02 |
| Sim Soon Ying[(1)] | 21,686,000 | 4.80 | 128,569,700 | 28.45 |
| Wong Swee Chun[(2)] | 50,409,050 | 11.15 | 1,509,900 | 0.33 |
| Gay Chee Cheong[(3)] | 11,358,000 | 2.51 | 21,175,000 | 4.69 |
| Chua Siok Lan[(3)] | 21,000,000 | 4.65 | 11,533,000 | 2.55 |
| Ni Weiming[(3)] | 175,000 | 0.04 | 32,358,000 | 7.16 |
| Wong Boon Huat[(4)] | 31,531,106 | 6.98 | - | - |

**Notes:**

(1) The following shares are registered under Sim Soon Ngee Glenndle:
(a) 64,600,000 shares in Citibank Nominees Singapore Pte Ltd; and
(b) 18,967,900 in DBS Nominees (Private) Limited.

Sim Soon Ngee Glenndle is deemed interested in the shares of Chua Kim Choo and Sim Soon Ying. Sim Soon Ngee Glenndle is the son of Chua Kim Choo and the brother of Sim Soon Ying. Each is deemed to have an interest in the shares held by each other.

(2) Wong Swee Chun is deemed interested in the shares of S C Wong Holdings Pte. Ltd.

(3) Gay Chee Cheong is deemed interested in the shares of Chua Siok Lan and Ni Weiming. Gay Chee Cheong is the husband of Chua Siok Lan and father of Ni Weiming. Each is deemed to have an interest in the shares held by each other.

(4) 28,005,306 shares registered in the name of Citibank Nominees Singapore Pte Ltd.

## COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

SECTION B : RULES OF CATALIST ("**CATALIST RULES**")

Based on information available and to the best knowledge of the Company, as at 17 March 2023, approximately 38.39% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Catalist Rules.

The Company has 455,025 treasury shares as at 17 March 2023.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**" or the "**Meeting**") of Mencast Holdings Ltd. (the "**Company**") will be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Wednesday, 26 April 2023 at 10.00 a.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the following resolutions:

**AS ORDINARY BUSINESS**

**1.** To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Auditors' Report thereon. **(Resolution 1)**

**2.** To re-elect the following Directors of the Company ("**Directors**") retiring pursuant to Article 89 of the Constitution of the Company:
(a) Mr. Sim Soon Ngee Glenndle **(Resolution 2)**
(b) Mr. Ng Chee Keong [See Explanatory Note (i)] **(Resolution 3)**

**3.** To approve the payment of Directors' fees for the financial year ended 31 December 2022 comprising:
(a) S$139,584 to be paid in cash (previous year: S$139,584).
(b) S$34,896 to be paid in shares (previous year: S$34,896 paid in shares). **(Resolution 4)**

**4.** To re-appoint CLA Global TS Public Accounting Corporation (formerly known as Nexia TS Public Accounting Corporation) as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

**5.** To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

**6. Authority to issue shares in the capital of the Company ("Shares")**

That pursuant to Section 161 of the Companies Act 1967 of Singapore (the "**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

(a) (i) allot and issue shares in the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

(b) (notwithstanding the authority conferred by this Ordinary Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Ordinary Resolution is in force,

# NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) to be issued pursuant to this Ordinary Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings, if any) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time of the passing of this Ordinary Resolution, after adjusting for:

    (a) new Shares arising from the conversion or exercise of the Instruments or any convertible securities;

    (b) new Shares arising from exercising share options or vesting of share awards which are outstanding and subsisting at the time this Ordinary Resolution is passed, provided that the options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

    provided further that adjustments in accordance with sub-paragraphs 2(a) and 2(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Ordinary Resolution;

(3) in exercising the authority conferred by this Ordinary Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, and the Constitution of the Company for the time being in force; and

(4) unless revoked or varied by the Company in a general meeting, such authority conferred by this Ordinary Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 6)**

# NOTICE OF ANNUAL GENERAL MEETING

**7. Authority to issue shares under the Mencast Performance Share Award Scheme 2021**

That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Mencast Performance Share Award Scheme 2021 (the "**PSAS 2021**") and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the Awards under the PSAS 2021, provided that the aggregate number of Shares to be allotted and issued pursuant to the PSAS 2021, when added to the number of Shares issued and issuable in respect of all Awards, and all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Kevin Cho
Company Secretary
Singapore, 11 April 2023

# NOTICE OF ANNUAL GENERAL MEETING

**Explanatory Notes:**

i. Mr. Ng Chee Keong shall, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Company. There are no relationships (including familial relationships) between Mr. Ng Chee Keong and the other Directors, the Company, its related corporations, its officers or its substantial shareholders, which may affect his independence. The Board considers Mr. Ng Chee Keong to be independent pursuant to Rule 704(7) of the Catalist Rules. Further information on Mr. Ng Chee Keong can be found in the section entitled "Additional Information on the re-election of Directors" in the Annual Report 2022.

ii. The Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of Shares that may be issued, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings, if any) in the capital of the Company at the time this Ordinary Resolution 6 is passed after adjusting for new Shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution 6 is passed and any subsequent bonus issue, consolidation or subdivision of Shares.

iii. The Ordinary Resolution 7, if passed, will empower the Directors to offer and grant Awards under the PSAS 2021 in accordance with the provisions of the PSAS 2021 and to issue from time to time such number of fully paid Shares as may be required to be issued pursuant to the vesting of the Awards subject to the maximum number of Shares prescribed under the terms and conditions of the PSAS 2021. The aggregate number of Shares which may be issued pursuant to the PSAS 2021 and any other share-based schemes (if applicable) shall not exceed in aggregate (for the entire duration of the PSAS 2021) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings, if any) from time to time.

**Notes:**

1. A member, who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the AGM; or

2. A member, who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.
"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

Pursuant to Rule 720(5) and Appendix 7F of the Catalist Rules of the SGX-ST, the following additional information on Mr. Sim Soon Ngee Glenndle and Mr. Ng Chee Keong all of whom are seeking re-appointment as Directors at 2023 Annual General Meeting.

| | **Mr. Sim Soon Ngee Glenndle** | **Mr. Ng Chee Keong** |
|---|---|---|
| **Date of appointment** | 30 January 2008 | 9 October 2009 |
| **Date of last re-appointment** | 30 April 2021 | 26 June 2020 |
| **Age** | 53 | 74 |
| **Country of principal residence** | Singapore | Singapore |
| **The Board's comments on the re-appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process)** | Based on the recommendation of the Nominating Committee, the Board (Mr. Glenndle Sim abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Glenndle Sim as Director of the Company. | Based on the recommendation of the Nominating Committee, the Board (Mr. Ng Chee Keong abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Ng Chee Keong as Director of the Company. The Nominating Committee (save for Mr. Ng Chee Keong) has reviewed and confirmed Mr. Ng Chee Keong's continued independence. Mr. Ng Chee Keong will, upon re-election, continue to serve as the Independent Director of the Board, chairman of the RC and member of the AC and NC. |
| **Whether appointment is executive, and if so, the area of responsibility** | Executive Chairman & Chief Executive Officer | Non-Executive |
| **Job Title** | NC Member<br>CSCC Member | Independent Director<br>RC Chairman<br>AC Member<br>NC Member |
| **Professional Qualifications** | Bachelor in Business Administration from National University of Singapore<br><br>Master of Business Administration from University of Delaware in the USA | Bachelor of Social Science (Upper Honours),<br>University of Singapore<br><br>Post-Graduate in Advanced Management from<br>Stanford University in 1988 and INSEAD |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

| | Mr. Sim Soon Ngee Glenndle | Mr. Ng Chee Keong |
|---|---|---|
| **Working experience and occupation(s) during the past 10 years** | Executive Chairman & CEO of Mencast Holdings Ltd. Group | 2017– 2022:<br>JTC, Board Member<br><br>2009 – 2022:<br>Jurong Port Pte Ltd, Chairman<br>Rizhao Port Jurong Co Ltd, Director<br>Jurong Port Jakarta Holding Pte Ltd, Director<br>Jurong Port Hainan Holding Pte Ltd, Director<br>Jurong Port Marunda Holding Pte Ltd, Director<br>Jurong Port Rizhao Holding Pte Ltd |
| **Shareholding interest in the listed issuer and its subsidiaries** | Direct Interest: 86,852,900 ordinary shares in the listed issuer<br><br>Deemed Interest: 63,402,800 ordinary shares in the listed issuer | Direct Interest: 1,891,700 ordinary shares in the listed issuer<br><br>Deemed Interest: Nil |
| **Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries** | Yes, Mr Glenndle Sim is a controlling shareholder of the Company holding in aggregate, 150,225,700 shares representing 33.6% of the Company. He is the son of Chua Kim Choo and brother of Sim Soon Ying, who are also controlling shareholders of the Company. | No |
| **Conflict of interest (including any competing business)** | No | No |
| **Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the Company** | Yes | Yes |
| **Other principal commitments* including directorships#** | | |

* "Principal Commitments" has the same meaning as defined in the Code.
# These fields are not applicable for announcements of appointments pursuant to Rule 704(8) of the Catalist Rules.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

| | Mr. Sim Soon Ngee Glenndle | Mr. Ng Chee Keong |
|---|---|---|
| **Past (for the last 5 years)** | Vac-Tech Engineering Pte Ltd | Jurong Port Pte Ltd<br>Jurong Port Jakarta Holding Pte Ltd<br>Jurong Port Marunda Holding Pte Ltd<br>Rizhao Port Jurong Co., Ltd.<br>JTC Corporation<br>Jurong Port Rizhao Holding Pte Ltd<br>Jurong Port Hainan Holdings Pte. Ltd. |
| **Present** | Houston Technology Center Asia Pte. Ltd.<br>MIS Investment Pte Ltd<br>Mencast Energy Pte. Ltd.<br>Mencast Innovation Centre Pte. Ltd.<br>Mencast Investment Holdings Pte. Ltd.<br>Menji Pte. Ltd.<br>Menji Technology Development (Shanghai) Co., Ltd.<br>Singapore Heavy Engineering Pte. Ltd.<br>Virestorm Pte. Ltd. | Samudera Shipping Line Ltd |
| a Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

| | | Mr. Sim Soon Ngee Glenndle | Mr. Ng Chee Keong |
|---|---|---|---|
| b | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| c | Whether there is any unsatisfied judgment against him? | No | No |
| d | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| e | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

| | | Mr. Sim Soon Ngee Glenndle | Mr. Ng Chee Keong |
|---|---|---|---|
| f | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| g | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| h | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| i | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

| | | Mr. Sim Soon Ngee Glenndle | Mr. Ng Chee Keong |
|---|---|---|---|
| j | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:<br>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or<br>(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or<br>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or<br>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| k | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

**MENCAST HOLDINGS LTD.**
**Company Registration No. 200802235C**
(Incorporated in the Republic of Singapore)

**PROXY FORM**
*(Please see notes overleaf before completing this Form)*

IMPORTANT:

This Proxy Form is not valid for use by investors who hold shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967 of Singapore), including CPF/SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors (including CPF/SRS investors), if they wish to vote, should contact their respective relevant intermediaries as soon as possible to specify voting instructions. CPF/SRS investors should approach their respective CPF Agent Banks or SRS Operators at least 7 working days, on Friday, 14 April 2023 at 10:00 a.m., before the Annual General Meeting to specify voting instructions.

I/We*, ________________________________________ (Name)

________________________________________ (NRIC/Passport/Registration No.)*

of ________________________________________ (Address)

being a member/members* of Mencast Holdings Ltd. (the "**Company**"), hereby appoint:

| Name | NRIC/Passport Number | Proportion of Shareholdings | |
|---|---|---|---|
| Address | | No. of Shares | % |
| | | | |

and/or*

| Name | NRIC/Passport Number | Proportion of Shareholdings | |
|---|---|---|---|
| Address | | No. of Shares | % |
| | | | |

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our* proxy to vote for me/us* on my/our* behalf, at the Annual General Meeting of the Company to be convened and held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Wednesday, 26 April 2023 at 10.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against, or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

The resolution put to vote at the AGM shall be decided by way of poll.

| No. | Ordinary Resolutions: | No. of Votes For[1] | No. of Votes Against[1] | No. of Votes Abstain[1] |
|---|---|---|---|---|
| | **Routine Business** | | | |
| 1. | Directors' Statement and Audited Financial Statements for the year ended 31 December 2022 | | | |
| 2. | Re-election of Mr. Sim Soon Ngee Glenndle as a Director | | | |
| 3. | Re-election of Mr. Ng Chee Keong as a Director | | | |
| 4. | Approval of Directors' fees | | | |
| 5. | Re-appointment of CLA Global TS Public Accounting Corporation as Independent Auditor of the Company | | | |
| | **Special Business** | | | |
| 6. | Authority to issue new shares in the capital of the Company | | | |
| 7. | Authority to issue shares under the Mencast Performance Share Award Scheme 2021 | | | |

[1] If you wish to exercise all your votes "**For**" or "**Against**", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you wish to abstain from voting on the resolution to be proposed at the AGM, please tick (√) in the space provided under "**Abstain**". Alternatively, please indicate the number of shares your proxy is directed to vote "**For**" or "**Against**" or "**Abstain**". In the absence of specific directions, the appointment of your proxy(ies) for that resolution will be treated as invalid.

Dated this ________ day of ____________ 2023

| Total number of Shares in: | No. of Shares |
|---|---|
| (a) CDP Register | |
| (b) Register of Members | |

________________________________________
*Signature of Shareholder(s) or, Common Seal of Corporate Shareholder*

**To delete where inapplicable*

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. A member of the Company should insert the total number of shares held. If the member has shares entered against his/her/its name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares entered against his/her/its name in the Depository Register and registered in his/her/its name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

2. This proxy form may be accessed at the Company's corporate website at http://www.mencast.com.sg, and will also be made available on the SGX's website at https://www.sgx.com/securities/company-announcements.

3. Where a member (whether individual or corporate) who is not a relevant intermediary (as defined below) is entitled to appoint not more than 2 proxies, the appointments shall be invalid unless such Shareholder specifies the number of Shares to be represented by each proxy. Please note that proxy will be given the same rights as member.

4. A Shareholder, who is a relevant intermediary, is entitled to appoint more than 2 proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Shareholder. Where such Shareholder's instrument appointing a proxy(ies) appoints more than two proxies, the number and class of Shares is held in relation to which each proxy has been appointed must be specified in the instrument appointing a proxy(ies).

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
   (b) a person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
   (c) the CPF Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the CPF, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Where a member (whether individual or corporate) appoints a proxy or proxies as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy; failing which, the appointment of proxy(ies) or the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

6. A member can appoint the Chairman of the AGM as his/her/its proxy, but this is not mandatory.

7. A proxy need not be a member of the Company.

8. Investors holding shares under the Central Provident Fund Investment Schemes ("**CPF Investors**") and/or Supplementary Retirement Scheme ("**SRS Investors**") should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM (i.e., by Friday, 14 April 2023 at 10:00 a.m.). CPF/SRS Investors should contact their respective CPF Agent Banks or SRS Operators for any queries they may have with regard to the appointment of proxy for the AGM.

9. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

10. The instrument appointing a proxy or proxies, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must be submitted to the Company in the following manner:

    (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or
    (b) if submitted by email, be received by Boardroom Corporate & Advisory Services Pte. Ltd. at AGM.TeamE@boardroomlimited.com,

    in either case, not less than forty-eight (48) hours before the time scheduled for the Meeting., i.e., by 24 April 2023 at 10:00 a.m.

11. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

12. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

13. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies (such as in the case where the appointor submits more than one instrument of proxy).

14. Any reference to a time of day in this Proxy Form is made by reference to Singapore time.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2023.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

**Executive Directors:**

Sim Soon Ngee Glenndle
Executive Chairman &
Chief Executive Officer

Wong Boon Huat
Executive Director

**Independent Directors:**

Sunny Wong Fook Choy
Lead Independent Director

Leow David Ivan
Independent Director

Ng Chee Keong
Independent Director

**AUDIT COMMITTEE**

Leow David Ivan
Chairman

Sunny Wong Fook Choy

Ng Chee Keong

**NOMINATING COMMITTEE**

Sunny Wong Fook Choy
Chairman

Ng Chee Keong

Sim Soon Ngee Glenndle

**REMUNERATION COMMITTEE**

Ng Chee Keong
Chairman

Sunny Wong Fook Choy

Leow David Ivan

**CORPORATE STRATEGY & COMMUNICATIONS COMMITTEE**

Leow David Ivan
Chairman

Sim Soon Ngee Glenndle

Wong Boon Huat

**SECRETARY**

Cho Form Po

**REGISTERED OFFICE**

42E Penjuru Road,
Mencast Central,
Singapore 609161

**SHARE REGISTRAR**

**Boardroom Corporate & Advisory Services Pte Ltd**

1 Harbourfront Avenue,
#14-07 Keppel Bay Tower,
Singapore 098632

**INDEPENDENT AUDITOR**

**CLA Global TS Public Accounting Corporation**
(formerly known as Nexia TS Public Accounting Corporation)

**Public Accountants and Chartered Accountants**

80 Robinson Road
#25-00
Singapore 068898

Director-In-Charge
Loh Hui Nee
Appointed since financial year ended 31 December 2020

**CONTINUING SPONSOR**

**SAC Capital Private Limited**

1 Robinson Road #21-00
AIA Tower
Singapore 048542

**PRINCIPAL BANKER**

**United Overseas Bank Limited**

**COMPANY REGISTRATION NO.**

200802235C

**MENCAST HOLDINGS LTD.**

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