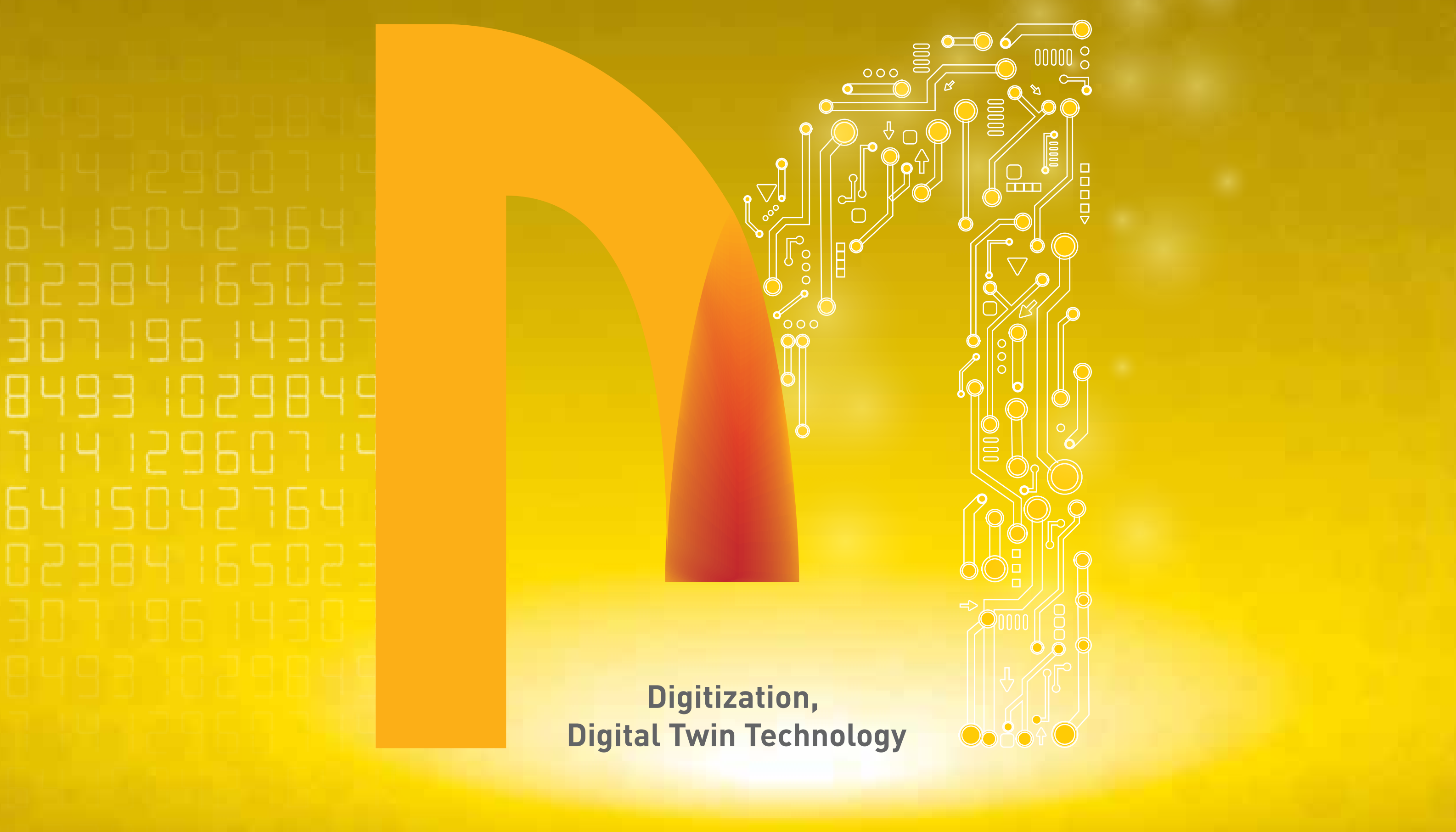
Mencast



Annual Report 2018

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CORPORATE PROFILE

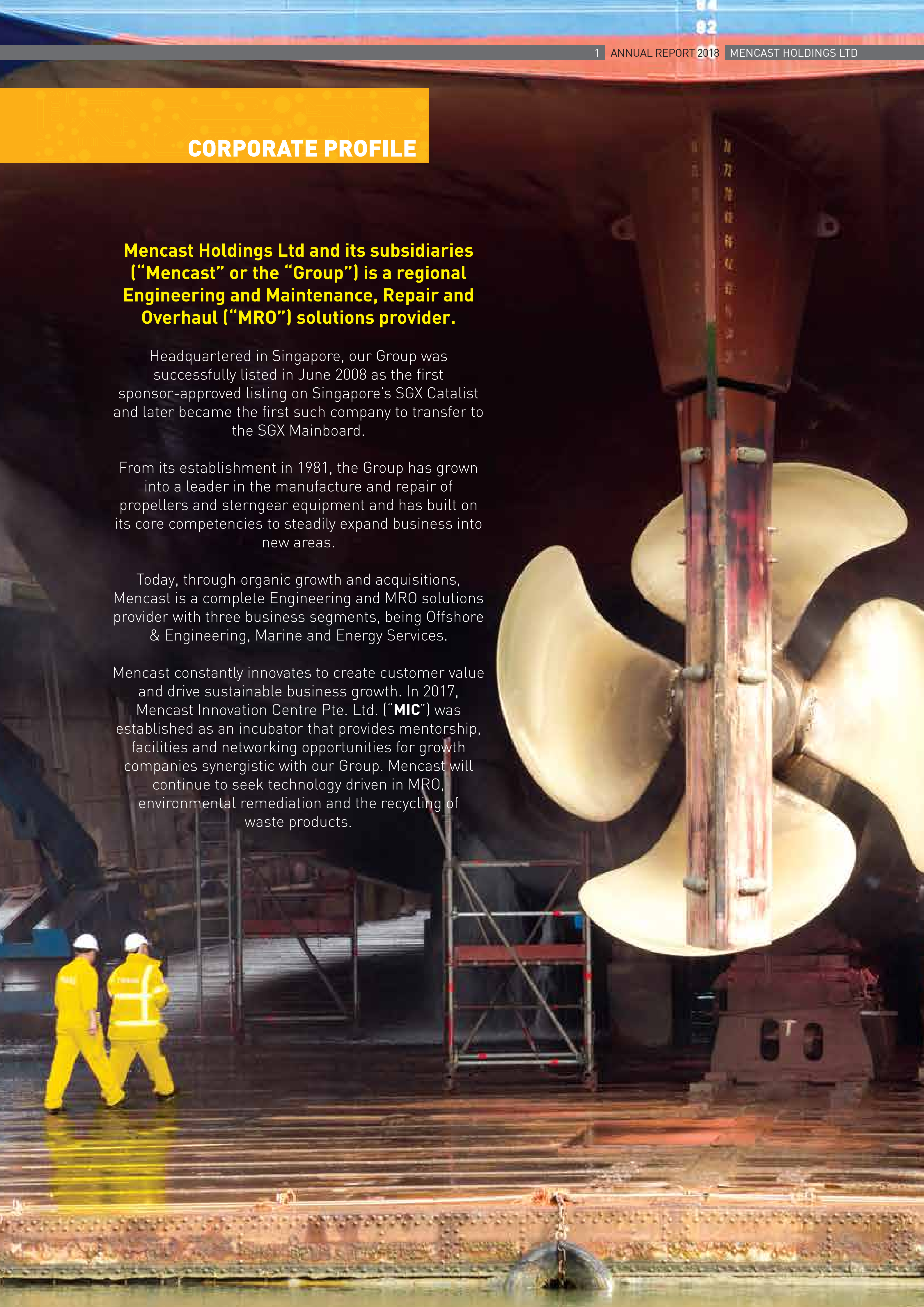
Mencast Holdings Ltd and its subsidiaries ("Mencast" or the "Group") is a regional Engineering and Maintenance, Repair and Overhaul ("MRO") solutions provider.

Headquartered in Singapore, our Group was successfully listed in June 2008 as the first sponsor-approved listing on Singapore's SGX Catalist and later became the first such company to transfer to the SGX Mainboard.

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.

Today, through organic growth and acquisitions, Mencast is a complete Engineering and MRO solutions provider with three business segments, being Offshore & Engineering, Marine and Energy Services.

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 in MRO, environmental remediation and the recycling of waste products.



VISION

Most admired MRO partner and employer in the world

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

CHAIRMAN'S MESSAGE

IT IS A PRIVILEGE TO REPORT ON A PIVOTAL YEAR IN WHICH WE DELIVERED ON PLANS TO SECURE AND BUILD THE FUTURE OF MENCAST.

Riding out the Storm

At the onset of the downturn in the oil and gas markets, Mencast moved swiftly to prepare for what we anticipated would be protracted weakness in our industry.

The first of the initiatives was to aggressively reduce surplus capacity, right-size costs and cut surplus overheads.

The second was to strengthen our balance sheet and liquidity through recycling capital and selectively disposing non-core assets. We are part way through this program, and plans are in place to dispose off the remaining parcel of non-core assets over the next two years.

We also entered into and had productive discussions with our bankers, leading to a debt restructuring agreement being concluded on 1st February 2019. This agreement supports plans to strengthen our liquidity position.

The last and most important long term initiative is securing prosperity of Mencast through building new business opportunities.

Building the Future

Mencast has identified a number of new business opportunities that leverage our existing strengths in MRO, environmental remediation and the recycling of waste products. Such businesses have a high sustainability component as they provide deep social, economic and environmental benefits to businesses and their stakeholders. Our strong relationships and distribution capabilities in Asia and across the globe position us to benefit from the growing demand for such services.

The first major business added is our dredging and reclamation business. Carried out through a 51% subsidiary, this generated over twelve million dollars of revenue in FY2018.

Demand for these services is driven by Singapore's ongoing land reclamation works. Thus, as well as being complementary to our existing business, the dredging and reclamation business has good growth prospects. Contracts in this business are typically significant in size and long-term, bringing both growth and diversification to our revenue streams.

Innovation at the Forefront

Innovation is the most important differentiating factor in business today and Mencast Innovation Centre Pte. Ltd. ("**MIC**") has been established as an incubator that provides mentorship, facilities and networking opportunities for growth companies synergistic with our Group. MIC was awarded a grant by Enterprise Singapore (formerly Spring Singapore) under the "Startup SG Accelerator" program and provides a focused platform for innovation and growth.

The power of AI and digitalization

Artificial Intelligence ("**AI**") is having an enormous impact on business. McKinsey, the renowned consultancy, has estimated that AI will generate $3.5T to $5.8T of value across 19 industries.[1]

Machine learning is the area of AI that has the greatest near-term impact on business. Developed from the realization that computers could be designed to self-learn, improvements in prediction algorithms, processing power and data sets has driven enormous advances in the field of machine learning. Machine learning is the critical technology behind the development of self-driving cars, data analytics, virtual assistants, image and facial recognition.

Mencast is partnering with PhDsoft, an established company that uses machine learning to accurately predict the degradation and corrosion of complex assets over time. This technology has a strong sustainability component as it enhances asset life and uptime while reducing accident risk. This robust and proven technology has been used by super oil major companies.

Our strategic plan for Mencast is gaining momentum, but will take time to bring to full fruition. Our management and staff are working tirelessly to realise opportunities and we thank them for their efforts and resilience in responding to the market challenges. I also take this opportunity to thank my fellow directors, business partners and stakeholders for their unstinting support.

With your support I am confident that the best is yet to come.

Sim Soon Ngee Glenndle
Executive Chairman and Chief Executive Officer

Source:
[1] https://www.mckinsey.com/featured-insights/artificial-intelligence/notes-from-the-ai-frontier-applications-and-value-of-deep-learning

主席致词

我们很荣幸向各位报告在这关键的一年里，公司制定了一系列实质性计划，在稳扎稳打中求明铸造未来的发展。

走出困境

在石油和天然气市场低迷时期，明铸造迅速采取行动，为预期的行业持续疲软做好准备。

第一项措施是积极减少剩余产能，合理精简开支，削减多余管理开支。

第二项措施是通过回收资本和有选择地处置非核心资产来增强我们的资产负债表和流动性。我们正在进行这个计划的一部分，并计划在未来两年内处置剩余部分的非核心资产。

我们也与银行家进行了高效的讨论，促成于2019年2月1日达成债务重组协议。这项协议支持我们的流动性状况。

最后也是最重要的长期措施是通过建立新的商业机会以确保明铸造的繁荣发展。

建设未来

明铸造发现许多新的商业机会，这些商机利用了公司在MRO（“维护、维修与大修”）环境修复和废物回收利用方面的现有优势。这些业务具有高度可持续性，因为它们对企业及其共同利益人具有深层次的社会效益、经济效益和环境效益。公司在亚洲和全球的强大关系和分销能力使我们能够受益于对此类服务不断增长的需求。

我们增加的第一项主要业务是疏浚和填海业务。通过51%的子公司进行，这在2018财年产生了超过一千二百万元的收入。

新加坡正在进行的填海工程推动了对这些服务的需求。因此，除了对现有业务的补充外，疏浚和填海业务亦有良好的增长前景。这项业务的合约在规模和长期合作方面起了重要作用，为公司的收入来源带来增长和多元化。

最前沿的创新

创新是当今商业中最重要的差异化战略，Mencast Innovation Centre Pte. Ltd.（“**MIC**”）已成立孵化中心，为成长型公司提供与本集团共同展开的指导、设施和交流机会。MIC获得新加坡企业发展局（前称为标新局）给予的起新一加速（Startup SG Accelerator）计划下的资助，为创新和发展提供了一个专业的平台。

“明铸造发现许多新的商业机会，这些业务具有高度可持续性，因为它们对企业及其共同利益人具有深层次的社会效益、经济效益和环境效益。”

人工智能和数字化的力量

人工智能（AI）现已对各大商业领域产生巨大影响。著名的咨询公司麦肯锡（McKinsey）估计，人工智能将在19个行业中产生3.5万亿至5.8万亿元 的价值。

从人工智能发展而来的机器学习性能，是各企业近期内遭受影响的重要要素。自从意识到电脑可以被设计为自主学习、预测算法、信息处理和数据收集等功能就一直不断地推进着机器学习的改进和研发。机器学习是自动驾驶汽车、数据分析、虚拟助手、图像和面部识别技术开发背后的关键技术。

明铸造与一家资深电子软件公司PhDsoft合作，利用机器学习准确预测复杂资产随时间而退化和腐蚀。这种技术具有强大的可持续性性能。可提高资产寿命和正常运行时间，同时降低事故风险。这种强大且经过验证的技术已被主要石油公司所采用。

明铸造的战略计划正蓄势待发，但需要时间才能完全实现。公司管理层和员工们正在不懈努力地发掘机会，我们感谢他们在应对市场挑战方面所作出的努力和应变能力。我也借此机会感谢我的同事、业务合作伙伴和所有共同利益者毫无保留地支持。

在各位的支持下，我相信未来仍有无限的可能！

沈询益
执行主席兼行政总裁

信息取自于麦肯锡官方网站：
[1] https://www.mckinsey.com/featured-insights/artificial-intelligence/notes-from-the-ai-frontier-applications-and-value-of-deep-learning

FINANCIAL HIGHLIGHTS

$'000	2014	2015	2016	2017	2018
Revenue	130,609	90,622	60,091	51,715	75,468
Gross profit/(loss)	37,906	18,944	7,194	(4,162)	9,185
Net profit/(loss)	18,199	2,154	(26,370)	(80,664)	(6,613)
Profit/(loss) before income tax	19,933	2,315	(26,324)	(80,189)	(6,180)
Total assets	345,594	355,620	342,378	259,617	257,125
Property, plant and equipment	181,936	208,066	225,625	205,642	119,990
Cash and cash equivalents	19,686	10,896	7,416	14,741	16,385
Total liabilities	216,050	221,847	220,380	219,502	224,175
Total equity	129,544	133,773	121,998	40,115	32,950

FINANCIAL REVIEW

A RETURN TO GROWTH

Revenue

After an extremely challenging period over the past few years, the worst may be over for the Oil & Gas industry. During the year, all of Mencast's three business segments generated revenue growth.

The largest revenue increase was seen in the Marine segment, which benefited from stronger market conditions as well as a maiden contribution of $12.2 million from our new dredging and reclamation business.

Revenue from Offshore & Engineering increased marginally by 4% to $14.6 million. Revenue from the Energy Services segment grew 14% to $17.5 million in FY2018, mainly due to increased demand and a revenue contribution of $1.4 million from the Group's waste treatment plant.

Overall, Group revenue increased 46% to $75.5 million as compared to the prior year.

Other losses and gains

The Group recorded $6.6 million of net gains in FY2018, comprised primarily of a $2.2 million gain on the sale of a subsidiary in China, $0.8 million of gains from the sale of property, plant and equipment, $2.0 million in rental income and $1.4 million in government grants. This compares to other losses, net of $54.2 million in FY2017, which was primarily driven by weak operating conditions, that lead to asset write-downs, such as for property, plant and equipment, goodwill and receivables.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by 19% to $66.3 million in FY2018. This was primarily due to the higher revenue, and mitigated by lower depreciation charges in FY2018, due to asset value write-downs taken in the prior year.

The Group registered gross profit of $9.2 million with a gross profit margin of 12% in FY2018. This compares to a gross loss of $4.2 million in FY2017. Administrative expenses and finance expenses were almost identical to the prior year, coming at $16.1 million and $5.9 million respectively in FY2018.

Net profit

Driven by the large improvement in revenue and the absence of impairment losses, the net loss for the Group narrowed sharply, down by 92% from $80.7 million in FY2017 to $6.6 million net loss in FY2018.

Net loss attributable to equity holders dropped by a similar 90% from $82.0 million in FY2017 to $8.2 million in FY2018.

Cashflow

The Group's cash and cash equivalents as at 31 December 2018 was $15.3 million, up from $11.6 million a year prior. Net cash inflow from operating activities was $10.5 million in FY2018 due mainly to its operating income before changes in working capital of $9.8 million.

Net cash provided by investing activities was $5.5 million for FY2018 as a result of the release of a $2.1 million fixed deposits pledged, net proceeds from disposal of fixed assets of $1.7 million and $8.9 million proceeds from disposal group classified as held-for-sale. This was offset by other items including $7.3 million in purchases of property, plant and equipment. The bulk of the purchases were in relation to the purchase of a vessel for the new dredging and reclamation business and capital works on our buildings.

Net cash used in financing activities of $12.2 million during FY2018 was mainly a result of repayments of term loans, finance lease liabilities and payment of interests of approximately $25.8 million, offset by proceeds from bank borrowings of $14.6 million.

PhDsoft flagship product, **C4D®**, is a proven and powerful solution that accurately predicts the degradation and corrosion of complex assets over time using "Predictive Digital Twin" technology.

C4D® helps companies avoid structure failures, accidents and extend the life of their assets. The Predictive Digital Twin technology allows users to clearly visualize every component in the entire asset allowing for comprehensive, accurate planning and decision making.

BOARD OF DIRECTORS

SIM SOON NGEE GLENNDLE
Executive Chairman & Chief Executive Officer

Glenndle Sim is the Executive Chairman & CEO of the Mencast Group, an Oil & Gas and Marine services company listed on SGX Mainboard. 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 and 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 capitalization 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 and 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 is currently the Managing Director and Shareholder of Wong Tan & Molly Lim LLC and WTML Management Services Pte Ltd.

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, Excelpoint Technology Ltd, KTL Global Limited and InnoTek Limited. He joined the Board on 29 May 2008.

HO CHEW THIM, RAYMOND

Independent Director

Mr Ho Chew Thim is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. Raymond is an accountant by vocation with several years' experience in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte Ltd (an associate of SGX-listed CNA Group Ltd), CNA Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co. Ltd, Deutsche Bank (Singapore Branch), L & M Group Investments Ltd, United Industrial Corporation Limited and United Overseas Bank Limited.

Raymond is also a Non-Executive Director on the Board of Yongmao Holdings Limited, China Kunda Technology Holdings Limited, Hengyang Petrochemical Logistics Limited, DeClout Limited, Manulife US Real Estate Management Pte Ltd and Procurri Corporation Limited. Raymond is a Fellow Member of Institute of Singapore Chartered Accountants and CPA Australia. He graduated with a Bachelor of Accountancy (First Class Honours) degree from University of Singapore in 1976. He joined our Board on 29 May 2008.

LEOW DAVID IVAN

Independent Director

Mr David Leow is the Chairman of the Corporate Strategy and Communications Committee and a member of the Audit and Remuneration Committees. He is a member of the Chartered Accountants Australia and New Zealand (Singapore) Private Limited. He is also a Managing Director of Thaler Global Pte Ltd, a consultancy and investment firm in Singapore.

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 Fellow of the Institute of Chartered Accountants (Australia), a Chartered Accountant of Singapore, charter holder with the Chartered Financial Analysts Institute (USA) and graduated with a Bachelor of Commerce from the University of Western Australia. He is also a graduate of Harvard Business School's Owner/President Management Program. He joined the 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 and is currently Chairman of Jurong Port Pte Ltd. He is also an Independent Director of Samudera Shipping Line Ltd, Jurong Port Jakarta Holding Pte Ltd, Jurong Port Marunda Holding Pte Ltd and Rizhao Jurong Port Terminals Co. Ltd. and a Board member of JTC Corporation. He joined our Board on 9 October 2009.

KEY MANAGEMENT

CHENG SHAO RONG | CHENG YEO BOON, KELVIN | WONG BOON HWEE | PHUA POH CHENG, JACK | CHRIS SAN | CHRISTOPHER WOO TUCK WAI | AUNG WUNNA, EDWARD | SUN NAI JIANG

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.

PHUA POH CHENG, JACK

Vice President, Mencast Marine Division
Director, Sterngear Services

Mr Jack Phua is the Vice President of the Marine Division, overseeing the development of Marine activities that include sterngear and propulsion manufacturing and services. He also holds the position of Director of Sterngear Services after he was appointed in July 2009. Jack is the co-founder of Recon Propeller & Engineering Pte. Ltd. ("**Recon**"). He is responsible for business development and customer relations, as well as managing the day to day operations of Sterngear business. Recon has been providing propeller repair and modification services to the worldwide Offshore Marine and Oil & Gas industries since 1986. Jack has more than 30 years of technical and management experience in the shipbuilding, ship repair and ship maintenance industry and has been instrumental in the growth and development of Recon.

CHENG SHAO RONG

Senior Manager, Operations of Mencast Engineering Pte Ltd

Mr. Cheng Shao Rong has held the role of Senior Manager in-charge of operations at Mencast Engineering Pte Ltd since his appointment in December 2011. His scope of responsibilities includes the planning, supervision of projects and staff to ensure smooth execution and timely delivery of upstream precision engineering tools and equipment for the customers. He has more than 30 years of experience in the field of precision engineering, including more than 15 years of recent experience with Team Precision Engineering. Shao Rong has an in-depth knowledge of CNC machines and workshop production techniques, having risen up through the rank and file from a machine operator.

SUN NAI JIANG

Senior Manager, Upstream Operations of
Mencast Engineering Pte Ltd

Mr Sun Nai Jiang ("**NJ**") is Senior Operations Manager, Upstream of Mencast Engineering Pte Ltd. NJ has more than 20 years of experience in manufacturing of which more than 10 years have been in the Oil & Gas industry at a managerial level. At Mencast, he is responsible for business development and the operations of the precision machining workshop which provides integrated turnkey manufacturing service to the Oil & Gas industry. NJ holds a Bachelor's degree from Nanjing University of Aeronautics and Astronautics as well as a diploma from the University of Ottawa. He joined the Group in May 2013.

CHRISTOPHER WOO TUCK WAI

Director of Mencast Subsea Pte Ltd

Mr Christopher Woo is the Director of Mencast Subsea Pte Ltd as well as Unidive Marine Services (Malaysia) Sdn Bhd. His responsibilities include managing the entire sales team and overseeing the operations function. He also holds planning and project management responsibilities. Christopher has more than 15 years of sales experiences, including servicing multinational companies. He graduated with Diploma in Nautical Studies from Singapore Polytechnic and joined the Group in August 2004.

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.

AUNG WUNNA, EDWARD

Head, Environmental Division of
Mencast Offshore & Marine Pte Ltd

Mr Edward Aung is the Head of the Environmental division in Mencast Offshore & Marine Pte Ltd. He is the key decision maker for Environmental division projects and his responsibilities include leading, planning and execution of projects, conducting technical reviews and assisting in major issues. An engineer by training, Edward graduated with a Master of Science in Project Management from the National University of Singapore prior to joining in 2005.

CHENG YEO BOON, KELVIN

Assistant General Manager, Vac-Tech Engineering Pte Ltd

Mr Kelvin Cheng is the Assistant General Manager of Vac-Tech Engineering Pte Ltd. He is in charge of developing and executing Vac-Tech's strategic plans within the energy sector and is responsible for performance and day to day management of the business. Kelvin is also tasked with development and acquisition of new technologies to continuously improve Vac-Tech's safety, productivity and quality.

Kelvin graduated with honors of Bachelor of Engineering (Mechanical Engineering) from Nanyang Technological University.

CORPORATE SOCIAL RESPONSIBILITY

As a firm that helps other firms meet their Corporate Social Responsibility ("CSR") goals through our waste treatment, recycling and remediation services, CSR is one of the Core Values of Mencast. We strive for an exemplary company culture and achieve high employee satisfaction rates.

HEALTH AND SAFETY

Mencast strives to build a working environment in which the greatest possible consideration is shown for safety and the environment. We take all steps to ensure that our company complies with all relevant safety and environmental legislation.

An example of how we continue to fulfil CSR objectives while transforming to be innovative is the automation of our subsea inspection operations with the use of remotely operated vehicles ("**ROV**"), operated by teams of ROV pilots and support technicians. This innovation leverages on ROV technology and robotics to complement manual diving activities. The use of ROVs makes work safer while being able to perform jobs that would be too dangerous for human divers.

"MENCAST LENDS A HAND"

Volunteering has a positive effect on our community as well as helping build a strong culture of contribution.

Doing even small things can have a big impact on others. As with our past initiative to support worthwhile causes and charities, Mencast continued to volunteer our service and time by distributing meals and spending quality time with the residents of Chen Su Lan Methodist Children's Home. We arranged a morning of fun and engaging activities, including an interactive kid's magic show, balloon sculpting workshop and a sumptuous meal for the children, staff and volunteers.

PEOPLE DEVELOPMENT

STRENGTHENING COMPETENCIES AND COMPETITIVENESS

Amidst extremely challenging industry conditions, Mencast continues to strive to be an employer of choice that recognises the contributions of each employee and provides them with opportunities for growth and maximization of their individual potential.

In addition to assisting local Professionals, Managers, Executives and Technicians ("**PMET**") build their capabilities and enhance productivity through the Skills Framework for Marine & Offshore-Professional Conversion Programmes ("**PCPs**"), Mencast also embarked on the WorkPro LED Job Redesign scheme. This is jointly developed by Ministry of Manpower and the Workforce Singapore ("**WSG**") to redesign jobs and improve workplace practices and work-life quality.

As the industries we serve grow increasingly complex and their needs grow increasingly demanding, redesigning jobs allows us to raise the productivity, while boosting profitability and assisting in the management of tightening quotas on foreign labour.

Traditional diving operation is highly labour-intensive, requiring highly specialised skills and sometimes exposing divers to unavoidable risks. The use of ROV, operated by skilled ROV pilots and support technicians makes the work much safer. Moreover, a much wider scope of jobs can be undertaken, especially those deemed too dangerous to be undertaken by human divers. This automation significantly reduces our reliance on foreign workers while reskilling local workers to take on high value roles.

INVESTOR RELATIONS

Since listing on the SGX in 2008, Mencast has actively worked to build a robust investor relations program to engage and communicate with investors on a timely basis. This program is designed to allow investors to understand our business and risk profile, and help achieve a fair valuation.

Our investor relations program provides periodic updates on our operations and business performance as well as reaching out to analysts and investors to understand their questions and address these through medium such as announcements, analyst meetings and conferences.

To give weight to the importance of stakeholder communications outlined in the "Code of Corporate Governance" issued by the Monetary Authority of Singapore, Mencast formed the "Corporate Strategy and Communications Committee" chaired by one of our Independent Directors and is overseen by the Board of Directors.

Our corporate governance and corporate communications initiatives were recognised with several of the investment communities most prestigious awards. These include the 2016 SIAS Transparency runner up award in the Energy category and at the 2013 Singapore Corporate Awards, where our Board was conferred the prestigious Gold Medal for "Best Managed Board" in our category of companies below $300 million in market capitalisation.

Mencast provides access to senior management such as our CEO and CFO at these meetings as well as site tours to Shareholders to have deep insight into our business and strategy. Our policy is to allow equal access to information and we do not practice selective dissemination. All information presented to fund managers/analysts is available on SGX Net/our website (www.mencast.com.sg) prior to presentation.

To allow market sensitive news to be incorporated into prices in an orderly manner, such announcements are targeted for release outside of market trading hours.

Total Shareholder Returns

Low oil prices has led to a significant decline in activity across our industries. Total Shareholder Return ("**TSR**") since listing in 2008 is -16% equivalent to an annual TSR of -1.6%.

Dredging and reclamation is the newest addition to our Marine business segment

GROUP STRUCTURE

MENCAST HOLDINGS LTD

100%
MENCAST PROCUREMENT (SINGAPORE) PTE LTD
(Singapore)

100%
MENCAST INNOVATION CENTRE PTE LTD
(Singapore)

100%
MENCAST INVESTMENT HOLDINGS PTE LTD
(Singapore)

OFFSHORE & ENGINEERING

100%
MENCAST SUBSEA PTE LTD
(Singapore)

100%
TOP GREAT ENGINEERING & MARINE PTE LTD
(Singapore)

100%
MENCAST OFFSHORE & MARINE PTE LTD
(Singapore)

100%
S&W PTE LTD
(Singapore)

100%
MENCAST ENGINEERING PTE LTD
(Singapore)

MARINE

100%
MENCAST MARINE PTE LTD
(Singapore)

100%
RECON PROPELLER & ENGINEERING PTE LTD
(Singapore)

51%
MENCAST-KSE PTE LTD
(Singapore)

ENERGY SERVICES

70%
MENCAST ENERGY PTE LTD
(Singapore)

49%
VAC-TECH ENGINEERING PTE LTD
(Singapore)

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 subsidiaries (the "**Group**") and to putting in place effective self-regulatory corporate practices to protect the interests of the Company's Shareholders ("**Shareholders**") and enhance long-term Shareholders' value.

The Company adopts practices based on the Code of Corporate Governance 2012 (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.

Principle 1: The Board's Conduct of Its Affairs

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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.

Each member of the Board owes a fiduciary duty to the Company to discharge his or her duties and responsibilities in the best interests of the Company at all times.

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.

The Board is responsible for the approval of the quarterly results announcement, annual report and accounts, major investments and funding, material acquisitions and disposal of assets and interested person transactions of a material nature.

CORPORATE GOVERNANCE STATEMENT

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 committees operate under clear defined terms of references and operating procedures. The Chairman of the respective committees reports the outcome of all committee meetings to the Board.

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. To assist the Board in fulfilling its responsibilities, the Board will be 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.

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 number of formal Board and other committee meetings held during the financial year ended 31 December 2018 ("**FY2018**") and the attendance of each Director of the Company ("**Director**") where relevant, is set out as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Corporate Strategy and Communications Committee
No. of meetings held	**4**	**4**	**1**	**1**	**1**
			No. of meetings attended		
Sim Soon Ngee Glenndle	4	4*	1	1*	1
Wong Boon Huat	4	4*	1*	1*	1
Sunny Wong Fook Choy	4	4	1	1	1*
Ho Chew Thim, Raymond	4	4	1	1	1*
Leow David Ivan	4	4	1*	1	1
Ng Chee Keong	4	4	1	1	1*

* By Invitation

Newly appointed Directors, if any, will receive comprehensive induction briefings and orientations by the Executive Directors and Management to ensure that they are familiar with the Company's business and governance practice. Existing Directors are encouraged to attend the relevant training courses that could enhance the knowledge of Directors to perform their duties as Directors of the Company and the Company will fund the training of the Directors.

All new Directors appointed on the Board, if any, will be provided with a formal letter of appointment and briefed on matters relating to the Company's business activities, its strategic directions and policies, the regulatory environment in which the Group operates and the Company's corporate governance practices.

CORPORATE GOVERNANCE STATEMENT

Principle 2: Board Composition and Guidance

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

Sim Soon Ngee Glenndle	Executive Chairman and Chief Executive Officer ("**CEO**")
Wong Boon Huat	Executive Director
Sunny Wong Fook Choy	Lead Independent Director
Ho Chew Thim, Raymond	Independent Director
Leow David Ivan	Independent Director
Ng Chee Keong	Independent Director

Where the Chairman of the Board and the CEO is the same person, the Independent Directors should make up at least half of the Board. The Company had complied with the requirement as the Independent Directors make up two-thirds of the Board.

The Board is of the opinion that its current size and composition is appropriate for decision making, taking into account the scope and nature of the Group's operations. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director in the Code. An "Independent Director" is one who has no relationship with the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independence business judgment with a view to the best interests of the Company.

To assess and review the independence of each Director, each Independent Director is required to complete a Director's Independence Confirmation Form annually to confirm his independence. The Nominating Committee of the Company ("**NC**") has confirmed that for the period under review, all Independent Directors are independent in character and judgement and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Director's judgement.

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 matter relating to accounting, finance, legal, business, industry knowledge and general corporate matters. The NC is of the 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.

In determining the independence of Mr. Sunny Wong Fook Choy and Mr. Ho Chew Thim, Raymond as Directors, each of whom having served on the Board for more than nine years, the Board and the NC, with Mr. Sunny Wong Fook Choy and Mr. Ho Chew Thim, Raymond themselves abstaining, had conducted a rigorous review which took into consideration, among others, that neither Director has or had any relationship with the Company, its related corporations, its 10% Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with his exercise of independent business judgement. The Board also notes that neither Director had any interested party transactions with the Group or the substantial Shareholders that might affect his independence. The Board has further observed their performance at Board meetings, Board Committees' meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties.

Therefore, the Board is of the view that Mr. Sunny Wong Fook Choy and Mr. Ho Chew Thim, Raymond should still be considered independent despite having been on the Board for more than nine years as there are no circumstances which might affect their independent judgement and that the Board wishes to retain them for their substantial knowledge and relevant experience which would enable them to be effective independent directors to the Board.

The Independent Directors always constructively challenge and help develop proposals on strategy and reviews the management's performance in meeting agreed goals and objectives, and monitor the reporting of management's performance.

The Board has no dissenting view on the CEO's statement to Shareholders for the financial year in review.

Principle 3: Executive Chairman and CEO

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Sim Soon Ngee Glenndle 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.

The Board is of the opinion that based on the Group's current size and operation, 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.

To enhance the independence of the Board, Mr Sunny Wong Fook Choy, the Company's Lead Independent Director, coordinates the activities of the Independent Directors and act as the principal liaison between the Independent Directors and Executive Chairman on sensitive issues.

Shareholders of the Company with serious concerns that could have a material impact on the Group, for which contact through the normal channels of the Executive Chairman, CEO or the Chief Financial Officer ("**CFO**") have failed to resolve or is inappropriate, are able to contact the Lead Independent Director.

The Nominating Committee, Remuneration Committee, Corporate Strategy and Communications Committee and Audit Committee of the Company are also all 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 our Executive Chairman and CEO being able to exercise considerable concentration of power or influence.

As recommended by the Code, the Independent Directors meet without the presence of the 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. Such meetings are arranged by the Lead Independent Director as warranted by the circumstances. The Lead Independent Director provides feedback to the Executive Chairman, CEO after such meetings.

CORPORATE GOVERNANCE STATEMENT

Nominating Committee

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee of the Company ("**NC**") comprises the following members, the majority of the members, including the Chairman of the NC, are Independent Directors:

Sunny Wong Fook Choy	Chairman, Lead Independent Director
Ho Chew Thim, Raymond	Member, Independent Director
Ng Chee Keong	Member, Independent Director
Sim Soon Ngee Glenndle	Member, Executive Director

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 and CEO;
- 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.

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates.

The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangements will be made for the new director to attend various briefings with the management team.

Board renewal must be an ongoing process to ensure good governance and to maintain relevance to the changing needs of the Group. 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 annual general meeting ("**AGM**"), and be eligible for re-election at the AGM.

At the upcoming AGM, Messrs Sunny Wong Fook Choy and Ho Chew Thim, Raymond 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.

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.

Principle 5: Board Performance

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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 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.

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: 26 April 2018

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Nominating Committee Corporate Strategy and Communications Committee	Houston Technology Center Asia Pte. Ltd. MIS Investment Pte Ltd Mencast Energy Pte Ltd* Mencast Innovation Centre Pte. Ltd.* Vac-Tech Engineering Pte Ltd* Mencast Investment Holdings Pte. Ltd.* Mencast–KSE Pte. Ltd.*	Nil

* Subsidiaries of Mencast Holdings Ltd.

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: 26 April 2018

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Corporate Strategy and Communications Committee	Chinyee Engineering & Machinery Pte Ltd* Mencast Procurement (Singapore) Pte Ltd* Mencast Energeers Pte Ltd* Mencast Offshore & Marine group of Companies* Stone Marine Mencast Pte. Ltd. (formerly known as Mencast Centre of Excellence Pte Ltd*) Mencast Energy Pte Ltd* Mencast Engineering Pte Ltd* Mencast Innovation Centre Pte. Ltd.* Mencast Marine Pte Ltd* Mencast Subsea group of companies* Recon Propeller & Engineering Pte Ltd* S&W group of Companies* Top Great group of Companies* Vac-Tech Engineering Pte Ltd* Mencast Investment Holdings Pte. Ltd.* Mencast–KSE Pte. Ltd.*	Nil

* Subsidiaries of Mencast Holdings Ltd.

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: 26 April 2016

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Nominating Committee (Chairman) Audit Committee Remuneration Committee	Civmec Limited Excelpoint Technology Ltd. InnoTek Limited KTL Global Limited Wong Tan & Molly Lim LLC WTML Management Services Pte Ltd	China Medical (International) Group Limited (formerly known as Albedo Limited)

CORPORATE GOVERNANCE STATEMENT

Ho Chew Thim, Raymond
Independent Director
Date of first appointment as a director: 29 May 2008
Date of last re-election as a director: 26 April 2016

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Audit Committee (Chairman) Nominating Committee Remuneration Committee	China Kunda Technology Holdings Limited DeClout Limited Hengyang Petrochemical Logistics Limited Yongmao Holdings Limited Manulife US Real Estate Management Pte Ltd Procurri Corporation Limited	Nil

Leow David Ivan
Independent Director
Date of first appointment as a director: 7 June 2013
Date of last re-election as a director: 26 April 2017

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Corporate Strategy and Communications Committee (Chairman) Audit Committee Remuneration Committee	Thaler Global Pte Ltd Chartered Accountants Australia and New Zealand (Singapore) Private Limited	MEC Asian Fund Arcturus Capital Limited

Ng Chee Keong
Independent Director
Date of first appointment as a director: 9 October 2009
Date of last re-election as a director: 26 April 2017

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Remuneration Committee (Chairman) Nominating Committee Audit Committee	Jurong Port Ltd- Chairman Samudera Shipping Line Ltd Jurong Port Jakarta Holding Pte Ltd Jurong Port Marunda Holding Pte Ltd Rizhao Jurong Port Terminals Co Ltd. JTC Corporation	Jasper Investments Ltd Centre of Maritime Studies, NUS PT Pelabuhan Tegar Indonesia

CORPORATE GOVERNANCE STATEMENT

Principle 6: Access to Information

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 and is responsible for ensuring that Board procedures are being followed and the Company complies with the requirement of the Singapore Companies Act (the "**Act**"), and other rules and regulations, which are applicable to the Company.

The appointment and removal of the Company Secretary is subject to approval of the Board.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The Remuneration Committee of the Company ("**RC**") comprises the following members, all of whom are Independent Directors:

Ng Chee Keong	Chairman, Independent Director
Sunny Wong Fook Choy	Member, Lead Independent Director
Ho Chew Thim, Raymond	Member, Independent Director
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 benefit-in-kind;

- Proposing to the Board, appropriate and meaningful measures for assessing the Executive Directors' performance;

- Determining the specific remuneration package for our 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.

Principle 8: Level and Mix of Remuneration

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

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 talent.

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 ("**PSAS**").

The rationale of PSAS 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) being achieved. Performance targets set under the PSAS are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The PSAS 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 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 FY2018, the Company has granted 3,679,600 shares under the PSAS.

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 FY2018.

Principle 9: Disclosure of Remuneration

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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.

CORPORATE GOVERNANCE STATEMENT

No Directors participate in decisions on their own remuneration.

For the Independent Directors' Fees in FY2018, they are receiving $90,368 in cash and the remaining $90,368 in share awards granted pursuant to the performance share award.

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 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 14 trading days immediately after the Company's forthcoming AGM. The number of shares to be awarded will be rounded down to the nearest thousands, with cash to be paid in lieu of the remaining shares arising.

The Company has entered into Service Agreements with Mr Sim Soon Ngee Glenndle, 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 Sim Soon Ngee Glenndle and Mr Wong Boon Huat were last renewed in November 2017.

The following table shows a breakdown of the annual remuneration of the Directors of the Group for FY2018.

Name of Executive Director	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2] Cash-Based	Directors' Fees[2] Share Based	Total
	%	%	%	%	
$250,001 to $500,000					
Sim Soon Ngee Glenndle	76	24	-	-	100
Wong Boon Huat	81	19	-	-	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	-	-	50	50	100
Leow David Ivan	-	-	50	50	100
Ho Chew Thim, Raymond	-	-	50	50	100
Ng Chee Keong	-	-	50	50	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 25 April 2019.

CORPORATE GOVERNANCE STATEMENT

For competitive reasons, the Company is not disclosing each individual Director's remuneration instead, we are disclosing remuneration in bands of $250,000.

The remuneration of the 8 Key Executives of the Group (excluding the Executive Directors in the above table) is set out below:

Name of Key Executive	Salary and Other Benefits	Performance Bonus[1]	Total
	%	%	
$250,001 to $500,000			
Chris San	80	20	100
$250,000 and below			
Phua Poh Cheng, Jack	61	39	100
Cheng Shao Rong	80	20	100
Sun Nai Jiang	78	22	100
Wong Boon Hwee	90	10	100
Aung Wunna, Edward	99	1	100
Christopher Woo Tuck Wai	89	11	100
Cheng Yeo Boon, Kelvin	91	9	100

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

The total remuneration paid to the 8 key executives (who are not Directors or the CEO) of the Group in FY2018 is $1,281,000.

The breakdown of the total remuneration of employees who are immediate family members of the Executive Directors for the year ended 31 December 2018 is set out below:

Name of Employee	Salary and Other Benefits	Performance Bonus[1]	Total
	%	%	
$150,001 to $200,000			
Wong Boon Hwee	90	10	100
$50,001 to $100,000			
Wong Boon Chit	98	2	100
Wong Boon Tian	98	2	100

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

Wong Boon Hwee, Wong Boon Chit and Wong Boon Tian are brothers of the Executive Director, Wong Boon Huat.

Other than as specified above, there are no immediate family members of a Director or substantial shareholder whose remuneration exceeds $50,000 for FY2018.

For FY2018, there is no termination, retirement and post-employment benefits granted to Directors, the CEO and the Key Executives.

CORPORATE GOVERNANCE STATEMENT

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is accountable to the Shareholders while the Management is accountable to the Board. The Management provides all Board members with quarterly management reports and accounts which represent balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. In presenting the annual financial statements, quarterly and other announcements to Shareholders, it is the aim of the Board to provide the Shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects.

The Board complies with the relevant rules of the Listing Manual 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.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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.

The ERMC comprises the following members:

Name	Department	Designation	ERM Role
Sim Soon Ngee Glenndle	Corporate	Executive Chairman/CEO	ERM Sponsor
Chris San	Corporate	CFO	ERM Champion
Janis Anne Mojica	Corporate	Financial Controller	ERM Co-ordinator
Wong Boon Huat	Corporate/Offshore & Engineering	Executive Director	Member
Susan Tan	Corporate	Head of Admin & HR	Member
Phua Poh Cheng, Jack	Marine	Vice President - Mencast Marine Division	Member
Christopher Woo Tuck Wai	Offshore & Engineering	Director - Mencast Subsea	Member
Aung Wunna, Edward	Offshore & Engineering	Head of Environmental	Member
Sun Nai Jiang	Offshore & Engineering	Senior Manager – Upstream Operations	Member
Cheng Yeo Boon, Kelvin	Energy Services	Assistant General Manager – Vac-Tech	Member

CORPORATE GOVERNANCE STATEMENT

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.

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.

During the financial year, 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.

Based on the internal controls established and maintained by the Group, works performed by the Independent Auditor and Internal Auditor, 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 2018 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

Audit Committee

Principle 12: Audit Committee

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Principle 13: Internal Audit

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC comprises four 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:

Ho Chew Thim, Raymond	Chairman, Independent Director
Sunny Wong Fook Choy	Member, Lead Independent Director
Leow David Ivan	Member, Independent Director
Ng Chee Keong	Member, Independent Director

None of the members of the AC is a former partner of the Company's external audit firm or has any financial interest in the audit firm.

CORPORATE GOVERNANCE STATEMENT

The AC carried out its functions in accordance with Section 201B (5) of the Singapore 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 adequacy of resources and effectiveness of the Company's internal audit function;

- Reviews the adequacy of the Group's internal controls, including financial, operational compliance and information technology 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;

- 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 quarterly and annual financial statements of the Group 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; and

- Reviews transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

The AC shall also undertake:

- 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.

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 services amounted to $195,000. There was no non-audit fee paid to the Independent Auditors for the financial year ended 31 December 2018. Having satisfied the independence of the Independent Auditor, the AC, with the concurrence of the Board, has recommended the re-appointment of Nexia TS Public Accounting Corporation ("**Nexia**") at the upcoming AGM.

Save for two foreign-incorporated subsidiaries which are not principal subsidiaries, all the Company's subsidiaries are audited by Nexia 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 Listing Manual of SGX-ST 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 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 Chief Financial Officer of the Company on administrative-related matters. The Internal Auditor plans its audit schedules in consultation with, but independent of, the Management. The audit schedules are approved by the AC.

The AC approves the hiring, removal, evaluation and compensation of the accounting/audit firm or corporation to which the internal audit function is outsourced. The Internal Auditor had unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

The Internal Auditor carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditor.

The AC and Board reviews 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.

Principle 14: Shareholder Rights

The company should treat all shareholders fairly and equitable, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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 SGX-ST Listing Manual and the Companies Act, Chapter 50 of Singapore, 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) clear days before the scheduled date of such meeting. Shareholders are informed of the rules, voting procedures that govern the general meeting of the Company.

A Shareholder, who is not a relevant intermediary, can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at every general meeting ("**GM**") in the events that the Shareholder is unable to attend the meeting in person. There is no provision in the Company's Constitution that limits the number of proxies for corporations which provide nominee or custodian services. In addition, Shareholders who hold shares through custodian institutions may attend the GMs as observers.

CORPORATE GOVERNANCE STATEMENT

Principle 15: Communication with Shareholders

The Company should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Corporate Strategy and Communications Committee

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

Leow David Ivan	Chairman, Independent Director
Sim Soon Ngee Glenndle	Member, Executive Chairman and Chief Executive Officer
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. Full year and quarterly 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 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.

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).

Principle 16: Conduct of Shareholder Meetings

The company should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting 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.

It is the Company's policy that all Directors, including the Chairman of the AC, NC, RC and CSCC as well as the Independent Auditor are present at the general meetings to receive Shareholder feedback and address Shareholders' queries.

The Company's Constitution allows a Shareholder to appoint one or two proxies to attend and vote instead of the Shareholder. The Company's Constitution allows a Shareholder to vote in absentia. Shareholders that hold their shares through nominee or custodial services are allowed upon prior request through their nominee, to attend the AGM as observers without being constrained by the two-proxy rule.

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 minutes of general meetings are available to Shareholders upon request. Resolutions are passed at the general meetings by poll. As the number of Shareholders who attend the meetings are not large, it is not cost effective to have voting by electronic polling. The results are also announced through SGXNET on the same day.

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.

There was no material interested person transaction during the financial year under review.

Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling Shareholder either still subsisting as at the financial year under review or if not subsisting, were entered into at the end of the financial year ended 31 December 2018.

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 1207(19) of the SGX-ST Listing Manual. 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 two weeks before the announcement of the Group's financial results for the first three quarters or one month before the announcement of the Group's 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 will be prepared in accordance with the GRI standards: Core Option, to understand and communicate our critical sustainability issues on environmental, economic and social performance ability issues to stakeholders. More details and information will be available in the full report that will be published by end of May 2019.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2018 and the balance sheet of the Company as at 31 December 2018.

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 47 to 124 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 2018 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, after considering the matters as described in Note 2.1 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due if the restructuring and deleveraging plans can be successfully implemented.

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
Ho Chew Thim, Raymond
Leow David Ivan
Ng Chee Keong

Arrangements to enable Directors to acquire shares or 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 page 42 of 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 director is deemed to have an interest	
The Company	**At 31.12.2018**	At 1.1.2018	**At 31.12.2018**	At 1.1.2018
(No. of ordinary shares)				
Sim Soon Ngee Glenndle	**83,567,900**	83,001,100	**63,402,800**	63,402,800
Wong Boon Huat	**28,458,806**	28,005,306	**-**	-
Sunny Wong Fook Choy	**552,000**	288,000	**-**	-
Ho Chew Thim, Raymond	**532,000**	281,000	**-**	-
Leow David Ivan	**6,344,000**	6,126,000	**-**	-
Ng Chee Keong	**344,000**	118,000	**-**	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Directors' interests in shares or debentures (continued)

The Directors' interests in the ordinary shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

By virtue of Section 7 of the 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.

Share options

The Company established the Mencast Employee Share Option Scheme (the "**ESOS**") on 30 May 2008 for granting of options to full-time employees and Directors of the Company and its subsidiary corporations. The total number of ordinary shares over which the Company may grant under the ESOS shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

The Scheme is administered by the Remuneration Committee ("**RC**") which consists of Directors (including Directors or persons who may be participants of the ESOS). A member of the RC who is also a participant of the ESOS must not be involved in its deliberation in respect of options granted or to be granted to him.

The exercise price for each ordinary share in respect of which an option is exercisable shall be determined by the Committee as follows:

(i) at a price equal to the average of the last dealt prices for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant option; or

(ii) at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price.

Options granted with the exercise price set at Market Price shall only be exercisable after 12 months of the date of grant of that option. Options granted with the exercise price set at a discount to Market Price shall only be exercisable after 24 months from the date of grant of that option. Options granted under the ESOS will have a life span of ten years.

Under the rules of the ESOS, there are no fixed periods for the grant of options. As such, offers for the grant of options may be made at any time at the discretion of the RC. However, no options shall be granted during the period of 30 days immediately preceding the date of announcement of interim or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second Market Day from the date on which the aforesaid announcement is made.

The lapsing of option is provided for upon the occurrence of certain events, which include:

(a) termination of the participant's employment;
(b) bankruptcy of the participant;
(c) death of the participant;
(d) take-over of the Company; and
(e) the winding-up of the Company (voluntary or otherwise).

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company and its subsidiary corporations.

The ESOS expired on 29 May 2018, being 10 years from the date on which the ESOS was adopted, and the management had decided not to renew or replace the same.

Since the commencement of the ESOS till its expiry date, no option has been granted under the ESOS.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Performance shares

The Mencast Performance Share Award Scheme (the "**Scheme**") was approved by members of the Company at Extraordinary General Meeting ("**EGM**") held on 10 November 2010 which provides for the award of fully paid-up ordinary shares in the share capital of the Company, free of charge to Group Executive, Independent Directors and certain key executives when and after pre-determined performance target(s) are being achieved.

Controlling Shareholders or associates of a controlling Shareholder who meet the eligibility criteria are also eligible to participate in the Scheme provided that the participation of and the terms of each grant and the actual number of awards granted under the Scheme 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 Scheme is a share incentive scheme which will allow the Company, *inter alia*, to target specific performance objectives and to provide an incentive for Participants to achieve these targets. The Directors believe that the Scheme will help to achieve the following positive objectives:

(a) reward, retain and motivate employees to achieve increased performance;
(b) provide Company with comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining superior local and foreign talent; and
(c) encourage greater dedication and loyalty by enabling the Company to give recognition for past contributions and services as well as motivating Scheme Participants generally to contribute towards the Group's long-term prosperity.

The Scheme is administered by Directors which comprises one Independent Director at all times.

The Scheme shall continue in force at the discretion of the RC, subject to a maximum period of ten (10) years commencing on the date on which the Scheme is adopted by the Company in general meeting, provided always that the Scheme may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting, and of any relevant authorities which may then be required.

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

(i) issuance of new shares; and/or
(ii) delivery of existing shares purchased from the market or shares held in treasury.

The total number of ordinary shares over which the Company may grant under the Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding the date on which the award is granted.

On 21 August 2018, the Company, pursuant to the Mencast Performance Share Award Scheme, granted $240,000 worth of Share Awards to eligible employees of the Company and its subsidiaries which automatically vests on date of grant (Note 24).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2018

Audit committee

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

Ho Chew Thim, Raymond (Chairman)
Sunny Wong Fook Choy
Leow David Ivan
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 Singapore Companies Act. In performing those functions, the Committee:

- Reviewed the scope and results of internal audit with the Internal Auditor;
- Reviewed the adequacy of the Group's internal financial controls, operational and compliance 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 discusses problems 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 ended 31 December 2018 before their submission to the Board, 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 quarterly and annual financial statements of the Group 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;
- 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, if any, 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;
- Reviewed the independence and objectivity of the Independent Auditor;
- Considered the appointment and re-appointment of the Independent Auditor and approved the remuneration and terms of engagement of the Independent Auditor; and
- Reviewed transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

The Audit Committee has recommended to the Board that the Independent Auditor, 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 2018

Independent Auditor

The Independent Auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the Directors

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Sim Soon Ngee Glenndle
Director

....

Wong Boon Huat
Director

3 April 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit 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 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on page 47 to 124.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

As disclosed in Note 2.1 to the financial statements, in preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding that the Group and the Company incurred net loss of $6,613,000 and $3,301,000 for the financial year ended 31 December 2018 respectively (2017: $80,664,000 and $18,103,000) and with reference to Note 21, the Group and the Company are in net current liabilities position of $90,503,000 and $10,631,000 respectively (2017: net current liabilities position of $166,787,000 and $7,660,000).

Although the above conditions indicate the existence of material uncertainties which may cast significant doubts on the Group's and the Company's abilities to continue as going concerns, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2018 is still appropriate after taking into consideration the following measures and assumptions:

(a) On 1st February 2019, the Group had entered into a Debt Restructuring Agreement ("**DRA**") with its lenders. The material terms of the DRA are disclosed in Note 31 and the Group is expecting to meet these terms in the DRA and if not, an extension can be obtained;

(b) The Group is in discussions and/or looking for potential parties in respect of certain properties and assets divestment plan to pare down its borrowings in accordance with the DRA;

(c) The Group incurred a lower net loss of $6,613,000 (2017: $80,664,000), generated positive operating cash flow from operations of $10,486,000 (2017: $16,648,000) and the Group's net current liabilities position improved to $90,503,000 (2017: $166,787,000) for the financial year ended 31 December 2018; and

(d) The Group is able to generate positive cash flow from operations for the next twelve months and with the moratorium of loan principal repayment, the Group would have sufficient cash to meet its other obligations as and when they fall due for the next twelve months.

The ability of the Group and of the Company to continue in operational existence in the foreseeable future and to meet their financial obligations as and when they fall due are dependent upon the successful outcome of the measures and assumptions undertaken as disclosed above which cannot be determined at present. At the date of this report, we are unable to obtain sufficient audit evidence regarding the likely outcome of these measures and assumptions. Therefore, we are not able to form an opinion as to whether the going concern basis of presentation of the accompanying financial statements of the Group and the Company is appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Report on the Audit of the Financial Statements (continued)

Basis for Disclaimer of Opinion (continued)

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

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, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards International ("**SFRS(I)**"), 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 responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the matter described in the *Basis for Disclaimer of Opinion* section of our report, the accounting and other records required by the 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 Act.

The engagement director on the audit resulting in this Independent Auditor's report is Low See Lien.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

3 April 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2018

	Note	**2018**	2017
		$'000	$'000
Revenue	4	**75,468**	51,715
Cost of sales		**(66,283)**	(55,877)
Gross profit/(loss)		**9,185**	(4,162)
Other gains/(losses) – net	5	**6,647**	(54,193)
Expenses			
- Administrative		**(16,106)**	(16,008)
- Finance	8	**(5,906)**	(5,826)
Loss before income tax		**(6,180)**	(80,189)
Income tax expense	9	**(433)**	(475)
Net loss		**(6,613)**	(80,664)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains on Available-for-sale financial assets	15	**-**	18
Currency translation differences arising from consolidation	25	**178**	(727)
		178	(709)
Items that will not be reclassified subsequently to profit or loss:			
Fair value losses on financial assets, at FVOCI	15	**(7)**	-
		(7)	-
Total comprehensive loss		**(6,442)**	(81,373)
Net (loss)/profit attributable to:			
Equity holders of the Company		**(8,165)**	(81,988)
Non-controlling interests		**1,552**	1,324
		(6,613)	(80,664)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(7,994)**	(82,697)
Non-controlling interests		**1,552**	1,324
		(6,442)	(81,373)
Loss per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted	10	**(1.93)**	(19.43)

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group **31 December 2018** **$'000**	31 December 2017 $'000	1 January 2017 $'000
ASSETS				
Current assets				
Cash and cash equivalents	11	**16,385**	14,741	7,416
Trade and other receivables	12	**21,701**	17,057	26,216
Inventories	13	**7,918**	8,564	9,473
Contract assets	4	**7,008**	3,774	21,154
		53,012	44,136	64,259
Assets of disposal group classified as held-for-sale	14	**74,347**	-	6,350
		127,359	44,136	70,609
Non-current assets				
Available-for-sale financial assets	15	**-**	109	91
Financial assets, at FVOCI	15	**102**	-	-
Investments in a joint venture	17	**-**	-	-
Property, plant and equipment	18	**119,990**	205,642	225,625
Deposits for purchase of property, plant and equipment		**13**	9	1,193
Intangible assets	19	**9,661**	9,661	44,800
Club memberships		**-**	60	60
		129,766	215,481	271,769
Total assets		**257,125**	259,617	342,378
LIABILITIES				
Current liabilities				
Trade and other payables	20	**23,967**	16,370	14,055
Contract liabilities	4	**2,407**	3,825	678
Borrowings	21	**115,927**	190,389	46,693
Current income tax liabilities		**1,214**	339	815
		143,515	210,923	62,241
Liabilities directly associated with disposal group classified as held-for-sale	14	**74,347**	-	2,525
		217,862	210,923	64,766
Non-current liabilities				
Borrowings	21	**1,162**	3,238	151,136
Deferred income tax liabilities	23	**5,151**	5,341	4,478
		6,313	8,579	155,614
Total liabilities		**224,175**	219,502	220,380
NET ASSETS		**32,950**	40,115	121,998

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

BALANCE SHEETS

As at 31 December 2018

	Note	Group **31 December 2018** **$'000**	31 December 2017 $'000	1 January 2017 $'000
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	24	**92,077**	91,747	91,657
Fair value reserve		**25**	32	14
Translation reserve	25	**(549)**	(727)	-
Other reserve		**509**	509	509
Accumulated (losses)/retained profit		**(66,926)**	(58,761)	23,227
		25,136	32,800	115,407
Non-controlling interests	16	**7,814**	7,315	6,591
Total equity		**32,950**	40,115	121,998

	Note	Company **31 December 2018** **$'000**	31 December 2017 $'000	1 January 2017 $'000
ASSETS				
Current assets				
Cash and cash equivalents	11	**105**	828	425
Trade and other receivables	12	**67,399**	70,525	74,730
Contract assets	4	**650**	563	736
		68,154	71,916	75,891
Non-current assets				
Investments in subsidiary corporations	16	**69,880**	69,879	82,030
Property, plant and equipment	18	**-**	1	10
Deferred income tax assets	23	**-**	-	524
		69,880	69,880	82,564
Total assets		**138,034**	141,796	158,455
LIABILITIES				
Current liabilities				
Trade and other payables	20	**24,383**	25,054	28,222
Borrowings	21	**54,402**	54,522	-
		78,785	79,576	28,222
Non-current liabilities				
Borrowings	21	**-**	-	50,000
Total liabilities		**78,785**	79,576	78,222
NET ASSETS		**59,249**	62,220	80,233
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	24	**92,077**	91,747	91,657
Accumulated losses		**(32,828)**	(29,527)	(11,424)
Total equity		**59,249**	62,220	80,233

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

	Note	Share capital	Fair value reserve*	Translation reserve*	Other reserve*[1]	(Accumulated losses)/ retained profit**	Total	Non-controlling interests	Total equity
		Attributable to equity holders of the Company							
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
2018									
Beginning of financial year		**91,747**	**32**	**(727)**	**509**	**(58,761)**	**32,800**	**7,315**	**40,115**
Shares for Directors' fees (in lieu of cash)	24	90	-	-	-	-	90	-	90
Dividends paid to non-controlling interests		-	-	-	-	-	-	(1,200)	(1,200)
Incorporation of a new subsidiary	16	-	-	-	-	-	-	147	147
Award of performance shares to employees	24	240	-	-	-	-	240	-	240
Total comprehensive (loss)/income for the year		-	(7)	178	-	(8,165)	(7,994)	1,552	(6,442)
End of financial year		**92,077**	**25**	**(549)**	**509**	**(66,926)**	**25,136**	**7,814**	**32,950**
Group									
Balance as at 31 December 2016		**91,657**	**14**	**(3,973)**	**509**	**27,200**	**115,407**	**6,591**	**121,998**
Adoption of SFRS(I) (Note 25)		-	-	3,973	-	(3,973)	-	-	-
Balance as at 1 January 2017		**91,657**	**14**	**-**	**509**	**23,227**	**115,407**	**6,591**	**121,998**
Shares for Directors' fees (in lieu of cash)	24	90	-	-	-	-	90	-	90
Dividends paid to non-controlling interests	16	-	-	-	-	-	-	(600)	(600)
Total comprehensive income/(loss) for the year		-	18	(727)	-	(81,988)	(82,697)	1,324	(81,373)
End of financial year		**91,747**	**32**	**(727)**	**509**	**(58,761)**	**32,800**	**7,315**	**40,115**

* Fair value, translation and other reserves are not available for distribution.
** The retained profit of the Group and the Company are distributable.
[1] Differences between consideration and the change in carrying amounts of non-controlling interest in respect of partial disposal of a subsidiary corporation without loss of control.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	**2018** **$'000**	2017 $'000
Cash flows from operating activities			
Net loss		**(6,613)**	(80,664)
Adjustments for:			
- Income tax expense	9	**433**	475
- Depreciation of property, plant and equipment	6	**12,846**	15,527
- Claim against former shareholder of a subsidiary corporation	5	**-**	(306)
- Impairment loss on property, plant and equipment	5	**-**	9,517
- Impairment loss on goodwill arising on acquisition of business	5	**-**	3,108
- Impairment loss on goodwill arising on consolidation	5	**-**	32,031
- (Gain)/loss on disposal of property, plant and equipment	5	**(793)**	374
- (Gain)/loss on disposal of non-current assets held-for-sale	5	**(2,183)**	310
- Loss on cancellation of customer's contract	5	**-**	5,361
- Loss on cancellation of club membership		**13**	-
- Dividend income from financial assets, FVOCI/Available-for-sale financial assets	5	**(7)**	(5)
- Award of performance shares to employees	24	**240**	-
- Interest income	5	**(30)**	(12)
- Interest expense	8	**5,906**	5,826
- Currency translation differences		**5**	(158)
		9,817	(8,616)
Changes in working capital			
- Trade and other receivables		**(4,579)**	18,113
- Inventories		**646**	1,501
- Contract assets		**(3,234)**	(3,774)
- Trade and other payables		**9,705**	5,675
- Contract liabilities		**(1,418)**	3,825
Cash generated from operations		**10,937**	16,724
Interest received		**30**	12
Income tax paid		**(481)**	(88)
Net cash provided by operating activities		**10,486**	16,648
Cash flows from investing activities			
Dividend income from financial assets, at FVOCI/Available-for-sale financial assets		**7**	5
Proceeds from disposal of property, plant and equipment		**1,701**	3,647
Proceeds from disposal of non-current assets classified as held-for-sale	11	**8,893**	6,040
Proceeds from cancellation of club membership		**47**	-
Payments of other payables relating to prior financial years' acquisitions		**-**	(675)
Purchase of property, plant and equipment		**(7,259)**	(2,914)
Release of short-term bank deposits pledged		**2,080**	678
Net cash provided by investing activities		**5,469**	6,781

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2018

	Note	2018 $'000	2017 $'000
Cash flows from financing activities			
Interest paid		**(8,746)**	(7,899)
Repayment of bank borrowings		**(15,709)**	(27,527)
Repayment of finance lease liabilities		**(1,298)**	(3,347)
Proceeds from bank borrowings		**14,569**	24,925
Proceeds from issuance of subsidiary's shares to non-controlling interest	16	**147**	-
Dividends paid to non-controlling interests	16	**(1,200)**	(600)
Net cash used in financing activities		**(12,237)**	(14,448)
Net increase in cash and cash equivalents		**3,718**	8,981
Cash and cash equivalents			
Beginning of financial year		**11,601**	2,620
End of financial year	11	**15,319**	11,601

Reconciliation of liabilities arising from financing activities

	1 January 2018 $'000	Principal and interest payments $'000	Non-cash changes $'000 Interest Expense	Non-cash changes $'000 Foreign exchange movement	31 December 2018 $'000
Bank borrowings*	189,906	(8,181)	7,041	-	188,766
Finance lease liabilities	3,298	(1,194)	139	(2)	2,241
Bank overdraft	423	(24)	30	-	429

	1 January 2017 $'000	Principal and interest payments $'000	Non-cash changes $'000 Interest Expense	Non-cash changes $'000 Foreign exchange movement	31 December 2017 $'000
Bank borrowings	189,983	(6,714)	6,637	-	189,906
Finance lease liabilities	6,445	(3,385)	248	(10)	3,298
Bank overdraft	1,401	(1,025)	47	-	423

* Bank borrowings include the liabilities directly associated with disposal group classified as held-for-sale.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 3 April 2019.

1. General information

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

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 Singapore Financial Reporting Standards International ("**SFRS(I)**") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) 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.

Going concern

In preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding that the Group and the Company incurred a net loss of $6,613,000 and $3,301,000 for the financial year ended 31 December 2018 respectively (2017: $80,664,000 and $18,103,000) and as at that date, the Group and the Company are in net current liabilities position of $90,503,000 and $10,631,000 respectively (2017: net current liabilities position of $166,787,000 and $7,660,000) and has also breached certain financial covenants for most of its loan agreements.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2018 is still appropriate after taking into consideration the following assumptions and measures:

(a) On 1st February 2019, the Group had entered into a DRA with its lenders. The material terms of the DRA are disclosed in Note 31 and the Group is expecting to meet these terms in the DRA and if not, an extension can be obtained;

(b) The Group is in discussions and/or looking for potential parties in respect of certain properties and assets divestment plan to pare down its borrowings in accordance with the DRA;

(c) The Group incurred a lower net loss of $6,613,000 (2017: $80,664,000), generated positive operating cash flow from operations of $10,486,000 (2017: $16,648,000) and the Group's net current liabilities position improved to $90,503,000 (2017: $166,787,000) for the financial year ended 31 December 2018; and

(d) The Group is able to generate positive cash flow from operations for the next twelve months and with the moratorium of loan principal repayment, the Group would have sufficient cash to meet its other obligations as and when they fall due for the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern *(continued)*

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Group and the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the group has prepared in accordance with SFRS(I). The Group's previously issued financial statements for the periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("**SFRS**").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) First-time Adoption of SFRS(I) 1.

Under SFRS(I), these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I).

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Cumulative translation differences

The Group has elected to set the cumulative translation differences to be zero as at the date of transition to SFRS(I) on 1 January 2017. As a result, translation reserve and retained profit as at 1 January 2017 and 31 December 2017 was increased/reduced by $3,973,000 respectively.

(ii) Short-term exemption on adoption of SFRS(I) 9 Financial Instruments

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 January 2018. Accordingly, the requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 31 December 2017. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures required by SFRS(I) 7 related to the items within scope of SRFS(I) 9.

As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Adoption of SFRS(I) (continued)

(b) Adoption of SFRS(I) equivalent of IFRS(I) 9

The Group has elected to apply the short-term exemption under IFRS(I) 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS(I) 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. Expected significant adjustments to the Group's balance sheet line items as a result of management's assessment are as follows:

- Equity investments reclassified from AFS to FVOCI

  The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as Available-for-sale in other comprehensive income.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15; and
- loans to related parties and other receivables at amortised cost.

Management does not expect significant adjustments to the Group's balance sheet line items from the application of the expected credit loss impairment model.

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS(I) 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. The adjustments made as follows:

(i) Presentation of contract assets and liabilities

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS equivalent of IFRS 15:

- Amounts due from customers arising from construction contracts, accrued revenue, construction contract work-in-progress and deferred costs under SFRS will be reclassified to be presented as part of contract assets.
- The expected volume discounts and refunds to customers which have been presented as current provisions under SFRS, will be classified as contract liabilities.
- Advances received from customers arising from construction contracts, amounts due to customers arising from construction contracts and deferred revenue under SFRS will be reclassified to be presented as part of contract liabilities.

As a result, the adoption of SFRS(I) 15 does not have any significant impact to the financial statements for the financial year as at 1 January 2017, 31 December 2017 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.2 Adoption of SFRS(I) (continued)

(d) *Summary of financial impact*

The line items on the Group's financial statements that was adjusted due to significant impact arising from the adoption of SFRS(I) as described above are summarised below:

	As at 31 December 2017 reported under SFRS	As at 1 January 2018 under SFRS(I)	As at 1 Jan 2017 reported under SFRS	As at 1 Jan 2017 reported under SFRS(I)
	$'000	$'000	$'000	$'000
Financial assets, Available-for-sale	109	-	91	91
Financial assets, at FVOCI	-	109	-	-
Inventories	8,704	8,564	10,065	9,473
Trade and other receivables	20,691	17,057	46,778	26,216
Contract assets	-	3,774	-	21,154
Trade and other payables	20,195	16,370	14,733	14,055
Contract liabilities	-	3,825	-	678
Translation reserve	(4,700)	(727)	(3,973)	-
(Accumulated losses)/retained profit	(54,788)	(58,761)	27,200	23,227

There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

2.3 Revenue recognition

(a) *Sale of goods*

Revenue from sales of goods is recognised when control of the products has transferred to the 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 specific location, the risks of obsolescence and loss have been transferred to the revenue, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(b) *Rendering of services*

Repair and overhaul services

Revenue from repair and overhaul services is recognised in the period in which the services are rendered and accepted by customers, hence, advances from customers are deferred and classified as "deferred revenue" under "trade and other payables". Labour and overhead costs incurred relating to reconditioning services are deferred and classified as "deferred cost" under "inventories" until the revenue is recognised. Unbilled revenue on completed services is recognised as "accrued revenue" under "trade and other receivables".

Maintenance services

Revenue from maintenance services is recognised in the period in which the services are rendered and accepted by customers, hence, advances from customers are deferred and classified as "deferred revenue" under "trade and other payables". Labour and overhead costs incurred relating to reconditioning services are deferred and classified as "deferred cost" under "inventories" until the revenue is recognised. Unbilled revenue on completed services is recognised as "accrued revenue" under "trade and other receivables".

(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 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.

For certain contracts where the Group does not have 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 follows the industry practice to protect the performing entity from the customers' 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.3 Revenue recognition (continued)

(c) Construction contracts (continued)

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability 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, including income arising from finance leases and other financial instruments, is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that 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) Sales of scrap

Revenue from sales of scrap is recognised 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.

2.4 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 income - net.

2. Significant accounting policies (continued)

2.5 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of 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 which that control ceases.

In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidences 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 result of operations and its net assets, which is attributable to the interests which 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.

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. Please refer to the paragraph 2.8 "Intangible assets - Goodwill" for the subsequent accounting policy on 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.5 Group accounting (continued)

(a) Subsidiary corporations (continued)

(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 Standard.

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 the paragraph 2.10 "Investments in subsidiary corporations and a joint venture" for the accounting policy on investments in subsidiary corporations and a joint venture 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) Joint venture

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.

Investment in joint venture is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investment in 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 joint venture represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investment.

(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 joint ventures' 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 joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.5 Group accounting (continued)

(c) Joint venture (continued)

(ii) Equity method of accounting (continued)

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

(iii) Disposals

Investment in joint venture is derecognised when the Group loses joint control. If the retained equity interest in the former 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 joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Please refer to the paragraph 2.10 "Investments in subsidiary corporations and joint venture" for the accounting policy on investments in subsidiary corporations and joint venture in the separate financial statements of the Company.

2.6 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 2.9 on borrowing costs).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.6 Property, plant and equipment (continued)

(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
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.

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.

(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 losses – net'.

2.7 Club memberships

Club memberships are stated at cost less impairment loss, if any.

2.8 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 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 joint venture is included in the carrying amount of the investments.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.9 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 the 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.

2.10 Investments in subsidiary corporations and a joint venture

Investments in subsidiary corporations 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.

2.11 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 prorata 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*
Investments in subsidiary corporations and a joint venture

Property, plant and equipment and investments in subsidiary corporations 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

(b) *Property, plant and equipment (continued)*
Investments in subsidiary corporations and a joint venture (continued)

An impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 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.

2.12 Financial assets

The accounting for financial assets before 1 January 2018 are as follows:

(a) *Classification*

The Group classifies its financial assets in the following categories: loans and receivables and Available-for-sale. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(ii) *Available-for-sale financial assets*

Financial assets, Available-for-sale are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose off the assets within 12 months after the balance sheet date.

(b) *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 financial asset, 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.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

The accounting for financial assets from 1 January 2018 are as follows: (continued)

(c) Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on Available-for-sale financial assets are recognised separately in income. Changes in the fair values of Available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in the fair values of Available-for-sale equity securities (i.e non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(d) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Available-for-sale financial assets

In addition to the objective evidence of impairment described in paragraph 2.12(d)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the Available-for-sale financial asset is impaired.

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

The accounting for financial assets from 1 January 2018 are as follows: (continued)

(e) *Classification and measurement*

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.

At initial recognition

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.

At subsequent measurement

(i) *Debt instruments*

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

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost: 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 instruments*

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. 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".

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

The accounting for financial assets from 1 January 2018 are as follows: (continued)

(f) 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 28(b)(i) 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.

(g) 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.

2.13 Offsetting 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.

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries 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) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

(b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were measured at the higher of (a) and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.15 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.

2.16 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 rate method.

2.17 Leases

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

The Group leases motor vehicles and certain plant and machinery under finance leases and land under operating leases from non-related parties.

(i) *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(ii) *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

2. Significant accounting policies (continued)

2.17 Leases (continued)

(b) When the Group is the lessor:

The Group leases office and workshop space under operating leases.

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.

2.18 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) but excludes borrowing costs. 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.

2.19 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.

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.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiary corporations and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.19 Income taxes (continued)

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 innovative credit) similar to accounting for other tax credits where 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 credit can be utilised.

2.20 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.

2.21 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 a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(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. The amount is determined by reference to the fair value of the performance shares on the 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 charge is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vesting with the 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 as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

2. Significant accounting policies (continued)

2.22 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, 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/(losses) – 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.

(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 reporting 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 of the entity giving rise to such reserve.

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 reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. Significant accounting policies (continued)

2.23 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.

2.24 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.

2.25 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments 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.

2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.27 Non-current assets (or disposal groups) held-for-sale

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.

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 test for goodwill

The Group has recognised an impairment charge on its goodwill of Nil (2017: $35,139,000) during the financial year which resulted in the carrying amount of goodwill as at 31 December 2018 to remain as $9,661,000 (2017: $9,661,000).

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 19, 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 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 19.

For goodwill attributable to Recon and Vac-Tech 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 19.

(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 18.

The management had considered whether there is any indication of impairment and when necessary, perform a VIU assessment or obtain a valuation from an external party. During the financial year, the management obtained an estimated recoverable amount of property, plant and equipment from valuations determined by external parties and had these valuations been lower by 10%, the Group would have reduced the carrying amount of property, plant and equipment by $12,154,000 (2017: $12,163,000).

The Group has not recognised an impairment charge for property, plant and equipment for the financial year ended 31 December 2018.

(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 2018 was $119,990,000 (2017: $205,642,000). 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. Critical accounting estimates, assumptions and judgements (continued)

(d) Construction contracts

The Group has significant 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 2018, $2,497,000 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 10% from management's estimates, the Group's revenue and contract assets would have been lower/higher by $307,000 and $6,837,000 respectively. If the total contract costs of on-going contracts to be incurred had been higher by 13% from management's estimates, a provision for onerous contracts of $672,000 would have been recognised.

(e) Impairment of loans and receivables

As at 31 December 2018, the Group's trade receivables and contract assets amounted to $16,689,000 (Note 12) and $7,008,000 (Note 4) 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 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. A loss allowance of $164,000 for trade receivables was recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. There is no customer in financial difficulties during the financial year.

The Group's and the Company's credit risk exposure for trade receivables and contract assets by different revenue segment are set out in Note 28(b)(i).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 over time and at a point in time in the following nature of revenue and geographical regions.

	At a point in time $'000	Over time $'000	Total $'000
2018			
Construction contracts			
- Singapore	**-**	**18,299**	**18,299**
- Asia	**-**	**7,888**	**7,888**
- Rest of the world	**-**	**2,172**	**2,172**
	-	**28,359**	**28,359**
Sale of goods			
- Singapore	**13,901**	**-**	**13,901**
- Asia	**1,030**	**-**	**1,030**
- Rest of the world	**857**	**-**	**857**
	15,788	**-**	**15,788**
Services income from maintenance, repair and overhaul			
-Singapore	**27,139**	**-**	**27,139**
- Asia	**2,886**	**-**	**2,886**
- Rest of the world	**1,296**	**-**	**1,296**
	31,321	**-**	**31,321**
Total	**47,109**	**28,359**	**75,468**

	At a point in time $'000	Over time $'000	Total $'000
2017			
Construction contracts			
- Singapore	-	5,580	5,580
- Asia	-	4,012	4,012
- Rest of the world	-	274	274
	-	9,866	9,866
Sale of goods			
- Singapore	9,078	-	9,078
- Asia	1,916	-	1,916
- Rest of the world	28	-	28
	11,022	-	11,022
Services income from maintenance, repair and overhaul			
- Singapore	28,157	-	28,157
- Asia	1,673	-	1,673
- Rest of the world	997	-	997
	30,827	-	30,827
Total	41,849	9,866	51,715

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities

	Group								
	31 December 2018			31 December 2017			1 January 2017		
	At a point in time $'000	**Over time $'000**	**Total $'000**	**At a point in time $'000**	**Over time $'000**	**Total $'000**	**At a point in time $'000**	**Over time $'000**	**Total $'000**
Contract assets									
- Construction contracts	**-**	**3,495**	**3,495**	193	2,076	2,269	-	14,520	14,520
- Sales of goods	**-**	**-**	**-**	140	-	140	592	-	592
- Services	**3,513**	**-**	**3,513**	1,365	-	1,365	6,042	-	6,042
Total contract assets	**3,513**	**3,495**	**7,008**	1,698	2,076	3,774	6,634	14,520	21,154
Contract liabilities									
- Construction contracts	**-**	**358**	**358**	-	2,430	2,430	-	5	5
- Sales of goods	**1,732**	**-**	**1,732**	1,395	-	1,395	-	-	-
- Services	**317**	**-**	**317**	-	-	-	673	-	673
Total contract liabilities	**2,049**	**358**	**2,407**	1,395	2,430	3,825	673	5	678

	Company		
	31 December 2018 At a point in time $'000	31 December 2017 **At a point in time $'000**	1 January 2017 **At a point in time $'000**
Contract assets			
- Services	**650**	563	736

Contract assets relate to fixed price construction contracts. The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

Contract liabilities for construction contracts have decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. Revenue from contracts with customers (continued)

(b) Contract assets and liabilities (continued)

(i) *Revenue recognised in relation to contract liabilities*

	2018 $'000	2017 $'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
- Construction contracts	**2,430**	5

There are no revenue recognised in current period from performance obligations satisfied in previous periods

(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 amortised 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 2018 is expected to be completely recovered through contract revenue, hence no expected loss is recognised in the financial year ended 31 December 2018 (2017: Nil)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. Other gains/(losses) – net

Following are the other income and gains/(losses) recognised during the financial year:

	Group	
	2018	2017
	$'000	$'000
Allowance for impairment of trade receivables (Note 28(b))	**(164)**	(1,869)
Claim against former shareholder of a subsidiary corporation	**-**	306
Dividend income from financial assets, FVOCI/Available-for-sale financial assets	**7**	5
Foreign currency translation loss – net	**(182)**	(343)
Government grants	**1,417**	337
Impairment loss on property, plant and equipment (Note 18)	**-**	(9,517)
Impairment loss on goodwill arising on acquisition of business (Note 19(a))	**-**	(3,108)
Impairment loss on goodwill arising on consolidation (Note 19(b))	**-**	(32,031)
Write-off of trade receivables	**-**	(2,205)
Interest income – bank deposits	**30**	12
Loss on cancellation of customer's contract	**-**	(5,361)
Gain/(loss) on disposal of non-current assets held-for-sale (Note 14)	**2,183**	(310)
Gain/(loss) on disposal of property, plant and equipment	**793**	(374)
Rental income on operating lease	**1,951**	652
Sales of scrap	**845**	533
Write-back of long-outstanding payables and accruals	**133**	141
Write-back of allowance for impairment of trade receivables (Note28(b))	**4**	216
Write down of inventories	**(416)**	(1,325)
Other income	**46**	48
	6,647	(54,193)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

6. Expenses by nature

	Group	
	2018	2017
	$'000	$'000
Purchases of raw materials	**11,968**	6,138
Advertisement	**18**	36
Fees on audit services paid/payable to:		
- Auditor of the Company	**195**	185
- Other auditors*	**16**	22
Fees on non-audit services paid/payable to:		
- Auditor of the Company	**-**	19
- Other auditors*	**88**	63
Commission	**59**	121
Depreciation of property, plant and equipment (Note 18)	**12,846**	15,527
Directors' fees	**181**	181
Donation	**67**	46
Employee compensation (Note 7)	**22,698**	21,468
Employee welfare	**538**	515
Entertainment and refreshment	**171**	188
Freight and handling charges	**541**	421
Insurance	**649**	839
Property tax	**1,288**	1,537
Printing and stationery	**127**	134
Professional fees	**1,339**	1,671
Repairs and maintenance	**2,870**	2,597
Rental expense on operating leases	**7,950**	3,806
Security fees	**59**	50
Subcontractors' cost	**11,814**	8,022
Surveyor and testing fees	**559**	692
Telephone	**213**	227
Transportation	**405**	392
Travelling	**588**	320
Utilities	**1,588**	2,059
Other	**2,907**	3,248
Changes in inventories	**647**	1,361
Total cost of sales and administrative expenses	**82,389**	71,885

* Includes the network member firms of Nexia International.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

7. Employee compensation

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**19,304**	18,392
Employers' contribution to defined contribution plans including Central Provident Fund	**2,894**	2,793
Other short-term benefits	**260**	283
Performance shares expense (Note 24)	**240**	-
	22,698	21,468

8. Finance expenses

	Group	
	2018	2017
	$'000	$'000
Interest expense on:		
- Bank borrowings	**7,041**	6,637
- Finance lease liabilities	**139**	248
- Bank overdraft	**30**	47
	7,210	6,932
Less: Borrowing costs capitalised in property, plant and equipment	**(1,304)**	(1,106)
	5,906	5,826

9. Income taxes

	Group	
	2018	2017
	$'000	$'000
<u>Income tax expenses</u>		
Tax expense attributable to loss is made up of:		
Loss for the financial year		
- Current income tax - Singapore	**1,183**	350
- Current income tax - Foreign	**19**	-
- Deferred income tax (Note 23)	**380**	(207)
	1,582	143
(Over)/under provision in prior financial years		
- Current income tax - Singapore	**(621)**	(735)
- Current income tax - Foreign	**42**	(3)
- Deferred income tax (Note 23)	**(570)**	1,070
	433	475

9. Income taxes (continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group 2018 $'000	Group 2017 $'000
Loss before income tax	**(6,180)**	(80,189)
Tax calculated at tax rate of 17% (2017: 17%)	**(1,051)**	(13,632)
Effects of:		
- different tax rates in other countries	**56**	(264)
- statutory tax exemption	**(52)**	(26)
- tax incentive under Productivity and Innovation Credit	**-**	(59)
- expenses not deductible for tax purposes	**2,385**	9,726
- income not subject to tax	**(433)**	(220)
- tax rebate	**(20)**	(25)
- utilisation of previously unrecognised capital allowance and tax losses	**(540)**	-
- deferred income tax asset not recognised	**1,244**	4,658
- (over)/under provision in prior financial years	**(1,149)**	332
- other	**(7)**	(15)
Tax charge	**433**	475

10. Loss per share

(a) Basic loss per share

Basic loss per share is calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(b) Diluted loss per share

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

There are no dilutive potential ordinary shares.

	Group 2018	Group 2017
Net loss attributable to equity holders of the Company ($'000)	(8,165)	(81,988)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share ('000)	423,419	422,002
Basic and diluted loss per share (cents per share)	(1.93)	(19.43)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Cash and cash equivalents

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Cash at bank and on hand	**15,730**	11,855	4,125
Short-term bank deposits	**655**	2,886	3,291
	16,385	14,741	7,416

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Cash at bank and on hand	**105**	828	425

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Cash and cash equivalents (as above)	**16,385**	14,741	7,416
Less: Short-term bank deposits and cash at bank pledged	**(637)**	(2,717)	(3,395)
Less: Bank overdrafts (Note 21)	**(429)**	(423)	(1,401)
Cash and cash equivalents per consolidated statement of cash flows	**15,319**	11,601	2,620

Certain short-term bank deposits are pledged to secure certain bank borrowings (Note 21).

On 24 December 2018, the Group disposed of its wholly-owned subsidiary, Changshu Honghua Equipment (Changshu) Co, Ltd ("**Changshu Honghua**").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. Cash and cash equivalents (continued)

	Group At 24 December 2018 $'000
The effects of the disposal on the cash flows of the Group were:	
Carrying amounts of assets and liabilities as at the date of disposal:	
Cash and cash equivalents (Note 14)	**8**
Trade and other receivables (Note 14)	**1,671**
Property, plant and equipment (Note 14)	**5,889**
Total assets (Note 14)	**7,568**
Trade and other payables	**(31)**
Total liabilities	**(31)**
Net assets derecognised and disposed of	**7,537**
Cash inflows arising from disposal:	
Net assets derecognised and disposed of (as above)	**7,537**
Reclassification of currency translation reserve	**(636)**
Total assets	**6,901**
Gain on disposal of non-current assets held-for-sale (Note 5)	**2,183**
Unpaid expenses incurred on disposal of non-current assets held-for-sale, net	**(183)**
Cash proceeds on disposal of non-current assets held-for-sale	**8,901**
Less: Cash and cash equivalents in subsidiary disposed of (as above)	**(8)**
Net cash inflow on disposal of non-current assets held-for-sale	**8,893**

12. Trade and other receivables

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Trade receivables			
- Non-related parties	**20,994**	17,578	23,045
Less: Allowance for impairment of trade receivables - non-related parties (Note 28(b))	**(4,305)**	(4,297)	(3,101)
Trade receivables – net	**16,689**	13,281	19,944
Advances to suppliers	**187**	186	160
Advances to staff	**1**	33	35
Deposits	**188**	244	412
Prepayments	**1,278**	1,659	2,371
Other receivables			
- Non-related parties	**1,828**	124	1,324
- Related party	**1,530**	1,530	1,970
	21,701	17,057	26,216

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. Trade and other receivables (continued)

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Non-trade amounts due from subsidiary corporations	**65,272**	68,085	70,716
Advances to suppliers	**4**	28	6
Deposits	**1**	31	5
Prepayments	**580**	772	1,561
Other receivables			
- Non-related parties	**1,542**	1,609	2,442
	67,399	70,525	74,730

The non-trade amounts due from subsidiary corporations and other receivable from related party are unsecured, repayable on demand and interest-free, except for certain advances to subsidiary corporations amounting to $33,230,000 (2017: $34,442,000) which bear interest at 4% (2017: 4%) per annum.

As at 31 December 2018, $1,736,000 was included in the Group's other receivables - non-related party, being the third and final tranche of the Purchase Consideration on Changshu Honghua disposal (Note 14).

13. Inventories

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Raw materials	**2,740**	3,034	4,486
Work-in-progress	**4,053**	3,582	3,482
Finished goods	**1,125**	1,948	1,505
	7,918	8,564	9,473

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $12,615,000 (2017: $7,499,000).

During 2018, the Group has written-down inventories of $416,000 (2017: $1,325,000) (Note 5), due to inventories obsolescence incurred under the Offshore & Engineering segment. No inventory reversal was recognised in 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Disposal group classified as held-for-sale

Details of the assets in disposal group classified as held-for-sale are as follows:

	Cash and cash equiva-lents	Trade and other receivables	Buildings on leasehold land	Renovation	Furniture and Fixtures	Total
	$'000	$'000	$'000	$'000	$'000	$'000
2018						
Beginning of financial year	-	-	-	-	-	-
Reclassification during the year	**8**	**1,671**	**80,207**	**17**	**12**	**81,915**
Disposal (Note 11)	**(8)**	**(1,671)**	**(5,889)**	-	-	**(7,568)**
End of financial year	-	-	**74,318**	**17**	**12**	**74,347**
2017						
Beginning of financial year	-	-	6,266	-	84	6,350
Disposal	-	-	(6,266)	-	(84)	(6,350)
End of financial year	-	-	-	-	-	-

In 2018, the Group reclassified certain assets and liabilities to disposal group as held-for-sale with a net asset amount of Nil (property plant and equipment of $74,347,000 and borrowings of $74,347,000) (2017: property plant and equipment of Nil and borrowings of Nil) as part of the on-going efforts of the Group to dispose certain properties to pare down its debt in accordance with DRA (Note 31).

In 2018, the Company through its wholly owned subsidiary, S&W Pte. Ltd., entered into a Sale and Purchase Agreement ("**SPA**") for the disposal of the entire stake in Changshu Honghua for RMB53,530,000. The Group had in June 2018 recognised and reclassified the assets and liabilities directly associated with Changshu Honghua to current assets/liabilities as "Assets/Liabilities of disposal group classified as held for sale". On 24 December 2018, upon loss of control over Changshu Honghua, the Group accounted it as deemed disposal and the resulting gain of $2,183,000 (Note 5) was recognised in the profit or loss as of 31 December 2018. Subsequent to Balance Sheet date, as announced on 15 February 2019, the third and final tranche of the Purchase Consideration amounting to RMB8,730,000 (equivalent to $1,736,000) has been paid by the Purchaser and received by the Company, and that the Proposed Disposal has been completed (Note 12 and Note 31).

On 4 December 2017, the sale of 11 Tuas Basin Close property classified as held-for-sale in 2016 was completed and a loss on disposal of non-current assets held-for-sale of $310,000 was recognised in other gains/(losses) – net (Note 5).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

14. Disposal group classified as held-for-sale (continued)

Details of the liabilities directly associated with disposal group classified as held-for-sale is as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Bank borrowings:			
- Secured	**74,347**	-	2,525

In 2018, the bank borrowings include secured liabilities of $74,347,000 for the Group's building on leasehold land.

In 2017, the bank borrowings secured on the disposal group classified as held-for-sale were fully repaid.

15. Financial assets, at FVOCI/Available-for-sale financial assets

(a) Available-for-sale financial assets

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**109**	91
Reclassification at 1 January 2018* (as below)	**(109)**	-
Fair value gain	**-**	18
End of financial year	**-**	109

(b) Financial assets, at FVOCI

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**-**	-
Reclassification at 1 January 2018* (as above)	**109**	-
Fair value loss	**(7)**	-
End of financial year	**102**	-

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

During the financial year ended 31 December 2018, the Group recognised fair value loss of $7,000 due to impairment of debt instruments, at FVOCI.

* See Note 2.2(b) for details of reclassification as at 1 January 2018 on adoption of SFRS(I) 9.

16. Investments in subsidiary corporations

	Company	
	2018	2017
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**82,030**	82,030
Additions	**1**	-
End of financial year	**82,031**	82,030
Accumulated impairment		
Beginning of financial year	**(12,151)**	-
Impairment charge	**-**	(12,151)
End of financial year	**(12,151)**	(12,151)
Net book value		
End of financial year	**69,880**	69,879

The impairment charge of Nil (2017: $12,151,000) was made to write down the carrying amount of investment in certain subsidiary corporations to its estimated recoverable amounts. The recoverable amount of investment in certain subsidiary corporations have been determined based on value-in-use calculation.

Details of subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	**%**	%	**%**	%
Mencast Marine Pte Ltd[a]	Manufacture, supply and refurbishment and reconditioning of sterngear	Singapore	**100**	100	**100**	100	**-**	-
Mencast Engineering Pte Ltd[a] ("MEPL")	Supply of oil & gas equipment and precision engineering services	Singapore	**100**	100	**100**	100	**-**	-
Mencast Offshore & Marine Pte Ltd[a]	Provision of mechanical engineering works, 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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

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 parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	**%**	%	**%**	%
Stone Marine Mencast Pte Ltd[a]	Repair of ships, tankers and other ocean-going vessels and wholesale of marine equipment and accessories	Singapore	**-**	-	**100**	100	**-**	-
Recon Propeller & Engineering Pte Ltd[a]	Sterngear services	Singapore	**100**	100	**100**	100	**-**	-
Mencast Procurement (Singapore) Pte Ltd[a]	Trading of materials and equipment for the marine oil & gas	Singapore	**100**	100	**100**	100	**-**	-
Top Great Engineering & Marine Pte Ltd ("Top Great")[a]	Provision of mechanical engineering works, and repair of ships, tankers and other ocean-going vessels	Singapore	**100**	100	**100**	100	**-**	-
Mencast Subsea Pte Ltd ("Subsea")[a]	Provision of underwater commercial diving and top side (rope access) services	Singapore	**100**	100	**100**	100	**-**	-
S&W Pte Ltd ("S&W")[a]	Fabrication of heat exchanger, pressure vessel, air cooler heat exchanger and skid packager	Singapore	**100**	100	**100**	100	**-**	-
Mencast Innovation Centre Pte Ltd.[a]	Engineering design & consultancy services	Singapore	**100**	100	**100**	100	**-**	-
MAG Offshore Marine Pte. Ltd.[g]	Struck off	Singapore	**-**	51	**-**	51	**-**	49
Mencast Marine (HK) Limited[e]	Inactive	Hong Kong	**-**	-	**100**	100	**-**	-
Mencast Energeers Pte Ltd[a]	Inactive	Singapore	**-**	-	**70**	70	**30**	30

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 parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2018	2017	**2018**	2017	**2018**	2017
			%	%	**%**	%	**%**	%
Vac-Tech Engineering Pte Ltd[a]	Sludge treatment, catalyst handling, environmental services and industrial cleaning services	Singapore	**-**	-	**49**	49	**51**	51
Chinyee Engineering & Machinery Pte Ltd[a] ("Chinyee")	Supply of oil & gas equipment and precision engineering services	Singapore	**-**	-	**100**	100	**-**	-
PT. Mencast Offshore & Marine[b]	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[d]	Dormant	Sultanate of Oman	**-**	-	**100**	100	**-**	-
Mencast Offshore Sdn Bhd[h]	Struck off	Malaysia	**-**	-	**-**	-	**-**	-
Unidive Marine Services (Malaysia) Sdn Bhd[c]	Underwater commercial diving services provider	Malaysia	**-**	-	**100**	100	**-**	-
Unidive Offshore Private Limited[a]	Inactive	Singapore	**-**	-	**100**	100	**-**	-
Changshu Honghua Equipment Co., Ltd[i]	Disposed	China	**-**	-	**-**	100	**-**	-
S&W Process Equipment (Changshu) Co. Ltd.[f]	Inactive	China	**100**	100	**100**	100	**-**	-
Mencast Investment Holdings Pte. Ltd.[a][j]	Investment holding	Singapore	**100**	-	**100**	-	**-**	-
Mencast–KSE Pte. Ltd. [a][k] ("MKSE")	Engineering design, dredging and land reclamation	Singapore	**-**	-	**51**	-	**49**	-

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For the financial year ended 31 December 2018

16. Investments in subsidiary corporations (continued)

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by Riyanto, SE, AK, Indonesia.
(c) Filed Member's Voluntary Winding Up on 30 November 2018.
(d) Audited by Muscat Accountancy, Sultanate of Oman.
(e) Audited by Eden & Co., Certified Public Accountants (Practising), Hong Kong.
(f) Audited by Shanghai Nexia TS CPAS, a member firm of Nexia International.
(g) Officially struck off on 4 December 2018.
(h) Officially struck off on 17 April 2017.
(i) Disposed on 24th December 2018 (Note 14)
(j) Mencast Investment Holdings Pte. Ltd. was incorporated on 24 May 2018.
(k) Mencast–KSE Pte. Ltd. was incorporated on 26 May 2018.

In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and 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 $73,000 (2017: $67,000) is held in the People's Republic of China 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 value of non-controlling interests

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Vac-Tech Engineering Pte Ltd	**7,232**	6,995	6,341
Mencast–KSE Pte. Ltd.	**455**	-	-
Other subsidiary corporations with immaterial non-controlling interest	**127**	320	250
	7,814	7,315	6,591

Summarised financial information of subsidiary corporations with material non-controlling interests

Set out below are the summarised financial information for the subsidiary corporation that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial year ended 31 December 2018.

16. Investments in subsidiary corporations (continued)

(i) Vac-Tech Engineering Pte Ltd

Summarised Balance Sheet	**31 December 2018 $'000**	31 December 2017 $'000	1 January 2017 $'000
Current			
Assets	**8,052**	11,882	8,942
Liabilities	**(2,499)**	(8,074)	(7,155)
Total current net assets	**5,553**	3,808	1,787
Non-current			
Assets	**9,856**	11,820	13,349
Liabilities	**(1,229)**	(1,912)	(2,702)
Total non-current net assets	**8,627**	9,908	10,647
Net assets	**14,180**	13,716	12,434

Summarised Income Statement	**31 December 2018 $'000**	31 December 2017 $'000
Revenue	**16,051**	15,373
Profit before income tax	**2,924**	3,697
Income tax expense	**(461)**	(415)
Total comprehensive income, representing net profit	**2,463**	3,282
Total comprehensive income allocated to non-controlling interests	**1,256**	1,674
Dividends paid to non-controlling interests	**600**	600

Summarised Cash Flows	**31 December 2018 $'000**	31 December 2017 $'000
Net cash provided by operating activities	**727**	8,244
Net cash used in investing activities	**(218)**	(629)
Net cash used in financing activities	**(2,913)**	(3,516)
Net increase in cash and cash equivalents	**(2,404)**	4,099
Cash and cash equivalents at beginning of financial year	**4,804**	705
Cash and cash equivalents at end of financial year	**2,400**	4,804

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For the financial year ended 31 December 2018

16. Investments in subsidiary corporations (continued)

(ii) Mencast-KSE Pte Ltd

Summarised Balance Sheet	**31 December 2018 $'000**
Current	
Assets	**5,816**
Liabilities	**(7,231)**
Total current net liabilities	**(1,415)**
Non-current	
Assets	**3,454**
Liabilities	**(1,109)**
Total non-current net assets	**2,345**
Net assets	**930**

Summarised Income Statement	**31 December 2018 $'000**
Revenue	**12,169**
Profit before income tax	**789**
Income tax expense	**(160)**
Total comprehensive income, representing net profit	**629**
Total comprehensive income allocated to non-controlling interests	**308**

Summarised Cash Flows	**31 December 2018 $'000**
Net cash provided by operating activities	**437**
Net cash used in investing activities	**(3,593)**
Net cash provided in financing activities	**3,168**
Net increase in cash and cash equivalents	**12**
Cash and cash equivalents at beginning of financial period	**-**
Cash and cash equivalents at end of financial period	**12**

MKSE is newly incorporated during the financial year ended 31 December 2018, therefore, there are no comparatives for the prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

17. Investment in a joint venture

	Group	
	2018	2017
	$'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	
			2018	2017
			%	%
Towell Top Great Engineering Services LLC[a]	Inactive	Sultanate of Oman	**50**	50

(a) Audited by HC Shah & Co, Sultanate of Oman.

The joint venture is regarded by the Directors as not material to the Group.

There are no contingent liabilities relating to the Group's interest in a joint venture company.

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For the financial year ended 31 December 2018

18. Property, plant and equipment

Group	Buildings on leasehold land $'000	Machinery and equipment $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Vessels $'000	Computers $'000	Renovation $'000	Construction In progress $'000	Total $'000
2018										
Cost										
Beginning of financial year	81,816	96,202	1,247	1,089	5,652	33,554	2,164	2,218	66,697	290,639
Currency translation differences	(41)	(358)	(7)	(1)	(12)	-	(262)	-	-	(681)
Additions	3,428	452	50	11	464	3,610	51	475	261	8,802
Reclassified to disposal group (Note 14)	(76,806)	-	(374)	-	-	-	-	(204)	-	(77,384)
Reclassification	62,788	876	183	(183)	-	-	-	-	(63,664)	-
Disposals	(8,286)	(4,658)	(109)	(19)	(572)	-	(149)	-	-	(13,793)
End of financial year	62,899	92,514	990	897	5,532	37,164	1,804	2,489	3,294	207,583
Accumulated depreciation and impairment losses										
Beginning of financial year	17,941	43,357	1,046	908	2,963	15,237	1,951	1,594	-	84,997
Currency translation differences	351	(302)	(7)	(1)	(6)	-	(262)	-	-	(227)
Depreciation charge (Note 6)	3,100	7,081	102	79	540	1,596	106	242	-	12,846
Reclassification	-	-	151	(151)	-	-	-	-	-	-
Reclassified to disposal group (Note 14)	(2,488)	-	(362)	-	-	-	-	(187)	-	(3,037)
Disposals	(2,397)	(3,868)	(93)	(18)	(489)	-	(121)	-	-	(6,986)
End of financial year	16,507	46,268	837	817	3,008	16,833	1,674	1,649	-	87,593
Net book value										
End of financial year	**46,392**	**46,246**	**153**	**80**	**2,524**	**20,331**	**130**	**840**	**3,294**	**119,990**

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For the financial year ended 31 December 2018

18. **Property, plant and equipment** (continued)

Group	Buildings on leasehold land $'000	Machinery and equipment $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Vessels $'000	Computers $'000	Renovation $'000	Construction In progress $'000	Total $'000
2017										
Cost										
Beginning of financial year	85,041	96,268	1,469	1,068	5,428	35,531	2,008	1,706	60,370	288,889
Currency translation differences	(327)	172	67	6	(20)	-	40	(6)	-	(68)
Additions	4	2,393	4	13	383	380	118	38	6,327	9,660
Reclassification	-	-	-	2	-	-	-	480	-	482
Disposals	(2,902)	(2,631)	(293)	-	(139)	(2,357)	(2)	-	-	(8,324)
End of financial year	81,816	96,202	1,247	1,089	5,652	33,554	2,164	2,218	66,697	290,639
Accumulated depreciation and impairment losses										
Beginning of financial year	14,223	29,821	1,096	814	2,445	12,269	1,721	875	-	63,264
Currency translation differences	375	30	(8)	(6)	(6)	-	69	(4)	-	450
Depreciation charge (Note 6)	3,343	9,067	161	98	624	1,829	162	243	-	15,527
Impairment loss (Note 5)	-	6,221	-	-	-	3,296	-	-	-	9,517
Reclassification	-	-	-	2	-	-	-	480	-	482
Disposals	-	(1,782)	(203)	-	(100)	(2,157)	(1)	-	-	(4,243)
End of financial year	17,941	43,357	1,046	908	2,963	15,237	1,951	1,594	-	84,997
Net book value										
End of financial year	**63,875**	**52,845**	**201**	**181**	**2,689**	**18,317**	**213**	**624**	**66,697**	**205,642**

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For the financial year ended 31 December 2018

18. Property, plant and equipment (continued)

Company	Office equipment	Computers	Renovation	Total
2018	$'000	$'000	$'000	$'000
Cost				
Beginning and end of financial year	2	85	24	111
Accumulated depreciation				
Beginning of financial year	2	84	24	110
Depreciation charge	-	1	-	1
End of financial year	2	85	24	111
Net book value				
End of financial year	**-**	**-**	**-**	**-**
2017				
Cost				
Beginning of financial year	2	88	24	114
Disposal	-	(3)	-	(3)
End of financial year	2	85	24	111
Accumulated depreciation				
Beginning of financial year	2	83	19	104
Depreciation charge	-	3	5	8
Disposal	-	(2)	-	(2)
End of financial year	2	84	24	110
Net book value				
End of financial year	**-**	**1**	**-**	**1**

Additions during the financial year included machinery and equipment and motor vehicles acquired under finance leases amounting to $243,000 (2017: $210,000).

Additions during the financial year included in construction-in-progress (already reclassified under buildings on leasehold land in December 2018) financed by construction loan amounted to $1,845,000 (2017: $1,116,000).

The carrying amounts of machinery and equipment and motor vehicles held under finance leases are $6,080,000 (2017: $7,491,000) at the balance sheet date.

Certain bank borrowings are secured by property, plant and equipment of the Group with carrying amounts of $66,152,000 (2017: $137,790,000) (Note 21).

During the financial year ended 31 December 2018, impairment charges of Nil (2017: $9,517,000) was recognised for property, plant and equipment as the carrying amounts exceeded the estimated recoverable amount based on the valuation report from independent valuers and value-in-use calculation. In 2017, the decrease in value was mainly due to gloomy energy industry leading to lower demand and pressure on selling prices.

18. Property, plant and equipment (continued)

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

Location	Description	Land Area sqm	Latest valuation date	Net book value as at 31 December 2018 $'000	Fair values $'000	Excess of fair values over net book value $'000
7 Tuas View Circuit	Office building, dormitory & workshop	8,501	Jan 2019	8,130	16,300	8,170
12 Kwong Min Road	Office building, dormitory & workshop	4,623	Jul 2018	2,873	6,500	3,627
42A Penjuru Road	Office building, canteen & workshop	15,091	Jul 2018	66,217	68,000	1,783
42B Penjuru Road	Office building & workshop	16,200	Jul 2018	17,763	28,000	10,237
42E Penjuru Road	Waterfront, office building & workshop	19,266	Jul 2018	18,532	22,000	3,468
107 Gul Circle	Office building & workshop	12,618	Jul 2018	2,709	5,000	2,291
Jl. Brigjen Katamso Km 6.5	Office building & workshop	18,539	Jan 2019	5,320	5,326	6
Total		**94,838**		**121,544**	**151,126**	**29,582**

The basis of valuation to determine the fair value of the properties was based on "Comparable Sales" approach. The estimated market values are presented for information purposes only and are not recognised in the Group's financial statements.

The fair values above are within level 3 of the fair value hierarchy (Note 28(e)).

19. Intangible assets

	Group		
	31 December 2018	31 December 2017	1 January 2017
Composition:	**$'000**	$'000	$'000
Goodwill arising on acquisition of business (Note 19(a))	**-**	-	3,108
Goodwill arising on consolidation (Note 19(b))	**9,661**	9,661	41,692
	9,661	9,661	44,800

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For the financial year ended 31 December 2018

19. Intangible assets (continued)

(a) Goodwill arising on acquisition of business

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning and end of financial year	**3,488**	3,488
Accumulated impairment		
Beginning of financial year	**(3,488)**	(380)
Impairment charge (Note 5)	**-**	(3,108)
End of financial year	**(3,488)**	(3,488)
Net book value	**-**	-

(b) Goodwill arising on consolidation

	Group	
	2018	2017
	$'000	$'000
Cost		
Beginning and end of financial year	**41,692**	41,692
Accumulated impairment		
Beginning of financial year	**(32,031)**	-
Impairment charge (Note 5)	**-**	(32,031)
End of financial year	**(32,031)**	(32,031)
Net book value	**9,661**	9,661

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating-units ("**CGUs**") identified according to operating entities as follows:

	Group	
	2018	2017
	$'000	$'000
Recon	**4,781**	4,781
Vac-Tech	**4,880**	4,880
Top Great/Offshore	**-**	-
Subsea	**-**	-
MEPL/Chinyee	**-**	-
	9,661	9,661

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.

19. Intangible assets (continued)

Key assumptions used for value-in-use calculations:

	2018		2017	
	Growth rate[1]	**Discount rate[2]**	Growth rate[1]	Discount rate[2]
Recon	**2%**	**9%**	2%	11%
Vac-Tech	**2%**	**11%**	2%	11%
Top Great/Offshore	*	*	2%	12%
Subsea	*	*	3%	9%
MEPL/Chinyee	*	*	2%	10%

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.
* Not applicable for the financial year ended 2018 as all goodwill for these companies have been fully impaired.

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.

Impairment charges of Nil (2017: $35,139,000) were included within "Other gains/(losses) - net" in the statement of comprehensive income. In 2017, the impairment charges arose from Top Great/Offshore, Subsea and MEPL/Chinyee CGU due to slow recovery in oil & gas and marine industry.

20. Trade and other payables

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Trade payables			
- Non-related parties	**6,032**	7,584	9,829
Amount due to former shareholder of Chinyee (non-trade)	**-**	-	675
Accruals for operating expenses	**8,249**	1,164	2,229
Other payables – non-related parties	**9,686**	7,622	1,322
	23,967	16,370	14,055

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For the financial year ended 31 December 2018

20. Trade and other payables (continued)

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Amount due to subsidiary corporations (non-trade)	**23,015**	23,996	25,430
Amount due to former shareholder of Chinyee (non-trade)	**-**	-	675
Accruals for operating expenses	**974**	688	1,472
Other payables – non-related parties	**394**	370	645
	24,383	25,054	28,222

The non-trade amount due to subsidiary corporations are unsecured, interest-free and is repayable on demand.

Included in other payables - non-related parties as at 31 December 2018 is $6,160,000 (2017: $6,160,000) receipt from an insurance company for the call of performance bond related to breaches of contract and delays of the main contractor responsible for the construction of one of the properties.

As at 31 December 2018, $1,537,000 was also included in the other payables - non-related parties, the net amount owing by certain subsidiaries of Mencast Group to Changshu Honghua which was fully settled subsequent to Balance Sheet date as disclosed in Note 14.

21. Borrowings

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Current			
Bank borrowings	**113,438**	188,168	41,970
Bank overdraft (Note 11)	**429**	423	1,401
Finance lease liabilities (Note 22)	**2,060**	1,798	3,322
	115,927	190,389	46,693
Non-current			
Bank borrowings	**981**	1,738	148,013
Finance lease liabilities (Note 22)	**181**	1,500	3,123
	1,162	3,238	151,136
Total borrowings	**117,089**	193,627	197,829

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Current			
Bank borrowings	**54,402**	54,522	-
Non-current			
Bank borrowings	**-**	-	50,000
Total borrowings	**54,402**	54,522	50,000

21. 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		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
6 months or less	**104,391**	172,871	184,783
6 - 12 months	**405**	173	1,966
1 - 5 years	**12,274**	6,015	6,852
Over 5 years	**19**	14,568	4,228
	117,089	193,627	197,829

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
6 months or less	**50,000**	50,000	-
6 - 12 months	**-**	-	-
1 - 5 years	**4,402**	-	50,000
Over 5 years	**-**	4,522	-
	54,402	54,522	50,000

(a) Security granted

Bank borrowings include secured liabilities of $102,486,000 (2017: $177,322,000) over certain short-term bank deposits (Note 11), trade receivables (Note 12) and certain buildings on leasehold land and vessels (Note 18).

Finance lease liabilities of the Group are effectively secured over the leased machinery and equipment, and motor vehicles (Note 18), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

On 28 June 2018, a third party guarantor executed a corporate guarantee ("Guarantee") for $4,800,000 in favour of the bank as part of the securities for banking facilities of a subsidiary corporation. In consideration of the provision of the Guarantee, the Group agreed to pay a fixed sum of money to the guarantor on or before 31 December 2019. The liabilities from financial guarantees are amortised over the life of the Guarantee and disclosed under other trade and other payables.

(b) Fair value of non-current borrowings

	Group		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Bank borrowings	**1,011**	1,599	143,231
Finance lease liabilities	**181**	1,500	3,123

	Company		
	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Bank borrowings	**-**	-	50,000

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21. Borrowings (continued)

The fair values above are determined from the cash flow analyses, 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		
	31 December 2018	31 December 2017	1 January 2017
	%	%	%
Bank borrowings	**4.45**	2.18	3.60
Finance lease liabilities	**2.90**	3.29	3.46

	Company		
	31 December 2018	31 December 2017	1 January 2017
	%	%	%
Bank borrowings	**-**	-	4.02
Finance lease liabilities	**-**	-	-

The fair values above are within level 3 of the fair values hierarchy (Note 28(e)).

(c) Breaches of financial covenant

The Group's loan agreements are subjected to financial covenant clauses whereby the Group is required to meet certain key financial ratios. The Group did not fulfil the gearing ratio, interest coverage ratio, minimum tangible net worth and loan to asset value ratio as required in some of the Group's loan agreements.

Due to the breaches of these financial covenant clauses, the banks are contractually entitled to demand for immediate repayment of these bank borrowings of $188,316,000 (2017: $187,145,000), bank overdraft of $429,000 (2017: $423,000) and finance lease liabilities of $2,022,000 (2017: $773,000) and these loan amounts are presented in the balance sheet as current liabilities as at 31 December 2018.

On 1st February 2019, the Group had entered into a DRA with its lenders. The material terms of the DRA are disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

22. Finance lease liabilities

The Group leases certain machinery and equipment, and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Minimum lease payments due			
- Not later than one year	**2,229**	1,974	3,567
- Between one and five years	**205**	1,636	3,407
	2,434	3,610	6,974
Less: Future finance charges	**(193)**	(312)	(529)
Present value of finance lease liabilities	**2,241**	3,298	6,445
The present values of finance lease liabilities are analysed as follows:			
- Not later than one year (Note 21)	**2,060**	1,798	3,322
- Between one and five years (Note 21)	**181**	1,500	3,123
	2,241	3,298	6,445

23. 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		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
As at 31 December 2018			
Deferred income tax liabilities to be settled after one year	**5,151**	5,341	4,478

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
As at 31 December 2018			
Deferred income tax assets to be recovered after one year	**-**	-	(524)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. Deferred income taxes (continued)

The movement in deferred income tax liabilities/(assets) prior to offsetting is as follows:

	Accelerated tax depreciation $'000	Tax losses $'000	Total $'000
Group			
As at 31 December 2018			
Beginning of financial year	**5,857**	**(516)**	**5,341**
Charged to profit and loss (Note 9)	**380**	**-**	**380**
(Over)/under provision in prior financial years (Note 9)	**(698)**	**128**	**(570)**
End of financial year	**5,539**	**(388)**	**5,151**
Company			
As at 31 December 2018			
Beginning of financial year	**-**	**-**	**-**
Charged to profit and loss	**-**	**-**	**-**
End of financial year	**-**	**-**	**-**
Group			
As at 31 December 2017			
Beginning of financial year	5,817	(1,339)	4,478
Charged to profit and loss (Note 9)	34	(241)	(207)
Under provision in prior financial years (Note 9)	6	1,064	1,070
End of financial year	5,857	(516)	5,341
Company			
As at 31 December 2017			
Beginning of financial year	(3)	(521)	(524)
Charged to profit and loss	3	521	524
End of financial year	-	-	-
Group			
As at 1 January 2017			
Beginning and end of financial year	5,817	(1,339)	4,478
Company			
As at 1 January 2017			
Beginning and end of financial year	(3)	(521)	(524)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of $31,997,000 (2017: $37,288,000) and capital allowance of $3,240,000 (2017: $2,090,000) 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.

24. 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						
As at 31 December 2018						
Beginning of financial year	**422,695**	**(455)**	**422,240**	**91,950**	**(203)**	**91,747**
Shares for Directors' fees (in lieu of cash)	959	-	959	90	-	**90**
Award of performance shares to employees	2,720	-	2,720	240	-	**240**
End of financial year	**426,374**	**(455)**	**425,919**	**92,280**	**(203)**	**92,077**
Group and Company						
As at 31 December 2017						
Beginning of financial year	**422,194**	**(455)**	**421,739**	**91,860**	**(203)**	**91,657**
Shares for Directors' fees (in lieu of cash)	501	-	501	90	-	90
End of financial year	**422,695**	**(455)**	**422,240**	**91,950**	**(203)**	**91,747**
Group and Company						
As at 1 January 2017						
Beginning of financial year	**364,724**	**(455)**	**364,269**	**75,765**	**(203)**	**75,562**
Shares issued for private placement	54,640	-	54,640	14,708	-	14,708
Shares issued for acquisition of business in prior years	2,742	-	2,742	1,375	-	1,375
Award of performance shares to employees	88	-	88	12	-	12
End of financial year	**422,194**	**(455)**	**421,739**	**91,860**	**(203)**	**91,657**

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 year rank *pari passu* in all respects with the previously issued shares.

2018

On 21 August 2018, pursuant to the Mencast Performance Share Award Scheme (the "**Awards**"), the Company granted (and automatically vests on date of grant) 959,000 shares to the Independent Directors of the Company in accordance with the Independent Directors' fee arrangement for the financial year ended 31 December 2017 (as approved by shareholders of the Company at the annual general meeting held on 26 April 2018), whereby the Independent Directors shall receive $90,368 in cash and the remaining $90,368 in shares.

Also, on the same date, the Company has allotted and issued an aggregate of 2,720,600 ordinary shares in the Company to eligible employees of the Group under the said Awards. (Note 24(b)).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Share capital and treasury shares (continued)

2017

On 22 June 2017, pursuant to the Awards, the Company granted (and automatically vests on date of grant) 501,000 shares to the Independent Directors of the Company in accordance with the Independent Directors' fee arrangement for the financial year ended 31 December 2016 (as approved by Shareholders of the Company at the annual general meeting held on 26 April 2017), whereby the Independent Directors received $90,180 in cash and the remaining $90,180 in shares.

(a) *Share options*

The Company established the Mencast Employee Share Option Scheme (the "**ESOS**") on 30 May 2008 for granting of options to full-time employees and Directors of the Company and its subsidiary corporations. The total number of ordinary shares over which the Company may grant under the ESOS shall not exceed 15% of the issued share capital of the Company on the day preceding the date of grant.

The Scheme is administered by the Remuneration Committee ("**RC**") which consists of Directors (including Directors or persons who may be participants of the ESOS). A member of the RC who is also a participant of the ESOS must not be involved in its deliberation in respect of options granted or to be granted to him.

The exercise price for each ordinary share in respect of which an option is exercisable shall be determined by the Committee as follows:

(i) at a price equal to the average of the last dealt prices for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant option; or

(ii) at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price.

Options granted with the exercise price set at Market Price shall only be exercisable after 12 months of the date of grant of that option. Options granted with the exercise price set at a discount to Market Price shall only be exercisable after 24 months from the date of grant of that option. Options granted under the ESOS will have a life span of ten years.

Under the rules of the ESOS, there are no fixed periods for the grant of options. As such, offers for the grant of options may be made at any time at the discretion of the RC. However, no options shall be granted during the period of 30 days immediately preceding the date of announcement of interim or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made after the second Market Day from the date on which the aforesaid announcement is made.

The lapsing of option is provided for upon the occurrence of certain events, which include:
(a) termination of the participant's employment;
(b) bankruptcy of the participant;
(c) death of the participant;
(d) take-over of the Company; and
(e) the winding-up of the Company (voluntary or otherwise).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Share capital and treasury shares (continued)

2017 (continued)

(a) Share options (continued)

The ESOS expired on 29 May 2018, being 10 years from the date on which the ESOS was adopted, and the Management has decided not to renew or replace the same.

Since the commencement of the ESOS till its expiry date as stated above, no option has been granted under the ESOS.

(b) Performance shares

The Mencast Performance Share Award Scheme (the "**Scheme**") was approved by members of the Company at extraordinary general meeting ("**EGM**") held on 10 November 2010 which provides for the award of fully paid-up ordinary shares in the share capital of the Company, free of charge to Group Executive and Independent Directors when and after pre-determined performance target(s) are being achieved.

Controlling shareholders or associates of a controlling shareholder who meet the eligibility criteria are also eligible to participate in the Scheme provided that the participation of and the terms of each grant and the actual number of awards granted under the Scheme 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 Scheme is a share incentive scheme which will allow the Company, *inter alia*, to target specific performance objectives and to provide an incentive for Participants to achieve these targets. The Directors believe that the Scheme will help to achieve the following positive objectives:

(a) reward, retain and motivate employees to achieve increased performance;

(b) provide Company with comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining superior local and foreign talent; and

(c) encourage greater dedication and loyalty by enabling the Company to give recognition for past contributions and services as well as motivating Scheme Participants generally to contribute towards the Group's long-term prosperity.

The Scheme is administered by the Directors which comprises one Independent Director at all times.

The Scheme shall continue in force at the discretion of the Remuneration Committee, subject to a maximum period of ten (10) years commencing on the date on which the Scheme is adopted by the Company in general meeting, provided always that the Scheme may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting, and of any relevant authorities which may then be required.

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

(i) issuance of new shares; and/or

(ii) delivery of existing shares purchased from the market or shares held in treasury.

The total number of ordinary shares over which the Company may grant under the Scheme shall not exceed 15% of the issued share capital of the Company on the day preceding the date on which the award is granted.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

24. Share capital and treasury shares (continued)

2017 (continued)

(b) Performance shares (continued)

From the date of approval of the Awards to 31 December 2018, the Company has granted and issued an aggregate of 4,758,014 ordinary shares in the Company to eligible employees of the Group and to Independent Directors of the Company in accordance with the Independent Director's fee arrangement (as approved by Shareholders of the Company at the previous annual general meetings).

25. Translation reserve

	Group	
	2018	2017
	$'000	$'000
Beginning of financial year	**-**	(3,973)
Adoption of SFRS(I), transfer of cumulative translation differences to retained profit	**(727)**	3,973
Currency translation differences from consolidation	**178**	(727)
End of financial year	**(549)**	(727)

26. Contingencies

The Company has given an undertaking to provide continued financial support to certain subsidiary corporations in the normal course of business.

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 $12,362,000 (2017: $13,007,000) (Note 28(b)) at the balance sheet date.

In the prior financial year 2017, the Company issued a corporate guarantee to one of the multinational customers of a subsidiary corporation as a performance guarantee for a secured order project of approximately $1,569,000. The corporate guarantee will expire on 30 November 2021.

The Directors estimated that the fair value of the corporate guarantees is negligible in the view that consequential benefits to be derived from its guarantee are not material and therefore not recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. Commitments

(a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Property, plant and equipment	**44**	2,059	10,148

(b) Operating lease commitments – where the Group is a lessee

The Group leases land from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Not later than one year	**2,012**	1,978	2,325
Later than one year but not later than five years	**8,047**	7,914	9,301
Later than five years	**29,234**	30,819	32,937
	39,293	40,711	44,563

(c) Operating lease commitments – where the Group is a lessor

The Group leases out the building to non-related parties under non-cancellable operating lease at a fixed rate.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Not later than one year	**3,405**	1,114	427
Later than one year but not later than five years	**2,112**	835	241
	5,517	1,949	668

There are no capital and operating lease commitments at Company level.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price 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 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 identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The finance personnel measures 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**").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(a) Market risk

(i) *Currency risk*

The Group's currency exposure based on the information provided to Key Management is as follows:

	Group			
	SGD	USD	Other	Total
	$'000	$'000	$'000	$'000
At 31 December 2018				
Financial assets				
Cash and cash equivalents and FVOCI financial assets	**6,184**	**996**	**9,307**	**16,487**
Trade and other receivables	**17,836**	**1,812**	**588**	**20,236**
Contract assets	**6,577**	**-**	**22**	**6,599**
Intercompany balances	**162,946**	**1,260**	**10**	**164,216**
	193,543	**4,068**	**9,927**	**207,538**
Financial liabilities				
Trade and other payables	**(14,557)**	**(1,605)**	**(1,645)**	**(17,807)**
Intercompany balances	**(162,946)**	**(1,260)**	**(10)**	**(164,216)**
Borrowings*	**(190,527)**	**(866)**	**(42)**	**(191,435)**
	(368,030)	**(3,731)**	**(1,697)**	**(373,458)**
Net financial (liabilities)/assets	**(174,487)**	**337**	**8,230**	**(165,920)**
Add: Net non-financial assets	**190,794**	**-**	**8,076**	**198,870**
Currency profile including non-financial assets	**16,307**	**337**	**16,306**	**32,950**
Currency exposure of net financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(451)**	**338**	**7,463****	**7,350**

* Borrowings include the liabilities directly associated with disposal group classified as held-for-sale.

** Currency exposure mainly due to Renminbi ("**RMB**") of $7,471,000. If the RMB change against the SGD by 5% with all other variables including tax rate being held constant, the Group's profit after tax for the financial year would have been $373,550 higher/lower as a result of currency translation gains/losses on RMB.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group			
	SGD $'000	USD $'000	Other $'000	Total $'000
At 31 December 2017				
Financial assets				
Cash and cash equivalents and Available-for-sale financial assets	12,905	1,437	508	14,850
Trade and other receivables	11,657	3,373	41	15,071
Contract assets	3,523	-	251	3,774
Intercompany balances	168,564	1,233	134	169,931
	196,649	6,043	934	203,626
Financial liabilities				
Trade and other payables	(8,054)	(1,860)	(296)	(10,210)
Intercompany balances	(168,564)	(1,233)	(134)	(169,931)
Borrowings	(192,736)	(846)	(45)	(193,627)
	(369,354)	(3,939)	(475)	(373,768)
Net financial (liabilities)/assets	(172,705)	2,104	459	(170,142)
Add: Net non-financial assets	194,466	-	15,791	210,257
Currency profile including non-financial assets	21,761	2,104	16,250	40,115
Currency exposure of net financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(255)	2,070	103	1,918
At 1 January 2017				
Financial assets				
Cash and cash equivalents and Available-for-sale financial assets	6,420	454	633	7,507
Trade and other receivables	19,640	1,907	1,546	23,093
Contract assets	19,421	-	1,733	21,154
Intercompany balances	237,842	-	2,543	240,385
	283,323	2,361	6,455	292,139
Financial liabilities				
Trade and other payables	(7,143)	(2,087)	(4,814)	(14,044)
Intercompany balances	(237,842)	-	(2,543)	(240,385)
Borrowings*	(198,365)	-	(1,989)	(200,354)
	(443,350)	(2,087)	(9,346)	(454,783)
Net financial (liabilities)/assets	(160,027)	274	(2,891)	(162,644)
Add: Net non-financial assets	263,947	-	20,695	284,642
Currency profile including non-financial assets	103,920	274	17,804	121,998
Currency exposure of net financial assets net of those denominated in the respective entities' functional currencies	3	2,360	1,056	3,419

* Borrowings include the liabilities directly associated with disposal group classified as held-for-sale.

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

If the USD change against the SGD by 5% (2017: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Group will not be significant as the Group is not exposed to any significant currency risk. The Company is not exposed to currency risk since all its financial assets and liabilities as at 31 December 2017 and 2018 are denominated in Singapore Dollar.

(ii) Price risk

The Group is exposed to equity securities price risk arising from the equity investments classified as FVOCI (2017: Available-for-sale financial assets). 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 FVOCI (2017: Available-for-sale financial assets), 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 will not be significant.

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 0.5% (2017: 0.5%) with all other variables including tax rate being held constant, the net profit would have been lower/higher by $672,000 (2017: $774,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(b) Credit risk (continued)

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 as follows:

		Company	
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Corporate guarantees provided to banks on subsidiary corporations' loans (Note 26)	**12,362**	13,007	13,855
Corporate guarantees provided to a subsidiary corporation's customer on a project (Note 26)	**1,569**	1,569	-

The movements in credit loss allowance are as follows:

Group	Trade receivables $'000
Balance at 1 January 2018 under SFRS	**4,297**
Application of SFRS(I) 9 (Note 2.2 (b))	**-**
Balance at 1 January 2018 under SFRS(I) 9 (Note 12)	**4,297**
Loss allowance recognised in profit or loss during the year on:	
- Assets acquired	**164**
- Reversal of unutilised amounts	**(4)**
Receivables written off as uncollectible	**(152)**
Balance at 31 December 2018 (Note 12)	**4,305**

Cash and cash equivalents, contract assets, financial assets, at FVOCI, loan to subsidiary corporations and other receivables are measured at the 12-month expected credit losses and are subject to immaterial credit loss.

(i) Trade receivables and contract assets

The trade receivables 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 for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. 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 is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The expected loss allowance recognised during the financial year is not material.

28. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

At each subsequent reporting 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 reporting 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.

The Group and Company's credit risk exposure in relation to trade receivables under FRS 39 as at 31 December 2017 are set out as follows:

<u>Financial assets that are neither past due nor impaired</u>

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings as determined by international credit-rating agencies. Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and Company.

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follow:

	Group
	2017
	$'000
Past due less than 3 months	3,052
Past due less 3 to 6 months	2,149
Past due less over 6 months	2,214
	7,415

In 2017, the impairment of the financial assets was assessed based on the incurred loss impairment model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively, to determine whether there was objective evidence that an impairment had been incurred but not yet identified.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(b) Credit risk (continued)

(i) *Trade receivables and contract assets (continued)*

The Group and Company considered that there was evidence if any of the following indicators were present:

- There is significant difficulty of the debtor;
- Breach of contract, such as default or past due event; and
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Financial assets that are past due nor impaired

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and Company.

Other than the above, there are no credit loss allowance for other financial assets at amortised costs as at 31 December 2017 and 1 January 2017.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(c) Liquidity risk (continued)

Group	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
At 31 December 2018				
Trade and other payables	**(17,807)**	**-**	**-**	**-**
Borrowings*	**(190,274)**	**(1,092)**	**(100)**	**-**
At 31 December 2017				
Trade and other payables	(10,210)	-	-	-
Borrowings*	(190,389)	(2,110)	(1,339)	-
Company				
At 31 December 2018				
Trade and other payables	**(24,383)**	**-**	**-**	**-**
Borrowings	**(54,402)**	**-**	**-**	**-**
Financial guarantees	**(13,931)**	**-**	**-**	**-**
At 31 December 2017				
Trade and other payables	(25,054)	-	-	-
Borrowings	(54,522)	-	-	-
Financial guarantees	(14,576)	-	-	-

* Borrowings include the liabilities directly associated with disposal group classified as held-for-sale (Note 14).

(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 (2017: 3.20 times).

Debt to equity ratio is calculated as borrowings divided by total equity. Borrowings comprised bank borrowings, bank overdraft and finance lease liabilities. Total equity is defined as equity attributable to equity shareholders plus any deferred income tax liabilities, minus intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(d) Capital risk (continued)

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Borrowings*	**191,436**	193,627	200,354
Total equity	**20,626**	28,480	75,085
Debt to equity ratio (times)	**9.28**	6.80	2.67

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Borrowings*	**54,402**	54,522	50,000
Total equity	**59,249**	62,220	79,709
Debt to equity ratio (times)	**0.92**	0.88	0.63

* Borrowings include the liabilities directly associated with disposal group classified as held-for-sale (Note 14).

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 2018 and 2017.

(e) Fair value measurements

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

(i) quoted prices (unadjusted) in active markets for identical assets (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

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

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Financial assets, at FVOCI (Note 15)	**102**	-	-
Available-for-sale financial assets (Note 15)	**-**	109	91

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

28. Financial risk management (continued)

(e) Fair value measurements (continued)

The fair value of financial instruments traded in active markets (such as trading and Available-for-sale 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 carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amount of current borrowings approximate their fair values.

(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		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Financial assets, at FVOCI	**102**	-	-
Financial assets, Available-for-sale	**-**	109	91
Financial assets at amortised cost	**43,219**	-	-
Loan and receivables	**-**	33,587	51,663
Financial liabilities at amortised cost	**209,243**	203,837	214,398

	Company		
	31 December 2018	31 December 2017	1 January 2017
	$'000	$'000	$'000
Financial assets at amortised cost	**67,570**	-	-
Loan and receivables	**-**	71,116	74,324
Financial liabilities at amortised cost	**78,785**	79,576	78,222

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. Related party transactions

Key Management personnel compensation

Key Management personnel compensation is as follows:

	Group	
	2018	2017
	$'000	$'000
Wages and salaries	**2,087**	1,827
Employer's contribution to defined contribution plans, including Central Provident Fund	**157**	130
Performance shares expense	**220**	-
	2,464	1,957

Key Management personnel compensation includes Directors' remuneration amounting to $990,000 (2017: $722,000).

The Key Management personnel compensation above includes the total remuneration paid to a Key Management personnel who resigned during the year.

30. 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 its 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. This also includes rope access services.

(b) Marine - Includes sterngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services and dredging and reclamation works.

(c) Energy services - Includes oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior for landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Segment information (continued)

The segment information are as follows:

	Group			
	Offshore & Engineering $'000	Marine $'000	Energy Services $'000	Total $'000
2018				
Revenue				
Total segment revenue	14,987	45,469	18,386	78,842
Inter-segment revenue	(391)	(2,069)	(914)	(3,374)
Revenue from external parties	14,596	43,400	17,472	75,468
Gross (loss)/profit	(3,978)	8,356	4,807	9,185
Other gains/(losses) – net				
- gain on disposal of non-current assets held-for-sale	2,183	-	-	2,183
- write down of inventories	(416)	-	-	(416)
- other losses, net				4,880
Other gains – net				6,647
Expenses				
- Administrative				(16,106)
- Finance				(5,906)
Loss before income tax				(6,180)
Income tax expense				(433)
Net loss for the financial year				(6,613)
2017				
Revenue				
Total segment revenue	14,580	23,821	15,519	53,920
Inter-segment revenue	(515)	(1,534)	(156)	(2,205)
Revenue from external parties	14,065	22,287	15,363	51,715
Gross (loss)/profit	(11,446)	2,177	5,107	(4,162)
Other (losses)/gains – net				
- impairment loss on goodwill arising on acquisition of business	(3,108)	-	-	(3,108)
- impairment loss on goodwill arising on consolidation	(19,254)	(12,777)	-	(32,031)
- impairment loss on property, plant and equipment	(8,421)	(1,096)	-	(9,517)
- loss from cancellation of customers contract	(5,361)	-	-	(5,361)
- loss on disposal of non-current assets held-for-sale	(310)	-	-	(310)
- claim against former shareholder of subsidiary	306	-	-	306
- write down of inventories	(1,325)	-	-	(1,325)
- other losses, net				(2,847)
Other losses – net				(54,193)
Expenses				
- Administrative				(16,008)
- Finance				(5,826)
Loss before income tax				(80,189)
Income tax expense				(475)
Net loss for the financial year				(80,664)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

30. Segment information (continued)

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	
	2018	2017
	$'000	$'000
Singapore	**59,339**	42,816
Asia[1]	**11,804**	7,601
Rest of the world[2]	**4,325**	1,298
Total	**75,468**	51,715

(1) Asia refers to customers from Malaysia, Brunei, China, 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 $12,169,000 (2017: $10,112,000) is derived from one (2017: one) external customer. This revenue is attributable to the new dredging and reclamation business under Singapore marine segment (2017: Singapore energy services segment).

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	
	2018	2017
	$'000	$'000
Singapore	**121,819**	200,265
Asia[1]	**7,947**	15,216
Total	**129,766**	215,481

(1) Asia refers to non-current assets located in China, Indonesia and Malaysia.

31. Events occurring after balance sheet date

1) On 1 February 2019, the Group had entered into a DRA with its lenders and the restructuring period commences on this date to 29 February 2020 or 31 August 2020 subject to the Group complying to certain terms and conditions of the DRA.

   The material terms of the DRA include, *inter alia*, the following:

   a) Standard contractual interest continues to be payable to the lenders but the payment of contractual principal sums remains suspended until the end of the restructuring period;

   b) Default and/or penalty interest will continue to accrue during the restructuring period but it will be waived and/or extinguished upon the conclusion of the restructuring period provided the DRA is not terminated as a result of the occurrence of an event of default which cannot be remedied, or the occurrence of an event of default which may be remedied but has not within 7 days from the date of the occurrence of the breach;

   c) The DRA provides for a mechanism for the repayment of the contractual principal sums owed to the lenders;

   d) The Group shall deleverage its debt by a total amount of $130 million during the restructuring period through, *inter alia*, the sale of its properties and other assets, with any balance of proceeds after application toward specified loans subject to a cash sweep mechanism; and

   e) After the restructuring period, the working capital facilities of the Group shall crystallise and be converted into a term loan, repayable in equal monthly instalments over a 23-month period with a final bullet payment in the 24th month.

2) On 15 February 2019, the proposed disposal of Changshu Honghua was completed upon receipt of RMB8,730,000 (equivalent to $1,736,000), being the third and final tranch of the purchase consideration (Note 14).

3) On 25 March 2019, the Group granted an independent third party purchaser (the "Purchaser") an option to purchase (the "Option") the property situated at 7 Tuas View Circuit, Singapore 637642 (the "Property") for a consideration of S$13,500,000 (the "Consideration") subject to certain terms and conditions of the Option (the "Proposed Disposal").

4) On 1 April 2019, the Group did not meet the terms in the DRA and is in the process of obtaining an extension from a bank stipulated in the DRA. However, on 28 March 2019, the Group received an in-principle approval from the bank granting an extension of time until 30 September 2019 to meet the terms.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

32. 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 2019 and which the Group has not early adopted:

(a) SFRS(I) 16 Leases (effective for annual periods beginning on or after 1 January 2019)

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $39,293,000 (Note 27(b)).

However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows.

(b) SFRS(I) INT 23 Uncertainty Over Income Tax Treatments (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;

iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and

v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

SHARE CAPITAL

Number of ordinary shares (excluding treasury shares and subsidiary holding)	:	425,919,124
Number of treasury shares held	:	455,025
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	14	2.08	144	0.00
100 - 1,000	38	5.65	30,559	0.00
1,001 - 10,000	168	25.00	895,290	0.21
10,001 - 1,000,000	420	62.50	46,922,612	11.02
1,000,001 AND ABOVE	32	4.77	378,070,519	88.77
TOTAL	**672**	**100.00**	**425,919,124**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	102,554,302	24.08
2	WONG SWEE CHUN	49,102,550	11.53
3	CHUA KIM CHOO	41,716,800	9.79
4	DBS NOMINEES (PRIVATE) LIMITED	33,050,024	7.76
5	SIM SOON YING (SHEN SHUNYING)	21,686,000	5.09
6	RAFFLES NOMINEES (PTE.) LIMITED	12,988,763	3.05
7	WONG CHEE HERNG	12,544,400	2.95
8	ORCHID 1 INVESTMENTS PTE LTD	10,511,000	2.47
9	GOH KAI KUI	9,706,000	2.28
10	SIM SOON NGEE GLENNDLE	7,967,900	1.87
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	7,453,200	1.75
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,794,700	1.60
13	TAT LEE HOLDINGS PTE LTD	6,352,335	1.49
14	VENSTAR CAPITAL MANAGEMENT PTE LTD	5,712,000	1.34
15	HUANG ZHIYONG	5,179,000	1.22
16	NG KENG TEONG	4,291,550	1.01
17	PANG YOKE MIN	4,278,800	1.00
18	GAY CHEE CHEONG	3,858,000	0.91
19	SONG BONG JOO	3,837,632	0.90
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,631,987	0.85
	TOTAL	**353,216,943**	**82.94**

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 20 March 2019)

	Direct Interest	%	Deemed Interest	%
Sim Soon Ngee Glenndle[1]	83,567,900	19.62	63,402,800	14.89
Chua Kim Choo[1]	41,716,800	9.80	105,253,900	24.71
Sim Soon Ying[1]	21,686,000	5.09	125,284,700	29.42
Wong Swee Chun[2]	49,102,550	11.53	1,509,900	0.35
Gay Chee Cheong[3]	11,358,000	2.67	21,175,000	4.97
Chua Siok Lan[3]	21,000,000	4.93	11,533,000	2.71
Ni Wei Ming[3]	175,000	0.04	32,358,000	7.60
Wong Boon Huat[4]	28,458,806	6.68	–	–

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) 11,000,000 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

Based on information available and to the best knowledge of the Company, as at 20 March 2019, approximately 37.47% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Company has 455,025 treasury shares as at 20 March 2019.

MENCAST HOLDINGS LTD.
Company Registration No. 200802235C
(Incorporated In The Republic of Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mencast Holdings Ltd. (the "**Company**") will be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Thursday, 25 April 2019 at 10.30 a.m. for the following purposes:

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 2018 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 Sunny Wong Fook Choy **(Resolution 2)**
   Note: Mr Sunny Wong Fook Choy shall, upon re-election as Director of the Company, remain as the Lead Independent Director, Chairman of the Nominating Committee and members of Remuneration and Audit Committees. He shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

   (b) Mr Ho Chew Thim, Raymond **(Resolution 3)**
   Note: Mr Ho Chew Thim, Raymond shall, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee and members of Nominating and Remuneration Committees. He shall be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.

3. To approve the payment of Directors' fees for the financial year ended 31 December 2018 comprising:

   (a) S$90,368 to be paid in cash (previous year: S$90,368).
   (b) S$90,368 to be paid in shares (previous year: S$90,368 paid in shares). **(Resolution 4)**

4. To re-appoint 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, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) 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, 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 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 Resolution was 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 Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation 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 total number of issued shares (**excluding treasury shares and subsidiary holdings**) shall be based on the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("**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 (i)] **(Resolution 6)**

7. Authority to issue shares under the Mencast Performance Share Award Scheme

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 (the "**Scheme**') 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 Scheme, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme, 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**) 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 (ii)] **(Resolution 7)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 10 April 2019

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

i. The Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting 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, 50% of the total number of issued shares (**excluding treasury shares and subsidiary holdings**) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

ii. The Ordinary Resolution 7, if passed, will empower the Directors to offer and grant Awards under the Scheme in accordance with the provisions of the Scheme 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 Scheme. The aggregate number of Shares which may be issued pursuant to the Scheme and any other share-based schemes (if applicable) shall not exceed in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued Shares (**excluding treasury shares and subsidiary holdings**) from time to time.

Notes:

1. (a) A member, who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) 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, Cap. 50.

2. A proxy need not be a member of the Company.

3. 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(6) and Appendix 7.4.1 of the Listing Manual of the SGX-ST, the following additional information on Mr Sunny Wong Fook Choy and Mr Ho Chew Thim, Raymond all of whom are seeking re-appointment as Directors at 2019 Annual General Meeting.

	Mr Sunny Wong Fook Choy	Mr Ho Chew Thim, Raymond
Date of appointment	29 May 2008	29 May 2008
Date of last re-appointment	26 April 2016	26 April 2016
Age	63	68
Country of principal residence	Singapore	Singapore
The Board's comments on the re-appointment	Based on the recommendation of the Nominating Committee, the Board (Mr. Wong abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Wong as Director of the Company.	Based on the recommendation of the Nominating Committee, the Board (Mr. Ho abstained from deliberating his own re-election) propose to the Company's shareholders to approve the re-election of Mr. Ho as Director of the Company.
Whether the appointment is executive, and if so, the area of responsibility	Independent Director	Independent Director
Job Title	Lead Independent Director NC Chairman	AC Chairman
Professional Qualifications	Practicing advocate & solicitor of the Singapore Supreme Court	Fellow Member of Institute of Singapore Chartered Accountants and CPA Australia.
Working experience and occupation(s) during the past 10 years	Managing Director – Wong Tan & Molly Lim LL and WTML Management Services Pte Ltd.	Senior Financial Positions in China Water Holdings Pte Ltd (an associate of SGX-Listed CNA Group Ltd), CNA Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co. Ltd, Deutsche Bank (Singapore Branch), L & M Group Investment Ltd, United Industrial Corporation Limited and United Overseas Bank Limited.
Shareholding interest in the listed issuer and its subsidiaries	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	Mr Sunny Wong Fook Choy	Mr Ho Chew Thim, Raymond
Any relationship (including immediate family relationships) with any existing director, existing executive director, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years)	China Medical (International) Group Limited (formerly known as Albedo Limited)	Nil
Present	Civmec Limited Excelpoint Technology Ltd. InnoTek Limited KTL Global Limited Wong Tan & Molly Lim LLC WTML Management Services Pte Ltd	China Kunda Technology Holdings Limited DeClout Limited Hengyang Petrochemical Logistics Limited Yongmao Holdings Limited Manulife US Real Estate Management Pte Ltd Procurri Corporation Limited
Information required pursuant to Listing Rule 704(7)		
(a) Whether at any time during the last 10 years, an application or a petition under 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 partner?	No	No
(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

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-APPOINTMENT

	Mr Sunny Wong Fook Choy	Mr Ho Chew Thim, Raymond
(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
(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 Sunny Wong Fook Choy	Mr Ho Chew Thim, Raymond
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (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 (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 (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

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MENCAST HOLDINGS LTD.

Company Registration No. 200802235C

(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We,____
of____
being a member/members of Mencast Holdings Ltd. (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting ("**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Thursday, 25 April 2019 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	No. of Votes For[1]	No. of Votes Against[1]
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2018		
2	Re-election of Mr Sunny Wong Fook Choy as a Director		
3	Re-election of Mr Ho Chew Thim, Raymond as a Director		
4	Approval of Directors' fees		
5	Re-appointment of Nexia TS Public Accounting Corporation as Independent Auditor of the Company		
6	Authority to issue new shares in the capital of the Company		
7	Authority to issue shares under the Mencast Performance Share Award Scheme		

[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.*

Dated this __________day of _______________ 2019

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

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you only have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Register of Members and Depository).

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) 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 licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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 Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. 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.

6. The instrument appointing a proxy or proxies 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 the Meeting.

7. 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.

8. 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, Chapter 50 of Singapore.

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 10 April 2019.

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

Ho Chew Thim, Raymond
Independent Director

Leow David Ivan
Independent Director

Ng Chee Keong
Independent Director

AUDIT COMMITTEE

Ho Chew Thim, Raymond
Chairman

Sunny Wong Fook Choy

Leow David Ivan

Ng Chee Keong

NOMINATING COMMITTEE

Sunny Wong Fook Choy
Chairman

Ho Chew Thim, Raymond

Ng Chee Keong

Sim Soon Ngee Glenndle

REMUNERATION COMMITTEE

Ng Chee Keong
Chairman

Sunny Wong Fook Choy

Ho Chew Thim, Raymond

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
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
100 Beach Road
Shaw Tower #30-00
Singapore 189702
Director-In-Charge
Low See Lien
Appointed since financial year ended 31 December 2015

PRINCIPAL BANKER

United Overseas Bank Limited

COMPANY REGISTRATION NO.

200802235C

MENCAST HOLDINGS LTD

42E Penjuru Road,
Mencast Central,
Singapore 609161
T +65 6268 4331
F +65 6264 4156
W www.mencast.com.sg
E ir@mencast.com.sg