Mencast

Additive Manufacturing

Annual Report 2019

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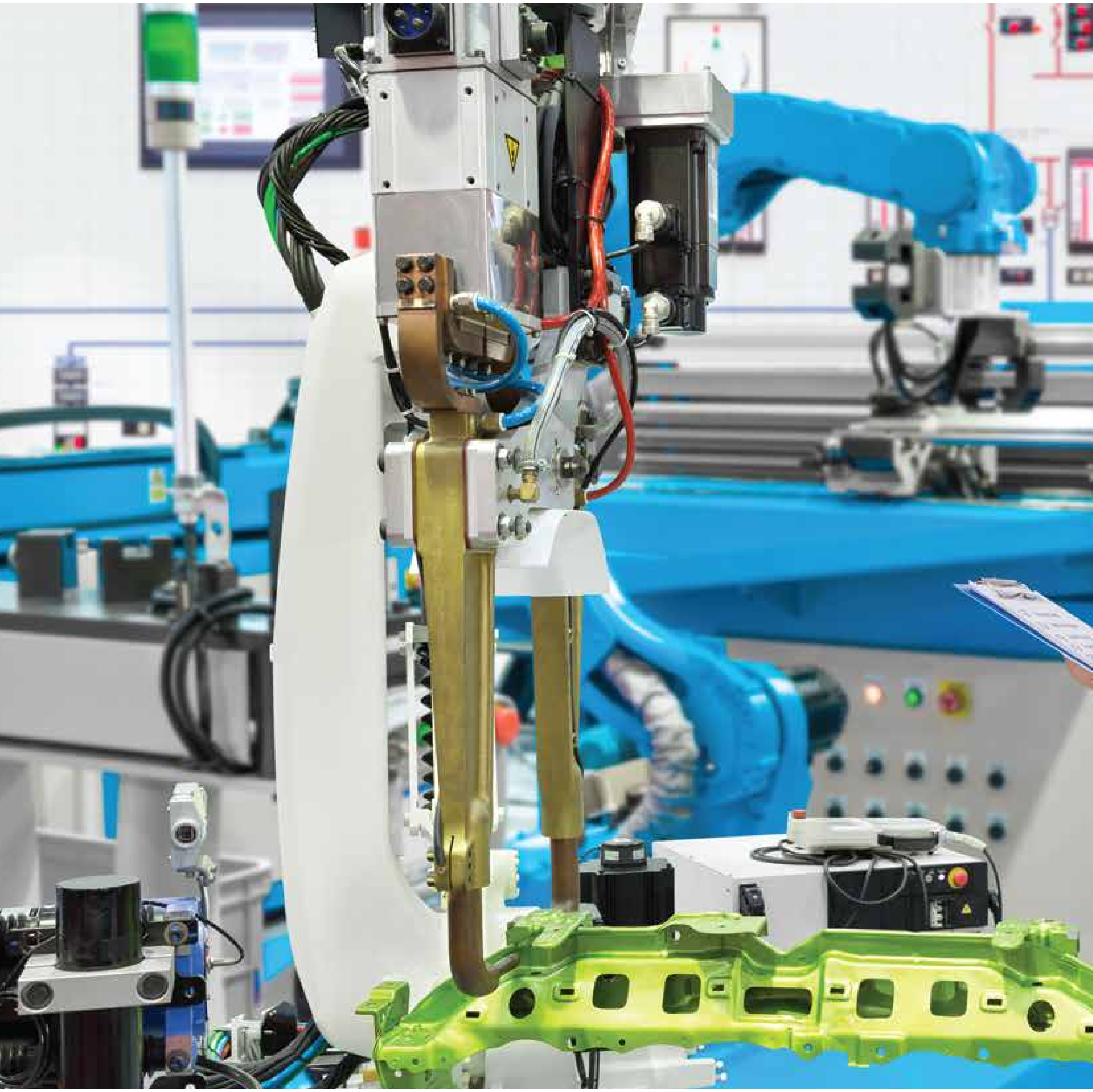
CORPORATE PROFILE

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

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.

Mencast constantly innovates to create customer value and drive sustainable business growth. In 2017, Mencast Innovation Centre Pte. Ltd. ("**MIC**") was established as an incubator that provides mentorship, facilities and networking opportunities for growth companies synergistic with our Group.
Mencast will continue to seek technology driven growth opportunities in MRO, environmental remediation, manufacturing and the recycling of waste products.



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

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my pleasure to present Mencast's Annual Report for the financial year ended 31 December 2019 and update you on our business and strategy.

Our Transformation Journey

2019 was a pivotal year in which we largely completed the journey of reducing our reliance on the oil services sector. Against a backdrop of weak demand for oil services, we grew revenue from marine and energy services by 14% last year. These two segments now account for 85% of group revenue, up from 75% in the prior year.

Since the oil price crash of 2016, our priority has been to strengthen our balance sheet and restore profitability through refocussing our resources use and capital discipline. Much remains to be done, but much progress has also been made.

Last year, net debt was cut by over $20m, funded by asset disposals and cashflow from operations. Despite challenging market conditions, cashflow from operations grew 73% to $18.1 million in 2019, the fifth consecutive year of positive operating cashflow for our group.

2019 also marked our first full year of contribution from our dredging operations. As well as being synergistic to our existing marine MRO business, dredging is set to be a source of reliable revenue in the coming year.

The Next Step

Watching our team deliver a tremendous service in challenging conditions has fully convinced me that Mencast's edge is our responsiveness to customers and industry changes. Even as we continue to invest in growing our marine and energy businesses, we intend to leverage this edge into new earnings streams through adding asset-light, technology driven businesses to our revenue mix.

These businesses have the potential to scale with minimal capex and will not divert us from our commitment towards prudent capital stewardship, debt repayment and strengthening our capital position.

Though our financial results do not reflect yet the fruits from these efforts, much strategic planning and efforts have been expended on to build up future earning streams.

An example is Mencast's collaboration with Singapore Heavy Engineering, a rare breed start-up company that has the mission of leveraging hard science and heavy engineering to redefine the course of humanity. This collaboration has developed in record time VIRESTORM, a new technology for cleaning Coronavirus infected surfaces using advanced ozone technology.

VIRESTORM is designed to meet the needs of hospitality, healthcare, schools, travel, transportation and other industries of reducing the spread of Coronavirus and future viral outbreaks. Though not specifically tested on Coronavirus, substantial research supports ozone's effectiveness against most pathogens, including the SARS coronavirus. Besides design and prototyping assistance, Mencast is using our manufacturing and marketing experience and capabilities to commercialise this product.

"WE STRIVE TO EMERGE FROM THE CURRENT MALAISE WITH A BETTER MIX OF BUSINESS FOR GROWTH AND STABILITY THAN EVER."

Another example of the type of business we are investing into is Phomi, which produces eco-building materials using proprietary processes from sustainable and recyclable materials. Leveraging on our manufacturing expertise and experience in recycling through our Energy Service division, Phomi's products are extremely lightweight and can be used for interiors of rigs and ships, where we have a significant client base. We have also entered into distribution arrangements which will give us substantial reach into the residential, construction and industrial building sectors.

Mencast has also been busy with improving efficiency and reducing waste across all businesses. For example, we pioneered processes to 3D print propeller designs, allowing us to take advantage of process automation, dramatically reduce waste and greatly increase labour productivity.

The initiatives, along with the waste remediation business in the Energy division, strengthen our sustainability value proposition aligning with the growing prominence of this issue with the customers and the investment community.

The Year Ahead

As we transition to the first quarter, our business will experience its usual seasonal decline, caused by the Chinese New Year holiday break and shipping and docking patterns. The shock to oil prices from the failure of Russia and OPEC to agree production budgets in early-March 2020 may also have some impact on our results for the quarter. This will be mitigated by the substantial reduction in our exposure to oil and gas services as described earlier.

We look forward to 2020 with pragmatism and are under no misapprehension that our transformation will be easy. At 2.3%, global economic growth in 2019 was the lowest in a decade as geopolitical and trade tensions weighed on growth rates. Unfortunately, the global slowdown may even worsen as COVID-19 concerns have heightened considerably.

Appreciation and Thanks

Since inception, our Group's success has been driven by our ability to adapt and innovate to market demands. This is a credit to our management and staff and the Group's strong and united culture.

The past few years has been the biggest test in our 38 year history but we have used this time productively. Our skillset, footprint, team and culture are where we want them to be as we strive to emerge from the current malaise with a better mix of business for growth and stability than ever.

As we embark on our continuing journey to build shareholder value, we thank our bankers, shareholders, directors, staff and business partners for your continuing support and look forward to building our future together with you.

Sim Soon Ngee Glenndle
Executive Chairman and Chief Executive Officer

主席致词

尊敬的股东们:

我谨代表集团董事会向各位呈交明铸造2019年财年截至12月31日的年度报告，并介绍集团的业务和战略的最新情况。

转型之路

2019年是关键的一年，公司的各项业务中以依赖石油为生的已在不断减少当中。在石油需求疲弱的背景下，去年来自海事和能源服务的收入增长了14%。这两个部门现在占集团收入的 85%，高于去年的75%。

自2016年油价暴跌以来，我们的首要任务是通过重新审视资源的使用和资本约束来增强资产负债表及恢复盈利能力。虽然我们仍有很所不足之处，但是也取得了很多进展。

去年，净债务减少了2000万元以上，这得益于资产处置和经营性现金流。尽管市场条件充满挑战，2019年经营性现金流仍增长了73%，达到1810万元，是为本集团成功连续第五年的经营性现金流为正。

2019年也标志着我们的疏浚业务为公司业绩做出贡献的第一个整年。连同与现有的海上维护、维修及大修业务协同合作，疏浚业务将在来年成为可靠收入的来源。

下一步

看着我们的团队在困难重重的大环境下提供出色的服务，使我深信明铸造的优势在于我们对客户和行业变化的响应能力。即使我们继续投资于发展海洋能源业务，我们仍打算将轻资产、技术驱动型业务添加到收入组合中，利用这一优势发展新的收入来源。

这些业务有可能以最小的资本支出进行扩展，而不会偏离我们对谨慎的资本管理、偿还债务和加强资本状况的承诺。

尽管我们的财务业绩尚未反映出这些努力的成果，但我们已经进行了大量的战略规划和工作来建立未来的收入来源。明铸造与新加坡重型工程公司的合作，就是一个例子。新加坡重型工程公司是一家卓越优异的新创公司，其使命是利用硬科学和重型工程来重新定义人类的发展方向。这项合作以创纪录的时间开发了VIRESTORM，是一种采用先进的臭氧技术来清洁被冠状病毒污染的表面的新技术。

VIRESTORM专为满足酒店、医疗卫生、学校、旅游、交通运输及其他行业的需求而设计，可减少冠状病毒的传播及未来病毒的爆发。尽管未曾在冠状病毒上进行测试，但大量研究表明臭氧对消灭大多数病原体十分有效，包括SARS冠状病毒。除了在设计和原型援助方面，明铸造也利用企业在制造和市场营销方面的经验和能力来将此产品商业化。

我们正在投资的另一个业务类型的例子是福美（Phomi），该公司应用专有的工艺技术用可持续和可回收材料生产生态建筑材料。凭借我们在能源服务部门的制造专业知识和在回收方面的经验，福美的产品非常轻巧，可用于我们拥有大量客户群的钻机和轮船的内饰。我们也达成分销安排，这将使我们在住宅、建筑和工业建筑领域有相当大的影响力。

明铸造也一直致力于提高业务效率和减少浪费。例如，我们开创了3D打印螺旋桨设计流程，使我们能够利用流程自动化，显着减少浪费并大大提高劳动生产率。

以上这些举措和能源部门的废物防污业务大大加强了我们的可持续发展的价值主张，也回答了客户和投资者日益关心的问题。

未来一年

随着我们过渡到第一季度，由于农历新年假期以及运输和停歇的模式，我们的业务通常会经历季节性下降。俄罗斯和石油输出国组织未能就2020年3月初的生产预算达成一致，而对石油价格造成的冲击，也可能会对本季度的业绩产生一定影响。这种情况可以通过大幅减少前面所述的石油和天然气的敞口来缓解。

我们以务实的态度翘首以待2020年，毫无疑问，我们的转型之路必将不易。由于地缘政治和贸易紧张局势影响了增长率，2019年全球经济增长率降至2.3%，为十年来最低水平。不幸的是，随着对新型冠状病毒的担忧大大增加，全球经济放缓，甚至可能进一步恶化。

赞赏与感谢

自成立以来，本集团的成功取决于我们对市场需求的适应和创新能力。这要归功于我们的管理层和员工，以及强大而团结的集团文化。

过去几年本集团经历了38年里来最大的考验，但是我们已经有效地利用了这段时间。我们希望本身的技能、足迹、团队和文化将随着集团一起成长，因为我们将努力摆脱当前的困境，以比以往更好的业务组合来实现增长和稳定。

在我们持续不断为股东创造价值的过程中，我们感谢银行、股东、董事、员工和业务合作伙伴一如既往的支持，并期待与您一起共创未来。

沈询益
执行主席兼行政总裁

“我们将努力
摆脱当前的困境，
以比以往更好的业务组
合来实现增长和稳定。”

FINANCIAL HIGHLIGHTS

$'000	2015	2016	2017	2018	2019
Revenue	90,622	60,091	51,715	59,417*	60,456
Gross profit/(loss)	18,944	7,194	(4,162)	4,259*	3,047
Profit/(loss) before income tax	2,315	(26,324)	(80,189)	(9,104)*	(9,320)
Net profit/(loss)	2,154	(26,370)	(80,664)	(6,613)*	(5,776)
Total assets	355,620	342,378	259,617	257,125	242,564
Property, plant and equipment	208,066	225,625	205,642	119,990	118,667
Cash and cash equivalents	10,896	7,416	14,741	16,385	18,314
Total liabilities	221,847	220,380	219,502	224,175	223,123
Total equity	133,773	121,998	40,115	32,950	19,441

* Restated

FINANCIAL REVIEW

STAYING THE COURSE

Revenue

Amidst continuing challenging conditions, Mencast reported stable revenue but a compression in margins.

Offshore and Engineering was again the weakest division, with revenue dipping 36% to $9.3m as the combination of lowered capital spending revenue and our decision to reduce our activities in this segment.

Our Marine segment recorded a small increase in revenue, up by 4% from the prior year to $45.3m. The increase was driven by higher revenue from dredging and reclamation, partially offset by declines in revenue from MRO services.

Following the disposal of the 50% equity interest in Vac-Tech, all the revenue from our Energy segment is from waste treatment and recovery. Revenue from this grew from $1.4m to $5.9m due to growth in our customer base, as well as larger orders from existing customers.

Overall Group revenue increased 2% to $60.5 million as compared to the prior year.

Other losses and gains

The Group recorded $8.2m of other gains in FY2019, comprising of a $6.5m gain on the sale of a property and the financial effects of the sale of the 50% equity interest in Vac-Tech, $2.9m of rental income, and other smaller items of other gains and losses. This compares to a gain of $6.5m in FY2018, which did not see the same large gains on asset disposals.

Cost of sales, gross profit and gross profit margin

Cost of sales increased by 4% to $57.4m in FY2019. This was primarily due to the slightly higher revenue, the effect of margin pressure in the Offshore and Engineering division and a higher revenue share from dredging, which has stable revenue but lower margins.

Gross profit was $3.0m on a gross profit margin of 5.0% in FY2019. This compares to gross profit of $4.3 million in FY2018. Administrative expenses were cut by 11% to $12.5m, though finance expenses increased by 43% to $8.3m. The primary reason for the increase was in accordance with accounting requirements, interest on loan related to 42A Penjuru Road was expensed in FY2019, while it had been capitalised in the prior year. Accounting standard SFRS(I) 16 also came into effect during the year, and resulted in additional finance cost in relation to the amortisation of leases.

Financial results

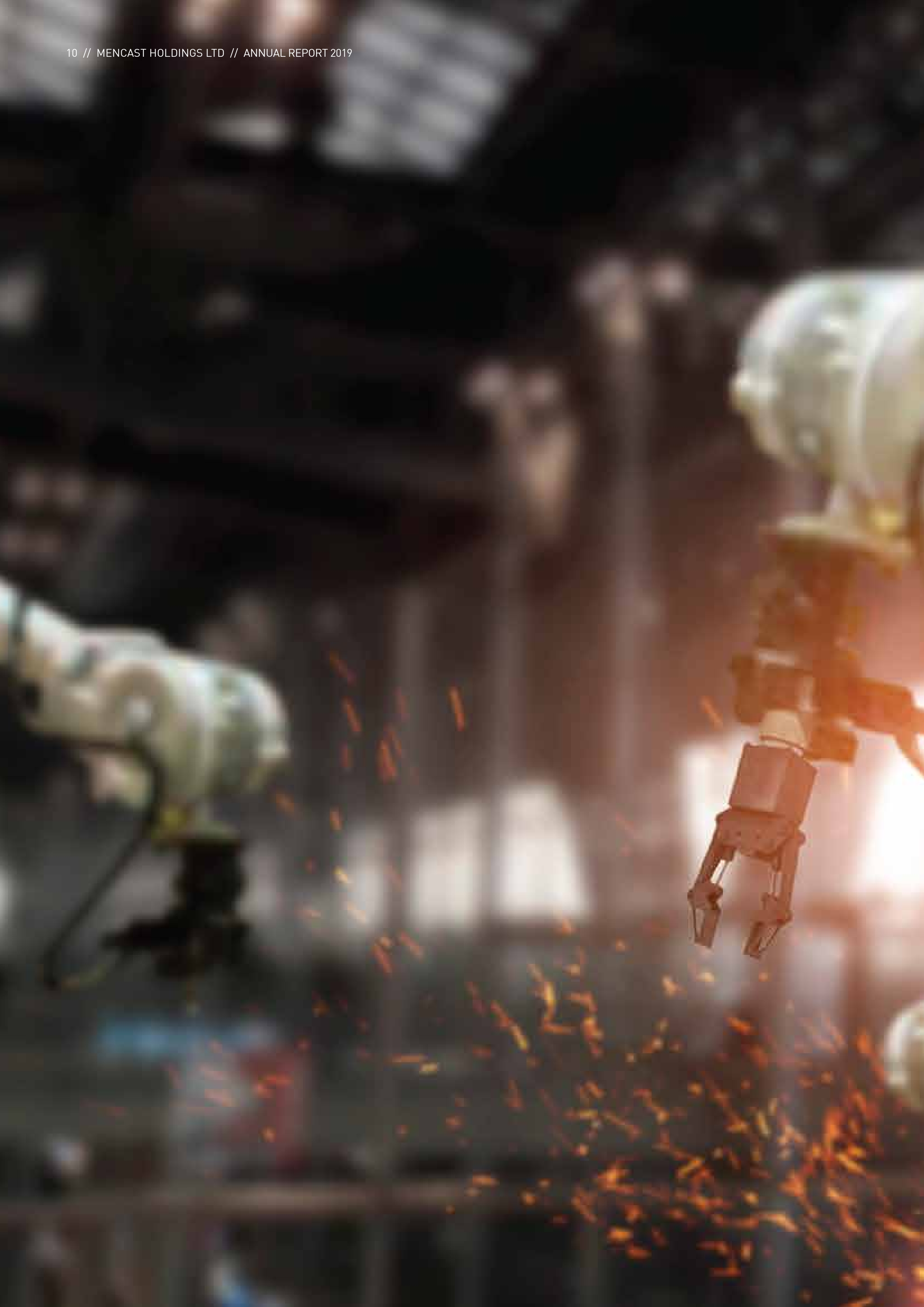
Net loss attributable to equity holders was $7.1m, a slight improvement from the $8.2m loss of the prior year.

Cashflow

The Group's cash and cash equivalents as at 31 December 2019 was $18.3m, up from $16.4m a year prior. Net cash inflow from operating activities was $18.1m in FY2019, a large rise of 73% from the previous year.

Net cash provided by investing activities was $19.0m for FY2019, up a sharp 247% from $5.5m in the prior year. The increase was primarily due to asset disposals described earlier.

Net cash used in financing activities was $34.9m during FY2019, up sharply from $12.2m in the prior year. This was mainly due to our ongoing deleveraging program, which had resulted in a reduction of over $20m in our group's net debt over the year.



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 & Communications Committee.

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

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

WONG BOON HUAT

Executive Director

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

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

SUNNY WONG FOOK CHOY

Lead Independent Director

Mr Sunny Wong is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. A practising advocate and solicitor of the Singapore Supreme Court, Sunny 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 and InnoTek Limited. He joined the Board on 29 May 2008.

LEOW DAVID IVAN

Independent Director

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

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

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

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 is Senior Operations Manager, Upstream of Mencast Engineering Pte Ltd. He 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. He 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.

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.

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.

CORPORATE SOCIAL RESPONSIBILITY

At Mencast, we are committed to do our part in environmental protection and preservation.

This year, we raised awareness about conserving our environment and preserving a clean and beautiful Singapore through a Coastal Clean-up at East Coast Park Beach with the Public Hygiene Council, where our eager volunteers collected sea borne refuse and beautified the beach for visitors and families to enjoy.

The beach clean-up raised awareness on the importance of taking ownership of public spaces and inspired those taking part to share the responsibility for a sustainable Singapore, and in turn advocate sustainable choices and practices to their friends and family.

SUSTAINABLE WASTE TREATMENT SYSTEM

As a NEA-licensed hazardous industrial waste collector and processor, Mencast operates a waste treatment facility using innovative technologies to minimise land take and ash residue, while reducing environmental impacts and recovering energy and materials from the process.

In 2019, Mencast collected and processed 5,000 tons of hazardous solid waste. A large proportion of these were recycled to economically valuable materials through efficient treatment methods which are environmentally sustainable.

Working hand in hand with key shareholders, sustainable waste management is an opportunity for contributing to closing the loop of material use throughout economy by providing waste-derived materials as inputs for production. As we look towards refining our strategies and methods, we work towards a more sustainable waste management system.

PEOPLE DEVELOPMENT

Mencast is honored to be one of 28 companies recognised on 14 February 2020 under the Human Capital Partnership (HCP) Program, a tripartite initiative to support exemplary employers and their investment in human capital development. This is based on age-inclusive practices for skilled older workers approaching retirement age and the attributes of fairness, inclusivity, agility, productivity and sustainability.

The pillars of the Human Capital Partnership are:

- Stronger Singaporean Core by investing in employees at all levels in an inclusive way
- Stronger complementarity between local and foreign manpower
- Skills transfer from foreign to local manpower to enhance capabilities of the local workforce

The HCP program seeks to grow a community of employers with progressive human capital development practices to support Singapore's economy, to remain competitive, for businesses to attract and retain talent, and Singaporeans to continue to have better jobs, better salaries and better careers.

Mencast was recognised for its exemplary practices, including offering re-employment to older workers based on their performance and medical fitness. Mencast also created age-friendly workplaces by tapping the WorkPro Job Redesign Grant to redesign labor intensive jobs, as well as train older workers in technology.

Through reskilling and redesigning jobs and work processes, Mencast benefits from the talents of older employees, and contributes to the community and economy by extending their career development.

Revolution of manufacturing process through 3D printing

Propeller manufacturing has long relied on the use of sandcasting, an ancient process that dates back to the Chinese Shang dynasty. This process of building sand moulds, casting and foundry work is highly specialised, arduous and highly labour intensive tasks.

To enhance the work environment and improve productivity, Mencast turned to technology, creating a revolutionary production process using 3D Pattern scanning and printing process.

In doing so, we upskilled the job, improved worker satisfaction and overcame the business challenges of reliance on intensive manual labour. This transformation of existing methods of manufacturing also lowers manufacturing time, reduces manpower wastage and frees up bandwidth for knowledge-based activities.

INVESTOR RELATIONS

Since listing on the SGX in 2008, Mencast has actively worked to build a robust investor relations program that engages and communicates with investors and stakeholders on a timely basis. This program is designed to allow investors to understand our business and risk profile, and help achieve a fair valuation. The program also allows us to provide feedback to management and the board shareholder feedback and priorities.

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 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 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/ 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.

"OUR EVOLUTION - TAPPING INTO THE HIGH-GROWTH WASTE MANAGEMENT AND REMEDIATION BUSINESS"

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 OFFSHORE & MARINE PTE LTD
(Singapore)

- 100%
  MENCAST ENGINEERING SDN BHD
  (Malaysia)
  (Voluntarily liquidated on 15 January 2020)

- 100%
  TOP GREAT HOLDINGS PTE. LTD.
  (Singapore)

  - 100%
    TOP GREAT ENGINEERING SERVICES LLC
    (Oman)
    (In the process of Member's Voluntary Winding Up)

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

- 100%
  PT MENCAST OFFSHORE & MARINE
  (Indonesia)

100%
S&W PTE LTD
(Singapore)

100%
S&W PROCESS EQUIPMENT (CHANGSHU) CO LTD
(China)

100%
MENCAST ENGINEERING PTE LTD
(Singapore)

- 100%
  CHINYEE ENGINEERING & MACHINERY PTE LTD
  (Singapore)

MARINE

100%
MENCAST MARINE PTE LTD
(Singapore)

- 100%
  MENCAST MARINE (HK) LTD
  (Hong Kong)

- 100%
  STONE MARINE MENCAST PTE. LTD.
  (Singapore)

100%
RECON PROPELLER & ENGINEERING PTE LTD
(Singapore)

100%
MENCAST SUBSEA PTE LTD
(Singapore)

- 100%
  UNIDIVE MARINE SERVICES (M) SDN BHD
  (Malaysia)

- 100%
  UNIDIVE OFFSHORE PTE LTD
  (Singapore)

51%
MENCAST-KSE PTE LTD
(Singapore)

ENERGY SERVICES

70%
MENCAST ENERGY PTE LTD
(Singapore)

- 100%
  MENCAST ENERGEERS PTE LTD
  (Singapore)

- 20%
  VAC-TECH ENGINEERING PTE LTD
  (Singapore)

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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. This statement outlines the main corporate governance practices that were in place during the year.

The Company adopts practices based on the Code of Corporate Governance (the "**Code**") issued in August 2018. 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. Any deviation from complying with and adhering to the principles and guidelines of the Code, the reason has been provided.

BOARD MATTERS

<u>The Board's Conduct of Affairs</u>

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the approval of the 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.

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

The Board also deliberates and makes decisions on material acquisitions and disposals of investments and assets, corporate restructuring, funding, dividend payments and other matters such as those that may involve a conflict of interest.

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

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

The Company is responsible for arranging and funding the training of directors. The directors are provided with updates on the relevant laws, financial reporting standards, Listing Rules of the SGX-ST, codes and regulations to enable them to make informed decisions. Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors (SID), Singapore Exchange Limited, business and financial institutions, and consultants.

Newly appointed directors, if any, will be provided with a formal letter of appointment and receive comprehensive induction briefings and orientations by the Executive Directors and Management to ensure that they are familiar with the Group's business, strategic directions and policies, the regulatory environment in which the Group operates and the Company's corporate governance practices.

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

The Group has in place detailed guidelines that set forth all the matters reserved for the Board's decision and which provide Management with clear directions on the matters that require the prior approval of the Board.

Matters that require Board's approval include:
- annual budgets and business plan of the Group;
- financial authorisation limits for operating and capital expenditure;
- drawing down or obtaining of new credit lines;
- material acquisition and disposal of assets/investments;
- corporate/financial restructurings or corporate exercise;
- incorporation of new entities;
- issuance of shares, dividend payout and other returns to shareholders;
- risk appetite and risk tolerance for the different categories of risk;
- matters as specified under the Chapter 9 (Interested Person Transactions) of Singapore Exchange Securities Trading Limited's ('SGX-ST');
- announcement of the Group's quarterly, half year and full year results and the release of the Annual Reports and Sustainability Report; and
- any other matters as prescribed under the relevant legislations and regulations, as well as the provisions of the Company's Constitution.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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

The number of formal Board and other committee meetings held during the financial year ended 31 December 2019 ("**FY2019**") and the attendance of each director of the Company ("**Director**") where relevant, is set out as follows:

	Board	AC	NC	RC	CSCC
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*
Leow David Ivan	4	4	1*	1	1
Ng Chee Keong	4	4	1	1	1*
Ho Chew Thim Raymond#	2	2	1	1	1

** By Invitation*
 # Passed away on 6 August 2019

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

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

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

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

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

The Company Secretary or his representative attends all of the Board and Board Committees' meetings and is responsible for ensuring that Board procedures are being followed and the Company complies with the requirements 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 a decision taken by the Board as a whole.

Board Composition and Guidance

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

A majority of the Board with three members are Independent Directors where the Chairman is not independent. Mr. Sunny Wong Fook Choy, Mr. Ng Chee Keong and Mr. Leow David Ivan are considered to be independent as they have no relationship with the Company, its related corporations, substantial shareholders or Management that could interfere or be reasonably perceived to interfere with the exercise of their independent business judgment with a view to the best interest of the Company. Please refer to the section entitled "Board of Directors" of the Annual Report for further details on the directors.

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

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

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

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

The Board consists of high calibre members with a wealth of experience and knowledge in business. They contribute valuable direction and insight, drawing from their vast experience in matters relating to accounting, finance, legal, business, industry knowledge and general corporate matters. The NC is of the opinion that the current Board composition represents a well-balanced mix of expertise and experience to provide core competencies necessary to meet the Company's requirements. The Board constantly reviews the adequacy of the board size taking into consideration the size and operations of the Company.

The Board is currently in the process of putting in place a Board Diversity Policy which will take into consideration criteria such as qualification, age, gender, skill, experience and knowledge in various fields and relevant industries.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Executive Chairman and CEO

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

Provisions of the Code

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

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

Group's Corporate Governance practices

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

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

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

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

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

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

The Board is currently in the process of putting in place a Terms of Reference of the Executive Chairman/CEO and Lead Independent Director which will spell out their respective key roles and responsibilities.

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

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

CORPORATE GOVERNANCE STATEMENT

Board Membership

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

Provisions of the Code

4.1 *The Board establishes a NC to make recommendations to the Board on relevant matters relating to:*

Group's Corporate Governance practices

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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

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

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

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

Please refer to Principle 4.1(d) above.

CORPORATE GOVERNANCE STATEMENT

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

The NC determines annually whether or not a director is independent in accordance with the guidelines on independence as set out in the Code, and considers, reviews and recommends to the Board any re-appointment of directors. Directors are required to disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any. Each Independent Director has completed a Director's Independence Declaration to confirm his independence based on the guidelines as set out in the Code for FY2019. The NC has reviewed and is satisfied with the independence of the Independent Directors.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Board Performance

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

Provisions of the Code

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

Group's Corporate Governance practices

The Board's performance is a function of the experience and expertise that each of the Directors bring with them. The NC would assess on an annual basis, the effectiveness of the Board as a whole. Each Director is required to complete a Board Performance Evaluation Form ("**Evaluation Form**") annually, to facilitate the NC in its assessment of the performance of the Board, the Board Committees and the Directors. Through the Evaluation Form, feedback is collated from the Board on various aspects of the performance of the Board, the Board Committees and the individual Directors, and the Company Secretary will compile the results of the evaluation form for the purpose of discussion during the NC meeting. During the meeting, the NC Chairman will then, based on the results, ascertain key areas for improvement and requisite follow-up actions. Following the review for FY2019, the Board is of the view that the Board and Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

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

Further Information on Board of Directors

Sim Soon Ngee Glenndle
Executive Chairman & Chief Executive Officer
Date of first appointment as a director: 30 January 2008
Date of last re-election as a director: 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
NC Member CSCC Member	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.* Menji Pte. Ltd.* Singapore Heavy Engineering Pte. Ltd.	Nil

** Subsidiaries of Mencast Holdings Ltd.*

 # Associate Company 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
CSCC Member	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.* Menji Pte. Ltd.*	Nil

** Subsidiaries of Mencast Holdings Ltd.*
 # Associate Company 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: 25 April 2019

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

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
CSCC Chairman AC Chairman RC Member	Thaler Global Pte Ltd Chartered Accountants Australia and New Zealand (Singapore) Private Limited CAP Management Limited MEC Asian Fund	Arcturus Capital Limited

CORPORATE GOVERNANCE STATEMENT

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
RC Chairman NC Member AC Member	Jurong Port Pte 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 PT Pelabuhan Tegar Indonesia

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

The Board has not engaged any external facilitator in conducting the assessment of the Board's performance for FY2019. Where appropriate, the NC will consider such engagement. When it comes to evaluating the individual directors' performance, the NC has made available a process that would enable the members of the NC to assess the contribution each individual to the effectiveness of the Board, taking into account numerous factors, including the directors' attendance, participation and contribution at the Board and various Board Committees meetings.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

Provisions of the Code

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

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

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

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

Group's Corporate Governance practices

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

The RC comprises three Non-Executive Directors, all of whom are independent. The current members of the RC comprise the following:

- Mr. Ng Chee Keong (RC Chairman),
- Mr. Sunny Wong (Member, Independent Director)
- Mr. Leow David Ivan (Member, Independent Director)

CORPORATE GOVERNANCE STATEMENT

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

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

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 the CEO; and
- Considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the directors and key executives of the Group to those required by law or by the Code.

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

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

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 FY2019.

Level and Mix of Remuneration

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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

CORPORATE GOVERNANCE STATEMENT

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 Personnel 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 FY2019, the Company has granted 2,929,600 shares under the PSAS.

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

Disclosure of Remuneration

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

Provisions of the Code

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

(a) each individual director and the CEO; and

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

Group's Corporate Governance practices

Please refer to Principle 7.1 to 7.3.

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

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

No Directors participate in decisions on their own remuneration.

The Company has entered into Service Agreements with Mr. Glenndle Sim, the Executive Chairman and CEO for a fixed period of three years commencing from 25 June 2008 and Mr Wong Boon Huat, the Executive Director for a fixed period of three years commencing from 4 August 2011, and thereafter each renewable for a fixed period of three years. The Service Agreements of Mr. Glenndle Sim and Mr. Wong Boon Huat were last renewed in November 2017.

The following table shows a breakdown of the annual remuneration of the Directors of the Group for FY2019.

Name of Executive Director	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2]		Total
			Cash-Based	Share Based	
	%	%	%	%	
S$250,001 to S$500,000					
Sim Soon Ngee Glenndle	76	24	-	-	100
Wong Boon Huat	66	34	-	-	100

CORPORATE GOVERNANCE STATEMENT

Name of Independent Director	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2]		Total
			Cash-Based	Share Based	
	%	%	%	%	%
S$250,000 and below					
Sunny Wong Fook Choy	-	-	50	50	100
Leow David Ivan	-	-	50	50	100
Ho Chew Thim, Raymond*	-	-	100	-	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 24 April 2020.
* Ceased as a director as Mr Ho passed away on 6 August 2019.

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

The remuneration of the 6 Key Management Personnel of the Group (excluding the Executive Directors in the above table) is set out below:

Name of Key Management Personnel	Salary and Other Benefits	Performance Bonus[1]	Total
	%	%	
S$250,001 to S$500,000			
San Meng Chee	80	20	100
S$250,001 and below			
Phua Poh Cheng, Jack	77	23	100
Cheng Shao Rong	79	21	100
Sun Nai Jiang	79	21	100
Wong Boon Hwee	96	4	100
Aung Wunna, Edward	99	1	100

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

The total remuneration paid to the 6 Key Management Personnel (who are not Directors or the CEO) of the Company in FY2019 is S$1,178,000.

For FY2019, there is no termination, retirement and post-employment benefits granted to Directors, the CEO and the Key Management Personnel.

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

CORPORATE GOVERNANCE STATEMENT

The breakdown of the total remuneration of employees who are immediate family members of the Executive Directors for FY2019 is set out below:

Name of Employee	Salary and Other Benefits	Performance Bonus[1]	Total
	%	%	
S$100,001 to S$200,000			
Wong Boon Hwee	96	4	100

Note:

(1) Performance bonus is determined in accordance with the respective service agreement

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

Other than as specified above, there are no immediate family members of a Director or substantial shareholder whose remuneration exceeds S$100,000 for FY2019.

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

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

For the Independent Directors' Fees in FY2019, they are receiving S$118,825 in cash and the remaining S$83,460 in share awards granted pursuant to the performance share award.

<u>Cash Component in the Directors' Fees</u>
Each independent director receives a basic retainer fee.
Independent directors who perform additional services in Board committees receive additional fees.

<u>Share Component in the Directors' Fees</u>
The performance share award scheme 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 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 FY2019, the Company has granted 2,929,600 shares under the PSAS.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Control

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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

The ERMC comprises the following members:

Name	Department	Designation	ERM Role
Glenndle Sim	Corporate	Executive Chairman/ CEO	ERM Sponsor
San Meng Chee	Corporate	CFO	ERM Champion
Janis Anne Mojica	Corporate	Financial Controller	ERM Co-ordinator
Wong Boon Huat	Corporate	Executive Director	Member
Susan Tan	Corporate	Head of Admin & HR	Member
Phua Poh Cheng, Jack	Marine	Director - Mencast Marine Division	Member
Ng Hock Chye, Andrew	Marine	Senior Operation Manager Mencast Subsea	Member
Aung Wunna, Edward	Offshore & Engineering	Head of Environmental	Member
Sun Nai Jiang	Offshore & Engineering	Senior Manager – Upstream Operations	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.

During FY2019, the Group's Independent Auditor and Internal Auditor had conducted annual review of the effectiveness of the Group's internal controls. Any material non-compliance or lapses in internal controls together with corrective measures are reported to the AC.

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

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

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

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

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

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

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

Based on the internal controls established and maintained by the Group, works performed by the Independent and Internal auditors, and reviews performed by the Management and AC, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate and effective as at 31 December 2019 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

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

Provisions of the Code

10.1 *The duties of the AC include:*

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

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

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

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

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

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

Group's Corporate Governance practices

The AC carried out its functions in accordance with Section 201B (5) of the 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 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;

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

- Reviews transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

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

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

The AC also undertakes:

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

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

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

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

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

During the year under review, the aggregate amount of fees paid to the Independent Auditor for the audit and non-audit services amounted to S$180,000 and S$4,000 respectively. 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.

CORPORATE GOVERNANCE STATEMENT

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.

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

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

The current members of the AC comprise the following:

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

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

No former partner or director of the Company's existing auditing firm or audit corporation is a member of the AC.

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

The internal audit function has been outsourced to a professional firm, Mazars LLP ("**the Internal Auditor**") in order to satisfy and comply with the requirements of best practices set out in the Code. The Internal Auditor reports directly to the AC Chairman on audit related matters and reports to the CFO of the Company on administrative-related matters. The AC approves the hiring, removal, evaluation and remuneration of the accounting/audit firm or corporation to which the internal audit function is outsourced. The 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 Auditors Singapore. The Internal Auditor plans its audit schedules in consultation with, but independent of, the Management. The audit schedules are approved by the AC. The Internal Auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

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

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

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

CORPORATE GOVERNANCE STATEMENT

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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

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

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

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

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

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. 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 GMs as observers without being constrained by the two-proxy rule.

CORPORATE GOVERNANCE STATEMENT

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

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and Management, and such minutes are available to Shareholders upon request.

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

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

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

Engagement with Shareholders

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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.

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

CORPORATE GOVERNANCE STATEMENT

The Board complies with the relevant rules of the 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.

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

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

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

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

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

The primary role of the CSCC is to:

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

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

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

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

The Board also endeavours to maintain regular, timely and effective communication with Shareholders and investors. 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, takes 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 Group encourages feedback, views and participation of its shareholders at all general meetings and such feedback and views can be sent to the following investor relations contact:

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

The Company is in the process of putting in place an Investor Relations Policy to enhance effective communications and engagements with its investors and shareholders.

MANAGING STAKEHOLDER RELATIONSHIPS

Engagement with Stakeholders

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

Provisions of the Code

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

Group's Corporate Governance practices

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

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

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

The Company may, from time to time, takes 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 is in the process of putting in place a Stakeholder Engagement Policy to enhance effective communications and engagements with its material stakeholders.

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

CORPORATE GOVERNANCE STATEMENT

OTHER CORPORATE GOVERNANCE MATTERS

Interested Person Transactions

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

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

Material Contracts

Except as disclosed on SGXNet or herein for the financial year concerned, there were no material contracts of the Company or its subsidiaries involving the interests of the CEO, Directors 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 FY2019.

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 2020.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

The Directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

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 56 to 127 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 2019 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 with the continual support from its lenders which is critical to the completion of the Group's revised debt re-financing plan.

Directors

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

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

Arrangements to enable Directors to acquire shares 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 50 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 31.12.2019**	At 1.1.2019	**At 31.12.2019**	At 1.1.2019
(No. of ordinary shares)				
Sim Soon Ngee Glenndle	**83,567,900**	83,567,900	**63,402,800**	63,402,800
Wong Boon Huat	**28,903,206**	28,458,806	**-**	-
Sunny Wong Fook Choy	**808,000**	552,000	**-**	-
Leow David Ivan	**6,556,000**	6,344,000	**-**	-
Ng Chee Keong	**563,000**	344,000	**-**	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Directors' interests in shares or debentures (continued)

The Directors' interests in the ordinary shares of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

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.

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 12 July 2019, the Company, pursuant to the Scheme, granted $181,000 worth of Share Awards to eligible employees of the Company and its subsidiaries which automatically vests on date of grant (Note 27).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

Audit committee

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

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

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

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

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

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

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

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

- Reviewed the 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 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 and the Company's internal audit function;

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

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

- Reviewed transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual;

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

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2019

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.

Independent Auditor

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

On behalf of the Directors

....

Sim Soon Ngee Glenndle
Director

....

Wong Boon Huat
Director

3 April 2020

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 2019, 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 56 to 127.

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 $5,776,000 and $8,348,000 for the financial year ended 31 December 2019 respectively (2018: $6,613,000 and $3,301,000) and with reference to Note 24, the Group and the Company are in net current liabilities position of $87,739,000 and $8,771,000 respectively (2018: net current liabilities position of $90,503,000 and $10,631,000).

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 2019 is still appropriate after taking into consideration the following measures and assumptions:

(a) The continual support from its lenders which is critical to the completion of the Group's revised debt re-financing plan;

(b) The divestment of those identifiable properties and assets;

(c) The Group incurred a lower net loss of $5,776,000 (2018: $6,613,000), generated positive operating cash flow from operations of $18,142,000 (2018: $10,486,000) and the Group's net current liabilities position improved to $87,739,000 (2018: $90,503,000) for the financial year ended 31 December 2019; and

(d) Given that the Group was able to generate positive cash flow from operations in the last two years, it expects the same for the next twelve months to meet its other obligations as and when they fall due, barring any unforeseen circumstances.

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 on 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

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 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Note	**2019 $'000**	2018 $'000 (Restated)
Continuing operations			
Revenue	4	**60,456**	59,417
Cost of sales		**(57,409)**	(55,158)
Gross profit		**3,047**	4,259
Other gains – net	5	**8,166**	6,542
Expenses			
- Administrative		**(12,502)**	(14,083)
- Finance	8	**(8,339)**	(5,822)
Share of profit of associate company	18	**308**	-
Loss before income tax		**(9,320)**	(9,104)
Income tax expense	9	**437**	28
Loss from continuing operations		**(8,883)**	(9,076)
Discontinued operations			
Profit from discontinued operations	14	**3,107**	2,463
Total net loss		**(5,776)**	(6,613)
Other comprehensive income/(loss), net of tax			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation	28	**115**	178
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		**(5,668)**	(6,442)
Net (loss)/profit attributable to:			
Equity holders of the Company		**(7,073)**	(8,165)
Non-controlling interests		**1,297**	1,552
		(5,776)	(6,613)
(Loss)/profit attributable to equity holders of the Company relates to:			
Loss from continuing operations		**(8,946)**	(9,372)
Profit from discontinued operations		**1,873**	1,207
		(7,073)	(8,165)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(6,965)**	(7,994)
Non-controlling interests		**1,297**	1,552
		(5,668)	(6,442)
(Loss)/earnings per share attributable to equity holders of the Company (cents per share)			
Basic and diluted			
- From continuing operations	10	**(2.09)**	(2.21)
- From discontinued operations	10	**0.44**	0.28

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**18,314**	16,385	**7,934**	105
Trade and other receivables	12	**14,931**	21,701	**60,493**	67,399
Inventories	13	**4,748**	7,918	**-**	-
Contract assets	4	**2,945**	7,008	**636**	650
		40,938	53,012	**69,063**	68,154
Assets of disposal group classified as held-for-sale	14	**74,044**	74,347	**-**	-
		114,982	127,359	**69,063**	68,154
Non-current assets					
Financial assets, at FVOCI	15	**95**	102	**-**	-
Investments in subsidiary corporations	16	**-**	-	**59,680**	69,880
Investment in a joint venture	17	**-**	-	**-**	-
Investment in an associate company	18	**4,033**	-	**-**	-
Property, plant and equipment	19	**118,667**	119,990	**262**	-
Deposits for purchase of property, plant and equipment		**6**	13	**-**	-
Intangible assets	22	**4,781**	9,661	**-**	-
		127,582	129,766	**59,942**	69,880
Total assets		**242,564**	257,125	**129,005**	138,034
LIABILITIES					
Current liabilities					
Trade and other payables	23	**21,004**	23,967	**24,486**	24,383
Contract liabilities	4	**3,459**	2,407	**-**	-
Borrowings	24	**103,905**	115,927	**53,348**	54,402
Current income tax liabilities		**796**	1,214	**-**	-
		129,164	143,515	**77,834**	78,785
Liabilities directly associated with disposal group classified as held-for-sale	14	**73,557**	74,347	**-**	-
		202,721	217,862	**77,834**	78,785

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

BALANCE SHEETS

As at 31 December 2019

	Note	Group		Company	
		2019	2018	**2019**	2018
		$'000	$'000	**$'000**	$'000
Non-current liabilities					
Borrowings	24	**16,814**	1,162	**-**	-
Deferred income tax liabilities	26	**3,588**	5,151	**-**	-
		20,402	6,313	**-**	-
Total liabilities		**223,123**	224,175	**77,834**	78,785
NET ASSETS		**19,441**	32,950	**51,171**	59,249
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	27	**92,348**	92,077	**92,348**	92,077
Fair value reserve		**18**	25	**-**	-
Translation reserve	28	**(434)**	(549)	**-**	-
Other reserve		**-**	509	**-**	-
Accumulated losses		**(75,463)**	(66,926)	**(41,177)**	(32,828)
		16,469	25,136	**51,171**	59,249
Non-controlling interests	16	**2,972**	7,814	**-**	-
Total equity		**19,441**	32,950	**51,171**	59,249

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2019

		← Attributable to equity holders of the Company →							
	Note	Share capital $'000	Fair value reserve* $'000	Translation reserve* $'000	Other reserve*[1] $'000	Accumu-lated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Group									
2019									
Balance as at 1 January 2019		**92,077**	**25**	**(549)**	**509**	**(66,926)**	**25,136**	**7,814**	**32,950**
Shares for Directors' fees (in lieu of cash)	27	90	-	-	-	-	90	-	90
Award of performance shares to employees	27	181	-	-	-	-	181	-	181
Dividends paid to non-controlling interests		-	-	-	-	-	-	(4,200)	(4,200)
Disposal of non-controlling interest in a subsidiary	11	-	-	-	-	-	-	(3,403)	(3,403)
Transaction with owners, recognised directly in equity		-	-	-	-	(1,464)	(1,464)	1,464	-
Total comprehensive (loss)/income for the year		-	(7)	115	(509)	(7,073)	(7,474)	1,297	(6,177)
End of financial year		**92,348**	**18**	**(434)**	**-**	**(75,463)**	**16,469**	**2,972**	**19,441**
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)	27	90	-	-	-	-	90	-	90
Dividends paid to non-controlling interests		-	-	-	-	-	-	(1,200)	(1,200)
Incorporation of a new subsidiary		-	-	-	-	-	-	147	147
Award of performance shares to employees	27	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**

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

(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 prior to 2019. During 2019, the Group completed the disposal of Vac-Tech and the amount in other reserve was reversed in full and included in the calculation of gain on disposal of non-current assets held-for-sale.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	**2019**	2018
		$'000	$'000
Cash flows from operating activities			
Net loss		**(5,776)**	(6,613)
Adjustments for:			
- Income tax (credit)/expense	9	**(196)**	433
- Depreciation of property, plant and equipment		**11,979**	12,846
- Award of performance shares to employees	27	**181**	240
- Dividend income from financial assets, FVOCI	5	**(6)**	(7)
- Gain on disposal of non-current assets held-for-sale		**(5,981)**	(2,183)
- Gain on re-measurement of retained investment	5	**(1,456)**	-
- Impairment loss on property, plant and equipment	5	**1,405**	-
- Loss/(gain) on disposal of property, plant and equipment		**1,182**	(793)
- Loss on cancellation of club membership		**-**	13
- Share of profit of associate company	18	**(308)**	-
- Interest income		**(54)**	(30)
- Interest expense		**8,378**	5,906
- Currency translation differences		**(34)**	5
		9,314	9,817
Changes in working capital			
- Trade and other receivables		**3,550**	(4,579)
- Inventories		**3,170**	646
- Contract assets		**936**	(3,234)
- Trade and other payables		**263**	9,705
- Contract liabilities		**1,052**	(1,418)
Cash generated from operations		**18,285**	10,937
Interest received		**54**	30
Income tax paid		**(197)**	(481)
Net cash provided by operating activities		**18,142**	10,486
Cash flows from investing activities			
Dividend income from financial assets, FVOCI	5	**6**	7
Proceeds from disposal of non-current assets classified as held-for-sale		**23,413**	8,893
Proceeds from disposal of property, plant and equipment		**364**	1,701
Proceeds from cancellation of club membership		**-**	47
Purchase of property, plant and equipment		**(4,928)**	(7,259)
Release of short-term bank deposits pledged		**134**	2,080
Net cash provided by investing activities		**18,989**	5,469

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from financing activities			
Interest paid		**(7,683)**	(8,746)
Repayment of bank borrowings		**(25,072)**	(15,709)
Repayment of finance lease liabilities		**-**	(1,298)
Repayment of lease liabilities		**(2,435)**	-
Proceeds from bank borrowings		**4,453**	14,569
Proceeds from issuance of subsidiary's shares to non-controlling interest		**-**	147
Dividends paid to non-controlling interests		**(4,200)**	(1,200)
Net cash used in financing activities		**(34,937)**	(12,237)
Net increase in cash and cash equivalents		**2,194**	3,718
Cash and cash equivalents			
Beginning of financial year		**15,319**	11,601
End of financial year	11	**17,513**	15,319

Reconciliation of liabilities arising from financing activities

	1 January 2019 $'000	Principal and interest payments $'000	Non-cash changes: Adoption of SFRS(I) 16 $'000	Non-cash changes: Interest Expense $'000	Non-cash changes: Foreign exchange movement $'000	31 December 2019 $'000
Bank borrowings*	188,766	(28,245)	-	7,626	-	168,147
Lease liabilities*	2,241	(5,157)	28,053	693	1	25,831
Bank overdraft	429	(151)	-	20	-	298

	1 January 2018 $'000	Principal and interest payments $'000	Non-cash changes: Interest Expense $'000	Non-cash changes: Foreign exchange movement $'000	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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 2020.

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 $5,776,000 and $8,348,000 for the financial year ended 31 December 2019 respectively (2018: $6,613,000 and $3,301,000) and with reference to Note 24, the Group and the Company are in net current liabilities position of $87,739,000 and $8,771,000 respectively (2018: net current liabilities position of $90,503,000 and $10,631,000).

Although 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, 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 2019 is still appropriate after taking into consideration the following measures and assumptions:

(a) The continual support from its lenders which is critical to the completion of the Group's revised debt re-financing plan;

(b) The divestment of those identifiable properties and assets;

(c) The Group incurred a lower net loss of $5,776,000 (2018: $6,613,000), generated positive operating cash flow from operations of $18,142,000 (2018: $10,486,000) and the Group's net current liabilities position improved to $87,739,000 (2018: $90,503,000) for the financial year ended 31 December 2019; and

(d) Given that the Group was able to generate positive cash flow from operations in the last two years, it expects the same for the next twelve months to meet its other obligations as and when they fall due, barring any unforeseen circumstances.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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.

Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("**INT SFRS(I)**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*.

Adoption of SFRS(I) 16 Leases

(a) When the Group is a lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.15.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

ii) On a lease-by-lease basis, the Group has:
   a) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
   b) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
   c) excluded initial direct costs in the measurement of the right-of-use ("**ROU**") asset at the date of initial application; and
   d) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases (continued)

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

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

i) On a lease-by-lease basis, the Group chose to measure its ROU at a carrying amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the balance sheet immediately before the date of initial application.

ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease.

iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated.

iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

(b) *When the Group is a lessor*

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor.

(c) *When the Group is the intermediate lessor*

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

The accounting policy for subleases are disclosed in Note 2.15.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

	Increase
	$'000
Property, plant and equipment (Note 19)	18,240
Assets of disposal group classified as held-for-sale (Note 14(c))	9,812
Liabilities directly associated with disposal group classified as held-for-sale	9,812
Borrowings	18,240

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Adoption of SFRS(I) 16 Leases (continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	$'000
Operating lease commitment disclosed as at 31 December 2018	39,293
Less: Discounting effect using incremental borrowing rate on each individual lease ranging from 3.03% to 3.74%	(11,241)
Lease liabilities recognised as at 1 January 2019	28,052

2.2 Revenue recognition

(a) *Sale of goods*

Revenue from sales of goods are 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 customer 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.

(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 "contract liabilities". Labour and overhead costs incurred relating to reconditioning services are deferred and classified as "contract liabilities" until the revenue is recognised. Unbilled revenue on completed services is recognised as "contract assets".

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 "contract liabilities". Labour and overhead costs incurred relating to reconditioning services are deferred and classified as "contract liabilities" until the revenue is recognised. Unbilled revenue on completed services is recognised as "contract assets".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(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.

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 cost 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(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.

2.3 Government grants

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

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

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) *Subsidiary corporations* (continued)

(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 2.6 "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.

(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 2.8 "Investments in subsidiary corporations, associate and a joint venture" for the accounting policy on investments in subsidiary corporations in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) *Associate and Joint venture*

Associate is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

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

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

(i) *Acquisitions*

Investments in associate and joint venture is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associate and joint venture represents the excess of the cost of acquisition of the associate or joint venture over the Group's share of the fair value of the identifiable net assets of the associate company and 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 associate's or joint venture's post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associate or joint venture are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associate or joint venture equals to or exceeds its interest in the associate or 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 associate or joint venture. If the associate or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

(iii) *Disposals*

Investment in associate or joint venture is derecognised when the Group loses significant control or joint control. If the retained equity interest in the former associate or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant control or 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 2.8 "Investments in subsidiary corporations, associate and joint venture" for the accounting policy on investments in associate and joint venture in the separate financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.5 Property, plant and equipment

(a) *Measurement*

(i) *Buildings on leasehold land*

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

(ii) *Other property, plant and equipment*

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

(iii) *Components of costs*

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

(b) *Depreciation*

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

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

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

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

(c) *Subsequent expenditure*

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

(d) *Disposal*

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

2. Significant accounting policies (continued)

2.6 Intangible assets

Goodwill

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

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

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

2.7 Borrowing costs

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

2.8 Investments in subsidiary corporations, associate and a joint venture

Investments in subsidiary corporations, associate 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.

2.9 Impairment of non-financial assets

(a) Goodwill

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

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

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

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.9 Impairment of non-financial assets (continued)

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

Property, plant and equipment, right-of-use assets and investments in subsidiary corporations, associate 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.

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.

2.10 Financial assets

(a) *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.

<u>At initial recognition</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(a) Classification and measurement (continued)

At subsequent measurement

(i) Debt instruments

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

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

(ii) Equity 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".

(b) Impairment

The Group assesses on a forward-looking basis the expected credit loss 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 31(b) 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.

(c) Recognition and derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.10 Financial assets (continued)

(c) *Recognition and derecognition* (continued)

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

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

2.11 Offsetting financial instruments

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

2.12 Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its 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.

2.13 Borrowings

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

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

2.14 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.15 Leases

The accounting policy for leases before 1 January 2019 are as follows:

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

The Group leases motor vehicles, office equipment 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.15 Leases (continued)

The accounting policy for leases from 1 January 2019 are as follows:

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

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

(i) *Right-of-use assets*

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

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

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

(ii) *Lease liabilities*

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

Lease payments include the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.15 Leases (continued)

The accounting policy for leases from 1 January 2019 are as follows: (continued)

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

(ii) Lease liabilities (continued)

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

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

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

(iii) Short term and low value leases

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

(b) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

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

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

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

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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.

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.

2.18 Provisions

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

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2. Significant accounting policies (continued)

2.19 Employee compensation

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

(a) *Defined contribution plans*

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

(b) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's Shareholders after certain adjustments. The Group recognises 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.

2.20 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("**functional currency**"). The financial statements are presented in Singapore Dollar, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.20 Currency translation (continued)

(b) *Transactions and balances* (continued)

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

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

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

(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.

2.21 Segment reporting

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

2.22 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

2. Significant accounting policies (continued)

2.23 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.

2.24 Dividends to Company's Shareholders

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

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

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

There is no impairment charge on its goodwill during the financial year (2018: $Nil).

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 22, 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 22.

For goodwill attributable to Recon CGU, the change in the estimated recoverable amount from any reasonably possible change in the key estimates does not materially cause the recoverable amount to be lower than its carrying amount, please refer to the key assumptions in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(b) *Impairment of property, plant and equipment*

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

The recoverable amounts of these assets and, where applicable, CGU have been determined based on fair value less costs to sell and VIU. The carrying amounts of property, plant and equipment at the balance sheet date are disclosed in Note 19.

The Management had assessed and concluded that there is no indication of impairment as at 31 December 2019 except for those disclosed in Note 19.

The Group has recognised an impairment charge of $1,405,000 for property, plant and equipment for the financial year ended 31 December 2019 (2018: $Nil).

(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 2019 was $118,667,000 (2018: $119,990,000). 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.

(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 2019, $1,640,000 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 5% from Management's estimates, the Group's revenue/contract assets would have been lower and higher by $1,108,000 and $3,641,000 respectively. If the total contract costs of on-going contracts to be incurred had been higher by 10% from Management's estimates, a provision for onerous contracts of $3,483,000 would have been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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

(e) *Impairment of loans and receivables*

As at 31 December 2019, the Group's trade receivables and contract assets amounted to $10,169,000 (2018: $16,689,000) (Note 12) and $2,945,000 (2018: $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 $239,000 (2018: $164,000) (Note 5) for trade receivables was recognised as at 31 December 2019.

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 31(b).

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
<u>2019</u>			
Construction contracts			
- Singapore	**-**	**20,262**	**20,262**
- Asia	**-**	**2,868**	**2,868**
- Rest of the world	**-**	**(60)**	**(60)**
	-	**23,070**	**23,070**
Sale of goods			
- Singapore	**14,279**	**-**	**14,279**
- Asia	**571**	**-**	**571**
- Rest of the world	**74**	**-**	**74**
	14,924	**-**	**14,924**
Services income from maintenance, repair and overhaul			
- Singapore	**19,521**	**-**	**19,521**
- Asia	**2,678**	**-**	**2,678**
- Rest of the world	**263**	**-**	**263**
	22,462	**-**	**22,462**
Total	**37,386**	**23,070**	**60,456**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue from contracts with customers (continued)

(a) *Disaggregation of revenue from contracts with customers* (continued)

	At a point in time $'000	Over time $'000	Total $'000
2018	(Restated)		(Restated)
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	12,016	-	12,016
- Asia	1,958	-	1,958
- Rest of the world	1,296	-	1,296
	15,270	-	15,270
Total	31,058	28,359	59,417

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue from contracts with customers (continued)

(b) *Contract assets and liabilities*

	Group						Company	
	2019			2018			**2019**	2018
	At a point in time	**Over time**	**Total**	At a point in time	Over time	Total	**At a point in time**	At a point in time
	$'000	**$'000**	**$'000**	$'000	$'000	$'000	**$'000**	$'000
Contract assets								
- Construction contracts	**-**	**1,789**	**1,789**	-	3,495	3,495	**-**	-
- Services	**1,156**	**-**	**1,156**	3,513	-	3,513	**636**	650
Total contract assets	**1,156**	**1,789**	**2,945**	3,513	3,495	7,008	**636**	650
Contract liabilities								
- Construction contracts	**-**	**313**	**313**	-	358	358	**-**	-
- Sale of goods	**2,413**	**-**	**2,413**	1,732	-	1,732	**-**	-
- Services	**733**	**-**	**733**	317	-	317	**-**	-
Total contract liabilities	**3,146**	**313**	**3,459**	2,049	358	2,407	**-**	-

Contract assets relate to fixed price construction contracts. The contract assets decreased as the Group has substantially billed the customers during the financial year.

Contract liabilities pertain to the Group's obligation to transfer goods or services to customers for which the Group has advances received from customers. The contract liabilities increased due to increase in projects nearing the financial year end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

4. Revenue from contracts with customers (continued)

(b) *Contract assets and liabilities* (continued)

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

	2019 $'000	2018 $'000
Revenue recognised in current year that was included in the contract liability balance at the beginning of the year		
- Construction contracts	**358**	2,430
- Sale of goods	**1,732**	1,395
- Services	**317**	-
	2,407	3,825

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

(c) *Assets recognised from costs to fulfil contracts*

Other than the contract assets disclosed above, the Group has no other current assets in relation to costs to fulfil contracts with customers. Deferred costs are costs incurred to fulfil a service obligation with customers. These costs are charged 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 2019 is expected to be completely recovered through contract revenue, hence no expected loss is recognised in the financial year ended 31 December 2019 (2018: $Nil).

5. Other gains – net

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

	Group	
	2019 $'000	2018 $'000 (Restated)
Allowance for impairment of trade receivables (Note 31(b))	**(239)**	(164)
Dividend income from financial assets, FVOCI	**6**	7
Foreign currency translation loss – net	**(16)**	(211)
Gain on disposal of non-current assets held-for-sale	**5,038**	2,183
Gain on re-measurement of retained investment (Note 18)	**1,456**	-
Government grants	**263**	1,376
Impairment loss on property, plant and equipment (Note 19)	**(1,405)**	-
Interest income – bank deposits	**47**	21
(Loss)/gain on disposal of property, plant and equipment	**(1,026)**	775
Rental income on operating lease (Note 20(d))	**2,867**	1,951
Sales of scrap	**620**	843
Write-back of long-outstanding payables and accruals	**198**	133
Write-back of allowance for impairment of trade receivables (Note 31(b))	**13**	-
Write down of inventories (Note 13)	**-**	(416)
Other income	**344**	44
	8,166	6,542

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

6. Expenses by nature

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Purchases of raw materials	**5,503**	10,708
Depreciation of property, plant and equipment	**10,916**	10,646
Directors' fees	**202**	181
Donation	**90**	67
Employee compensation (Note 7)	**17,571**	17,318
Employee welfare	**170**	108
Freight and handling charges	**793**	377
Insurance	**470**	538
Property tax	**1,095**	1,288
Professional fees	**1,535**	1,580
Repairs and maintenance	**3,315**	2,455
Rental expense on operating leases	**10,451**	6,723
Subcontractors' cost	**9,704**	10,852
Utilities	**1,635**	1,581
Other	**3,292**	4,172
Changes in inventories	**3,169**	647
Total cost of sales and administrative expenses	**69,911**	69,241

7. Employee compensation

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Wages and salaries	**15,179**	14,914
Employers' contribution to defined contribution plans including Central Provident Fund	**1,887**	1,930
Other short-term benefits	**324**	234
Performance shares expense (Note 27)	**181**	240
	17,571	17,318

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

8. Finance expenses

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Interest expense on:		
- Bank borrowings	**7,626**	7,041
- Finance lease liabilities	**-**	55
- Bank overdraft	**20**	30
- Lease liabilities - hire purchase (Note 20(c))	**65**	-
- Lease liabilities - leasehold land (Note 20(c))	**628**	-
	8,339	7,126
Less: Borrowing costs capitalised in property, plant and equipment	**-**	(1,304)
	8,339	5,822

9. Income taxes

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Income tax expenses		
Tax expense attributable to (loss)/income is made up of:		
Loss for the financial year:		
From continuing operations		
- Current income tax - Singapore	**-**	827
- Current income tax - Foreign	**-**	19
- Deferred income tax	**-**	300
	-	1,146
(Over)/under provision in prior financial years		
- Current income tax - Singapore	**(61)**	(703)
- Current income tax - Foreign	**(16)**	42
- Deferred income tax	**(360)**	(513)
	(437)	(28)
From discontinuing operations		
- Current income tax - Singapore	**241**	356
- Deferred income tax	**-**	80
	241	436
Under/(over) provision in prior financial years		
- Current income tax - Singapore	**-**	82
- Deferred income tax	**-**	(57)
	241	461
Tax (credit)/expense is attributable to:		
- continuing operations	**(437)**	(28)
- discontinuing operations (Note 14(a))	**241**	461
	(196)	433

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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	
	2019	2018
	$'000	$'000
		(Restated)
(Loss)/profit before income tax from:		
- continuing operations	**(9,320)**	(9,104)
- discontinued operations	**3,348**	2,924
	(5,972)	(6,180)
Share of profit of associated company, net of tax (Note 18)	**(308)**	-
Loss before income tax and share of profit of associated company	**(6,280)**	(6,180)
Tax calculated at tax rate of 17% (2018: 17%)	**(1,068)**	(1,051)
Effects of:		
- different tax rates in other countries	**1**	56
- statutory tax exemption	**(65)**	(52)
- expenses not deductible for tax purposes	**2,332**	2,385
- income not subject to tax	**(2,295)**	(433)
- tax rebate	**-**	(20)
- utilisation of previously unrecognised capital allowance and tax losses	**(1,191)**	(540)
- deferred income tax asset not recognised	**2,403**	1,244
- over provision in prior financial years	**(437)**	(1,149)
- others	**124**	(7)
Tax (credit)/charge	**(196)**	433

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

(b) Diluted (loss)/earnings per share

For the purpose of calculating diluted (loss)/earnings per share, (loss)/earnings 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

10. (Loss)/earnings per share (continued)

	Group					
	Continuing operations 2019	**Discontinued operations 2019**	**Total 2019**	Continuing operations 2018	Discontinued operations 2018	Total 2018
Net (loss)/earnings attributable to equity holders of the Company ($'000)	**(8,946)**	**1,873**	**(7,073)**	(9,372)	1,207	(8,165)
Weighted average number of shares outstanding for basic and diluted EPS ('000)	**427,268**	**427,268**	**427,268**	423,419	423,419	423,419
Basic and diluted EPS attributable to equity holders of the Company (SGD cents)	**(2.09)**	**0.44**	**(1.65)**	(2.21)	0.28	(1.93)

11. Cash and cash equivalents

	Group		Company	
	2019 $'000	2018 $'000	**2019 $'000**	2018 $'000
Cash at bank and on hand	**17,811**	15,730	**7,934**	105
Short-term bank deposits	**503**	655	**-**	-
	18,314	16,385	**7,934**	105

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

	Group	
	2019 $'000	2018 $'000
Cash and cash equivalents (as above)	**18,314**	16,385
Less: Short-term bank deposits and cash at bank pledged	**(503)**	(637)
Less: Bank overdrafts (Note 24)	**(298)**	(429)
Cash and cash equivalents per consolidated statement of cash flows	**17,513**	15,319

Certain short-term bank deposits are pledged to secure certain bank borrowings (Note 24(a)).

On 24 September 2019, the Group had completed the disposal of its 50% equity interest in Vac-Tech Engineering Pte Ltd ("**Vac-Tech**"). Pursuant to the completion of the disposal, the Group retains 20% investment in Vac-Tech which was accounted for under "Investment in an associate company" in the Balance Sheet of the Group. Please see Note 14 and Note 18 for further information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

11. Cash and cash equivalents (continued)

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

The effects of the disposals on the cash flows of the Group were:

	Group	
	At 24 September 2019	At 24 December 2018
	$'000	$'000
Carrying amounts of assets and liabilities as at the date of disposal:		
Cash and cash equivalents (Note 14(c))	**1,117**	8
Trade and other receivables (Note 14(c))	**3,220**	1,671
Contract assets (Note 14(c))	**3,127**	-
Property, plant and equipment (Note 14(c))	**8,814**	5,889
Deposits for purchase of property, plant and equipment (Note 14(c))	**1,021**	-
Total assets	**17,299**	7,568
Trade and other payables	**(3,408)**	(31)
Borrowings	**(959)**	-
Current income tax liabilities	**(385)**	-
Deferred income tax liabilities	**(1,203)**	-
Total liabilities	**(5,955)**	(31)
Net assets	**11,344**	7,537
Less: Non-controlling interests	**(3,403)**	-
Less: Costs of 20% retained investment	**(2,269)**	-
Net assets disposed	**5,672**	7,537
Cash inflows arising from disposal:		
Net assets disposed of (as above)	**5,672**	7,537
Reclassification of goodwill arising on consolidation (Note 22(b))	**4,880**	-
Reclassification of other reserve	**(509)**	-
Reclassification of currency translation reserve	**-**	(636)
Net assets value of the disposed subsidiaries	**10,043**	6,901
Gain on disposal of non-current assets held-for-sale	**943**	2,183
Unpaid/(paid) expenses incurred on disposal of non-current assets held-for-sale, net	**44**	(183)
Cash proceeds on disposal of non-current assets held-for-sale consist of:		
- Purchase consideration	**9,313**	8,901
- Net working capital/debt adjustments	**1,717**	-
Less: Cash and cash equivalents in subsidiary disposed of (as above)	**(1,117)**	(8)
Net cash inflow on disposal of a subsidiary classified as held-for-sale	**9,913**	8,893

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For the financial year ended 31 December 2019

12. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Non-related parties	**13,933**	20,994	**-**	-
- Associate	**603**	-	**-**	-
Less: Allowance for impairment of trade receivables (Note 31(b))	**(4,367)**	(4,305)	**-**	-
Trade receivables – net	**10,169**	16,689	**-**	-
Non-trade amounts due from subsidiary corporations	**-**	-	**58,582**	65,272
Advances to suppliers	**92**	187	**4**	4
Advances to staff	**23**	1	**-**	-
Deposits	**270**	188	**7**	1
Prepayments	**761**	1,278	**370**	580
Other receivables				
- Non-related parties	**336**	1,828	**1,530**	1,542
- Associate	**1,750**	-	**-**	-
- Related party	**1,530**	1,530	**-**	-
	14,931	21,701	**60,493**	67,399

The non-trade amounts due from subsidiary corporations and other receivable from an associate and related party are unsecured, repayable on demand and interest-free, except for certain advances to subsidiary corporations amounting to $25,194,000 (2018: $33,230,000) which bear interest at 4% (2018: 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	
	2019	2018
	$'000	$'000
Raw materials	**2,234**	2,740
Work-in-progress	**1,941**	4,053
Finished goods	**573**	1,125
	4,748	7,918

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $8,672,000 (2018 restated: $11,355,000).

During the financial year ended 31 December 2019, the Group has written-down inventories of $Nil (2018: $416,000) (Note 5), due to inventories obsolescence incurred under the Offshore & Engineering segment. No inventory written down or reversal was recognised in 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Discontinued operations and disposal group classified as held-for-sale

(i) On 28 June 2019, Mencast Energy Pte. Ltd. ("**Mencast Energy**"), a 70% subsidiary of the Company, entered into a Sale and Purchase agreement ("**SPA**") for the disposal of 50% equity interest in Vac-Tech, represented by 1,500,000 shares in Vac-Tech. Prior to disposal, Mencast Energy holds 2.1 million shares in Vac-Tech representing 70% of its existing issued and paid-up share capital.

As at 30 June 2019, following the Group's decision to sell Vac-Tech and in compliance with SFRS(I) 5 *Non-current Assets Held-for-Sale* and *Discontinued Operations*, the assets and liabilities of Vac-Tech including the goodwill arising from its consolidation were classified as Assets of disposal group classified as held-for-sale and Liabilities directly associated with disposal group classified as held-for-sale respectively on the consolidated balance sheet. Its financial results have been reclassified to "Discontinued Operations" for the current financial year reported on and the prior year financial results have been restated to reflect this change in presentation in the Consolidated Statement of Comprehensive Income. Subsequently, the control over the subsidiary has been transferred to the purchaser on 1 July 2019 in accordance with the SPA.

However, the transfer of share certificate signifying the legal completion of the disposal of its 50% equity interest in Vac-Tech occurred on 24 September 2019. The gain on disposal of subsidiary classified as held-for-sale and its retained investment of 20% were presented below and in Note 11 respectively.

(ii) On 25 March 2019, the Group granted an independent third-party purchaser an option to purchase (the "**Option**") the property situated at 7 Tuas View Circuit, Singapore 637642 for a consideration of $13,500,000 subject to terms and conditions of the Option. The property was included in the assets classified as held-for-sale in 2018.

On 31 October 2019, the sale of 7 Tuas View Circuit property was completed and a gain on disposal of non-current assets held-for-sale of $5,038,000 was recognised in other gains – net (Note 5).

(iii) 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).

(a) The results of the discontinued operations and the re-measurement of the disposal group are as follows:

	Group	
	For the period from 1 January 2019 to 30 June 2019 (6 months)	For the year from 1 January 2018 to 31 December 2018 (12 months)
	$'000	$'000
Revenue	**9,832**	16,051
Expenses	**(7,164)**	(13,232)
Other (losses)/gain, net	**(263)**	105
Profit before income tax from discontinued operations	**2,405**	2,924
Income tax expense (Note 9)	**(241)**	(461)
Profit after tax from discontinued operations	**2,164**	2,463
Pre/post-tax gain on disposal of a subsidiary classified as held-for-sale	**943**	-
Profit for the period/year from discontinued operations	**3,107**	2,463

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

14. Discontinued operations and disposal group classified as held-for-sale (continued)

(b) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2019 were as follows:

	Group	
	For the period from 1 January 2019 to 30 June 2019 (6 months)	For the year from 1 January 2018 to 31 December 2018 (12 months)
	$'000	$'000
Operating cash inflows	**2,602**	727
Investing cash outflows	**(1,198)**	(218)
Financing cash outflows	**(2,687)**	(2,913)
Total cash outflows	**(1,283)**	(2,404)

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

	Cash and cash equiva-lents	**Trade and other receiva-bles**	**Contract assets**	**Property, plant and equip-ment ("PPE")**	**Deposits for purchase of PPE**	**Intangi-bles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group							
2019							
Beginning of financial year	**-**	**-**	**-**	**74,347**	**-**	**-**	**74,347**
Adoption of SFRS(I) 16 (Note 2.1)	**-**	**-**	**-**	**9,812**	**-**	**-**	**9,812**
Reclassification during the year (Note 11)	**1,117**	**3,220**	**3,127**	**8,814**	**1,021**	**4,880**	**22,179**
Disposal	**(1,117)**	**(3,220)**	**(3,127)**	**(18,929)**	**(1,021)**	**(4,880)**	**(32,294)**
End of financial year	**-**	**-**	**-**	**74,044**	**-**	**-**	**74,044**
2018							
Beginning of financial year	-	-	-	-	-	-	-
Reclassification during the year	8	1,671	-	80,236	-	-	81,915
Disposal (Note 11)	(8)	(1,671)	-	(5,889)	-	-	(7,568)
End of financial year	-	-	-	74,347	-	-	74,347

14. Discontinued operations and disposal group classified as held-for-sale (continued)

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

	Group	
	2019	2018
	$'000	$'000
Borrowings		
- Bank borrowings	**66,217**	74,347
- Lease liabilities – leasehold land	**7,340**	-
End of financial year	**73,557**	74,347

In 2019, the bank borrowings include secured liabilities of $66,217,000 (2018: $74,347,000) for the Group's building on leasehold land.

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) as part of the on-going efforts of the Group to dispose certain properties to pare down its debt in accordance with DRA.

For the financial year ended 31 December 2019, Management has reviewed and concluded that the requirements of SFRS(I) 5 was met.

15. Financial assets, at FVOCI

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**102**	-
Reclassification at 1 January 2018 on adoption of SFRS(I) 9	**-**	109
Fair value loss	**(7)**	(7)
End of financial year	**95**	102

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

During the financial year ended 31 December 2019, the Group recognised fair value loss of $7,000 (2018: $7,000).

16. Investments in subsidiary corporations

	Company	
	2019	2018
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**82,031**	82,030
Additions	**-**	1
End of financial year	**82,031**	82,031
Accumulated impairment		
Beginning of financial year	**(12,151)**	(12,151)
Impairment charge	**(10,200)**	-
End of financial year	**(22,351)**	(12,151)
Net book value		
End of financial year	**59,680**	69,880

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For the financial year ended 31 December 2019

16. Investments in subsidiary corporations (continued)

The impairment charge of $10,200,000 (2018: $Nil) 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	
			2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %
Mencast Marine Pte Ltd[a]	Manufacture, supply and refurbishment and reconditioning of sterngear	Singapore	**100**	100	**100**	100	**-**	-
Mencast Engineering Pte Ltd[a]	Supply of oil & gas equipment and precision engineering services	Singapore	**100**	100	**100**	100	**-**	-
Mencast Offshore & Marine Pte Ltd[a]	Collection of waste and building and repair of ships, tankers and other ocean-going vessels	Singapore	**100**	100	**100**	100	**-**	-
Mencast Energy Pte Ltd[a]	Investment holding	Singapore	**70**	70	**70**	70	**30**	30
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]	Inactive	Singapore	**100**	100	**100**	100	**-**	-
Top Great Engineering & Marine Pte Ltd[a]	Provision of mechanical engineering works, and repair of ships, tankers and other ocean- going vessels	Singapore	**100**	100	**100**	100	**-**	-
Mencast Subsea Pte Ltd[a]	Provision of underwater commercial diving and top side (rope access) services	Singapore	**100**	100	**100**	100	**-**	-
S&W Pte Ltd[a]	Inactive	Singapore	**100**	100	**100**	100	**-**	-
Mencast Innovation Centre Pte Ltd.[a]	Engineering design & consultancy services	Singapore	**100**	100	**100**	100	**-**	-

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For the financial year ended 31 December 2019

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	
			2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %
MAG Offshore Marine Pte. Ltd.[g]	Struck off	Singapore	**-**	-	**-**	-	**-**	-
Mencast Marine (HK) Limited[e]	Inactive	Hong Kong	**-**	-	**100**	100	**-**	-
Mencast Energeers Pte Ltd[a]	Inactive	Singapore	**-**	-	**70**	70	**30**	30
Vac-Tech Engineering Pte Ltd[a][l]	Disposed	Singapore	**-**	-	**14**	49	**-**	51
Chinyee Engineering & Machinery Pte Ltd[a]	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	**-**	-
Mencast Engineering Sdn Bhd[c]	Voluntarily liquidated	Malaysia	**-**	-	**-**	100	**-**	-
Top Great Holdings Pte Ltd[a]	Investment holding	Singapore	**-**	-	**100**	100	**-**	-
Top Great Engineering Services LLC[d]	In the process of voluntary liquidation	Sultanate of Oman	**-**	-	**100**	100	**-**	-
Unidive Marine Services (Malaysia) Sdn Bhd[k]	Underwater commercial diving services provider	Malaysia	**-**	-	**100**	100	**-**	-
Unidive Offshore Private Limited[a]	Inactive	Singapore	**-**	-	**100**	100	**-**	-
Changshu Honghua Equipment Co., Ltd[h]	Disposed	China	**-**	-	**-**	-	**-**	-

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For the financial year ended 31 December 2019

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	
			2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %
S&W Process Equipment (Changshu) Co. Ltd.[f]	Inactive	China	**100**	100	**100**	100	**-**	-
Mencast Investment Holdings Pte. Ltd. [a][i]	Investment holding	Singapore	**100**	100	**100**	100	**-**	-
Mencast – KSE Pte. Ltd. ("MKSE") [a][j]	Engineering design, dredging and land reclamation	Singapore	**-**	-	**51**	51	**49**	49

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by Riyanto, SE, AK, Indonesia.
(c) Voluntarily liquidated with effect from 15 January 2020.
(d) In the process of voluntary liquidation.
(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) Disposed on 24 December 2018 (Note 14).
(i) Incorporated on 24 May 2018.
(j) Incorporated on 26 May 2018.
(k) Audited by SSY Partners, Malaysia, a member firm of Nexia International.
(l) Disposed 35% effective shareholdings with 20% retained investment (Notes 11,14,18).

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 $255,000 (2018: $73,000) 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	
	2019 $'000	2018 $'000
Vac-Tech Engineering Pte Ltd	**-**	7,232
Mencast-KSE Pte. Ltd.	**57**	455
Mencast Energy Pte. Ltd.	**2,946**	156
Other subsidiary corporation with immaterial non-controlling interest	**(31)**	(29)
Total	**2,972**	7,814

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

16. Investments in subsidiary corporations (continued)

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

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

There were no transactions with non-controlling interests for the financial year ended 31 December 2019.

Summarised Balance Sheet

	MKSE		MENCAST ENERGY	
	2019	2018*	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Assets	**2,939**	5,816	**6,317**	690
Liabilities	**(7,455)**	(7,231)	**(853)**	(715)
Net current (liabilities)/assets	**(4,516)**	(1,415)	**5,464**	(25)
Non-current				
Assets	**4,632**	3,454	**4,356**	9,644
Liabilities	**-**	(1,109)	**-**	-
Net non-current assets	**4,632**	2,345	**4,356**	9,644
Net assets	**116**	930	**9,820**	9,619

Summarised Income Statement

	MKSE 2019	MKSE 2018*	MENCAST ENERGY 2019	MENCAST ENERGY 2018
Revenue	**17,506**	12,169	**-**	-
(Loss)/profit before income tax	**(974)**	789	**9,200**	1,361
Income tax credit/(expense)	**160**	(160)	**-**	-
Total comprehensive (loss)/income, representing net (loss)/profit	**(814)**	629	**9,200**	1,361
Total comprehensive (loss)/ income allocated to non-controlling interests	**(399)**	308	**594**	408
Dividends paid to non-controlling interest	**-**	-	**2,700**	600

Summarised Cash flows

	MKSE 2019	MKSE 2018*	MENCAST ENERGY 2019	MENCAST ENERGY 2018
Net cash provided by operating activities	**3,397**	437	**61**	592
Net cash (used in)/provided by investing activities	**(1,495)**	(3,593)	**12,736**	1,400
Net cash (used in)/provided by financing activities	**(1,663)**	3,168	**(9,000)**	(2,000)
Net increase/(decrease) in cash and cash equivalents	**239**	12	**3,797**	(8)
Cash and cash equivalents at beginning of financial year/period	**12**	-	**5**	13
Cash and cash equivalents at end of financial year	**251**	12	**3,802**	5

**MKSE's comparative figures for 2018 are from financial period 26 May 2018 to 31 December 2018 as the company was incorporated on 26 May 2018.*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

17. Investments in a joint venture

	Group	
	2019	2018
	$'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	
			2019	2018
			%	%
Towell Top Great Engineering Services LLC	Dormant	Sultanate of Oman	**50**	50

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.

18. Investment in an associate company

	Group	
	2019	2018
	$'000	$'000
Equity investment		
Beginning of financial year	**-**	-
Addition	**3,725**	-
Share of profit of associate company (Note 9)	**308**	-
End of financial year	**4,033**	-

Details of associate company are as follows:

Name of company	Principal activities	Country of business/ incorporation	Effective equity holding	
			2019	2018
			%	%
Vac-Tech Engineering Pte Ltd[a]	Sludge treatment, catalyst handling, environmental services and industrial cleaning services	Singapore	14	49

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

18. Investment in an associate company (continued)

The Group lost control of Vac-Tech upon its disposal of 50% equity interests as disclosed in Note 14. The carrying value of Vac-Tech, including goodwill arising from consolidation, was de-recognised. The Group's remaining interest of 20% was recognised and accounted for under "Investment in an associate company" at a fair value of $3,725,000. Subsequent profit & loss recognition will be accounted for under the equity method.

Set out below are the summarised financial information of an associated company based on its unaudited financial statements (and not the Group's share of those amounts) prepared in accordance with SFRS(I) and a reconciliation with the carrying amount of the investment in the Group's consolidated financial statements:

Summarised Income Statement

	2019 $'000
Revenue	21,353
Profit before income tax	4,419
Income tax expense	(713)
Total comprehensive income, representing net profit	3,706
Total comprehensive income allocated to non-controlling interests	92

Summarised Balance Sheet

	2019 $'000
Current	
Assets	9,022
Liabilities	(5,645)
Net current assets	3,377
Non-current	
Assets	10,729
Liabilities	(1,221)
Net non-current assets	9,508
Net assets	12,885
Reconciliation:	
Group's share of net assets	2,577
Gain on re-measurement of retained investment at the point of disposal (Note 5)	1,456
Carrying amount	4,033

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Property, plant and equipment

Group	Leasehold land $'000	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
2019											
Cost											
Beginning of financial year	-	62,899	92,514	990	897	5,532	37,164	1,804	2,489	3,294	207,583
Adoption of SFRS(I) 16	18,240	-	-	-	-	-	-	-	-	-	18,240
	18,240	62,899	92,514	990	897	5,532	37,164	1,804	2,489	3,294	225,823
Currency translation differences	-	137	26	-	(1)	8	-	4	-	-	174
Additions	-	-	953	13	5	543	1,646	279	83	548	4,070
Reclassified to disposal group (Note 14)	-	-	(21,436)	(78)	(40)	(2,784)	-	(181)	(28)	-	(24,547)
Reclassification	-	-	-	406	167	100	-	995	28	-	1,696
Disposals	-	(2)	(5,784)	(32)	(288)	(919)	-	(443)	(365)	-	(7,833)
End of financial year	18,240	63,034	66,273	1,299	740	2,480	38,810	2,458	2,207	3,842	199,383
Accumulated depreciation and impairment losses											
Beginning of financial year	-	16,507	46,268	837	817	3,008	16,833	1,674	1,649	-	87,593
Currency translation differences	-	20	(1)	(1)	(1)	4	-	3	-	-	24
Depreciation charge	1,072	2,698	5,550	30	69	414	1,824	78	244	-	11,979
Reclassification	-	-	-	406	140	100	-	1,022	28	-	1,696
Reclassified to disposal group (Note 14)	-	-	(14,342)	(72)	(20)	(1,192)	-	(104)	(3)	-	(15,733)
Impairment loss (Note 5)	-	-	-	-	-	-	-	-	-	1,405	1,405
Disposals	-	(2)	(4,470)	(30)	(286)	(751)	-	(434)	(275)	-	(6,248)
End of financial year	1,072	19,223	33,005	1,170	719	1,583	18,657	2,239	1,643	1,405	80,716
Net book value											
End of financial year	**17,168**	**43,811**	**33,268**	**129**	**21**	**897**	**20,153**	**219**	**564**	**2,437**	**118,667**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. 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
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	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**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Property, plant and equipment (continued)

Company	Office equipment	Computers	Motor vehicle	Renovation	Total
2019	$'000	$'000	$'000	$'000	$'000
Cost					
Beginning of financial year	**2**	**85**	**-**	**24**	**111**
Addition	**2**	**25**	**259**	**-**	**286**
End of financial year	**4**	**110**	**259**	**24**	**397**
Accumulated depreciation					
Beginning of financial year	**2**	**85**	**-**	**24**	**111**
Depreciation charge	**-**	**2**	**22**	**-**	**24**
End of financial year	**2**	**87**	**22**	**24**	**135**
Net book value **End of financial year**	**2**	**23**	**237**	**-**	**262**
2018					
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**	-	-	-	-	-

Additions during the financial year included machinery and equipment and motor vehicles acquired under lease liabilities – hire purchase amounting to $136,000 (2018: finance leases - $243,000).

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 $Nil (2018: $1,845,000).

The carrying amounts of machinery and equipment, office equipment and motor vehicles held under lease liabilities – hire purchase are $3,049,000 (2018: finance leases $6,080,000) at the balance sheet date.

Certain bank borrowings are secured by property, plant and equipment of the Group with carrying amounts of $55,424,000 (2018: $66,152,000) (Note 24(a)).

During the financial year ended 31 December 2019, impairment charges of $1,405,000 (2018: $Nil) (Note 5) was recognised for property, plant and equipment as the carrying amounts exceeded the estimated recoverable amount based on the price bid from current market demands from third-party.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

19. Property, plant and equipment (continued)

Included in the Group's property, plant and equipment are the 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 six properties:

Location	Description	Land Area sqm	Latest valuation date	Net book value as at 31 December 2019 $'000	Fair values $'000	Excess of fair values over net book value $'000
12 Kwong Min Road	Office building, dormitory & workshop	4,623	Feb 2020	2,530	4,000	1,470
42A Penjuru Road*	Office building, canteen & workshop	15,091	Jul 2019	66,217	67,000	783
42B Penjuru Road	Office building & workshop	16,200	Jul 2019	17,039	26,000	8,961
42E Penjuru Road	Waterfront, office building & workshop	19,266	Mar 2020	17,632	19,500	1,868
107 Gul Circle	Office building & workshop	12,618	Feb 2020	2,006	3,200	1,194
Jl. Brigjen Katamso Km 6.5	Office building & workshop	50,793	Feb 2020	5,237	5,454	217
Total		**118,591**		**110,661**	**125,154**	**14,493**

** This property is included in the Assets of disposal group classified as held-for-sale as at 31 December 2019.*

The net book value of leasehold properties, as disclosed above, do not include the respective carrying values for leasehold land.

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 31(e)).

20. Leases – The Group as a lessee

Nature of the Group's leasing activities

(i) Leasehold land

The Group leases land for business operations from non-related parties under non-cancellable lease agreements. The leases have varying terms, escalation clauses and renewable rights.

Various leasehold lands are recognised within property, plant and equipment and disposal group classified as held-for-sale (Note 19 and Note 14).

The Group also makes monthly lease payments for leasehold land.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Leases – The Group as a lessee (continued)

Nature of the Group's leasing activities (continued)

(ii) Machinery and equipment, office equipment and motor vehicles

On the adoption of SFRS(I) 16, the associated right-of-use assets for certain machinery and equipment, office equipment and motor vehicles held under finance leases in 2018 were restated as at 1 January 2019 with the carrying amount of $6,186,000 to right-of-use assets.

The lease arrangements prohibit the Group from subleasing the equipment to third parties.

(a) Carrying amounts

ROU assets classified within Property, plant and equipment

	Group	
	31 December 2019	1 January 2019
	$'000	$'000
Leasehold land	**17,168**	18,240
Machinery and equipment	**2,633**	4,407
Motor vehicles	**381**	1,699
Office equipment	**35**	80
	20,217	24,426

ROU asset of disposal group classified as held-for-sale

	31 December 2019	1 January 2019
Leasehold land	**7,828**	9,812

(b) Depreciation charge during the year

	Group
	2019
	$'000
Leasehold land	**1,072**
Machinery and equipment	**345**
Motor vehicles	**209**
Office equipment	**25**
	1,651

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

20. Leases – The Group as a lessee (continued)

(c) Interest expense during the year

	Group 2019 $'000
Interest expense on lease liabilities – leasehold land (Note 8)	**628**
Interest expense on lease liabilities – hire purchase (Note 8)	**65**
	693

(d) Total income from subleasing ROU assets in 2019 was $2,867,000 (Note 5).

(e) Total cash outflow for all leases in 2019 was $2,435,000.

(f) Addition of ROU assets during the financial year 2019 was $28,189,000. This includes $28,052,000 ROU assets as a result of the adoption of SFRS(I) 16 on 1 January 2019.

21. Leases – The Group as a lessor

Nature of the Group's leasing activities – Group as an intermediate lessor

Subleases – classified as operating leases

The Group has leased out certain units of its leasehold properties to third parties for monthly lease receipts. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

The Group acts as an intermediate lessor under arrangement in which it subleases out units to third parties for monthly lease receipts. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating lease.

Rental income from leasehold properties are disclosed in Note 5.

Undiscounted lease payments from the operating leases after the reporting date are as follows:

	Group	
	31 December 2019 $'000	1 January 2019 $'000
Less than one year	**4,013**	3,405
Later than one year but not later than five years	**2,250**	2,112
Total undiscounted lease payments	**6,263**	5,517

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Intangible assets

	Group	
	2019	2018
Composition:	**$'000**	$'000
Goodwill arising on acquisition of business (Note 22(a))	**-**	-
Goodwill arising on consolidation (Note 22(b))	**4,781**	9,661
	4,781	9,661

(a) Goodwill arising on acquisition of business

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning and end of financial year	**3,488**	3,488
Accumulated impairment		
Beginning and end of financial year	**(3,488)**	(3,488)
Net book value	**-**	-

(b) Goodwill arising on consolidation

	Group	
	2019	2018
	$'000	$'000
Cost		
Beginning of financial year	**41,692**	41,692
Reclassified to disposal group (Note 11)	**(4,880)**	-
End of financial year	**36,812**	41,692
Accumulated impairment		
Beginning and end of financial year	**(32,031)**	(32,031)
Net book value	**4,781**	9,661

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

22. Intangible assets (continued)

(b) Goodwill arising on consolidation (continued)

Impairment tests for goodwill

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

	Group	
	2019	2018
	$'000	$'000
Recon	**4,781**	4,781
Vac-Tech	**-**	4,880
	4,781	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.

Key assumptions used for value-in-use calculations:

	2019		2018	
	Growth rate[1]	**Discount rate[2]**	Growth rate[1]	Discount rate[2]
Recon	**2%**	**10%**	2%	9%
Vac-Tech	**^**	**^**	2%	11%

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 2019 as Vac-Tech had been disposed and deconsolidated but with 20% retained investment and classified as investment in an associate company.

These assumptions were used for the analysis of each CGU within the business segment. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

23. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Trade payables				
- Non-related parties	**8,897**	6,032	**-**	-
- Associate	**161**	-	**-**	-
Non- trade payables to subsidiary corporations	**-**	-	**23,352**	23,015
Accruals for operating expenses	**3,208**	8,249	**982**	974
Other payables – non-related parties	**8,738**	9,686	**152**	394
	21,004	23,967	**24,486**	24,383

Transactions with an associate company were made on normal commercial terms and conditions.

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

Included in other payables - non-related parties as at 31 December 2019 is $6,160,000 (2018: $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 on 15 February 2019.

24. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Current				
Bank borrowings	**101,930**	113,438	**53,348**	54,402
Bank overdraft (Note 11)	**298**	429	**-**	-
Finance lease liabilities (Note 25)	**-**	2,060	**-**	-
Lease liabilities – hire purchase	**837**	-	**-**	-
Lease liabilities – leasehold land	**840**	-	**-**	-
	103,905	115,927	**53,348**	54,402
Non- current				
Bank borrowings	**-**	981	**-**	-
Finance lease liabilities (Note 25)	**-**	181	**-**	-
Lease liabilities – hire purchase	**223**	-	**-**	-
Lease liabilities – leasehold land	**16,591**	-	**-**	-
	16,814	1,162	**-**	-
Total borrowings	**120,719**	117,089	**53,348**	54,402

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

24. Borrowings (continued)

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
6 months or less	**92,514**	104,391	**49,031**	50,000
6 - 12 months	**-**	405	**-**	-
1 - 5 years	**11,755**	12,274	**4,317**	4,402
Over 5 years	**16,450**	19	**-**	-
	120,719	117,089	**53,348**	54,402

(a) Security granted

Bank borrowings and bank overdraft include secured liabilities of $91,812,000 (2018: $102,486,000) over certain short-term bank deposits (Note 11) and certain buildings on leasehold land and vessels (Note 19).

Lease liabilities – hire purchase (2018: Finance lease liabilities) of the Group are effectively secured over the leased machinery and equipment, office equipment and motor vehicles (Note 19), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the lease liabilities – hire purchase/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 were amortised over the life of the Guarantee and disclosed under trade and other payable and is repayable on demand.

(b) Fair value of non-current borrowings

	Group	
	2019	2018
	$'000	$'000
Bank borrowings	**-**	1,011
Finance lease liabilities	**-**	181

The fair values above are determined from the cash flow analysis, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the Directors expect to be available to the Group as follows:

	Group	
	2019	2018
	$'000	$'000
Bank borrowings	**-**	4.45
Finance lease liabilities	**-**	2.90

The fair values above are within level 3 of the fair values hierarchy (Note 31(e)).

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24. Borrowings (continued)

(c) Breaches of financial covenant

The Group's bank borrowings 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 $168,147,000 (2018: $188,316,000), bank overdraft of $298,000 (2018: $429,000) and lease liabilities- hire purchase of $728,000 (2018: finance lease liabilities - $2,022,000) and these loan amounts are presented in the balance sheet as current liabilities as at 31 December 2019.

As at current reporting date, the Company, together with its advisors, are working towards finalising the terms of revised debt re-financing plan. Please see Note 34(c) for further details.

25. Finance lease liabilities

The Group leases certain machinery and equipment, office 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.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.1.

	Group 2018 $'000
Minimum lease payments due	
- Not later than one year	2,229
- Between one and five years	205
	2,434
Less: Future finance charges	(193)
Present value of finance lease liabilities	2,241

The present values of finance lease liabilities are analysed as follows:

- Not later than one year (Note 24)	2,060
- Between one and five years (Note 24)	181
	2,241

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

26. 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	
	2019	2018
	$'000	$'000
Deferred income tax liabilities to be settled after one year	**3,588**	5,151

The movement in deferred income tax liabilities prior to offsetting is as follows:

	Accelerated tax depreciation	**Tax losses**	**Total**
	$'000	**$'000**	**$'000**
Group			
2019			
Beginning of financial year	**5,539**	**(388)**	**5,151**
(Over)/under provision in prior financial years	**(748)**	**388**	**(360)**
Reclassified to disposal group	**(1,203)**	**-**	**(1,203)**
End of financial year	**3,588**	**-**	**3,588**
Group			
2018			
Beginning of financial year	5,857	(516)	5,341
Charged to profit and loss	380	-	380
(Over)/under provision in prior financial years	(698)	128	(570)
End of financial year	5,539	(388)	5,151

The Group has unrecognised tax losses of $37,061,000 (2018: $31,997,000) and capital allowance of $6,504,000 (2018: $3,240,000) 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.

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For the financial year ended 31 December 2019

27. Share capital and treasury shares

	No. of ordinary shares			Amount		
	Issued share capital	Treasury shares	Total	Share capital	Treasury shares	Total
	'000	'000	'000	$'000	$'000	$'000
Group and Company						
2019						
Beginning of financial year	**426,374**	**(455)**	**425,919**	**92,280**	**(203)**	**92,077**
Shares for Directors' fees (in lieu of cash)	**930**	**-**	**930**	**90**	**-**	**90**
Award of performance shares to employees (Note 7)	**2,000**	**-**	**2,000**	**181**	**-**	**181**
End of financial year	**429,304**	**(455)**	**428,849**	**92,551**	**(203)**	**92,348**
Group and Company						
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 (Note 7)	2,720	-	2,720	240	-	240
End of financial year	426,374	(455)	425,919	92,280	(203)	92,077

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.

2019

On 12 July 2019, pursuant to the Scheme, the Company granted (and automatically vests on date of grant) 930,000 shares to the Independent Directors of the Company in accordance with the Independent Directors' fee arrangement for the financial year ended 31 December 2018 (as approved by Shareholders of the Company at the annual general meeting held on 25 April 2019), 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 1,999,600 ordinary shares in the Company to eligible employees of the Group under the said Scheme.

2018

On 21 August 2018, pursuant to the Scheme, 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 Scheme.

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28. Translation reserve

	Group	
	2019	2018
	$'000	$'000
Beginning of financial year	**(549)**	(727)
Currency translation differences from consolidation	**115**	178
End of financial year	**(434)**	(549)

29. Contingencies

Group

During the financial year ended 2019, a wholly owned subsidiary of the Company provided a corporate guarantee to a major customer for a five-year contract secured by its associated company. The guarantee expires on 30 November 2024.

Company

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

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 $10,416,000 (2018: $12,362,000) at the balance sheet date.

In 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.

30. Commitments

(a) Capital commitments

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

	Group	
	2019	2018
	$'000	$'000
Property, plant and equipment	6	44

(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.

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For the financial year ended 31 December 2019

30. Commitments (continued)

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

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 2018 $'000
Not later than one year	2,012
Later than one year but not later than five years	8,047
Later than five years	29,234
	39,293

As disclosed in Note 2.1, the Group has adopted SFSR(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

(c) Operating lease commitments – where the Group is an intermediate 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 2018 $'000
Not later than one year	3,405
Later than one year but not later than five years	2,112
	5,517

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 21.

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

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For the financial year ended 31 December 2019

31. 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 identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The finance personnel measure actual exposures against the limits set and prepares weekly reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than functional currency such as United State Dollar ("**USD**").

(a) Market risk

(i) Currency risk

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

	Group			
	SGD $'000	USD $'000	Others $'000	Total $'000
2019				
Financial assets				
Cash and cash equivalents and FVOCI financial assets	**17,228**	**640**	**541**	**18,409**
Trade and other receivables	**12,903**	**1,081**	**94**	**14,078**
Contract assets	**2,083**	**-**	**744**	**2,827**
Intercompany balances	**160,704**	**1,250**	**-**	**161,954**
	192,918	**2,971**	**1,379**	**197,268**
Financial liabilities				
Trade and other payables	**(13,489)**	**(1,140)**	**(215)**	**(14,844)**
Intercompany balances	**(160,704)**	**(1,250)**	**-**	**(161,954)**
Borrowings*	**(193,409)**	**(852)**	**(15)**	**(194,276)**
	(367,602)	**(3,242)**	**(230)**	**(371,074)**
Net financial (liabilities)/assets	**(174,684)**	**(271)**	**1,149**	**(173,806)**
Add: Net non-financial assets	**185,671**	**-**	**7,576**	**193,247**
Currency profile including non-financial assets	**10,987**	**(271)**	**8,725**	**19,441**
Currency exposure of net financial assets (liabilities)/net of those denominated in the respective entities' functional currencies	**37**	**(271)**	**141**	**(93)**

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

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For the financial year ended 31 December 2019

31. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group			
	SGD	USD	Others	Total
	$'000	$'000	$'000	$'000
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 in 2018 was 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 loss after tax for the financial year 2018 would have been $310,000 higher/lower as a result of currency translation gains/losses on RMB.

If the USD change against the SGD by 5% (2018: 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 2018 and 2019 are denominated in Singapore Dollar.

31. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk

The Group is exposed to equity securities price risk arising from the equity investments classified as FVOCI. These securities are listed in Malaysia.

Further details of these equity investments can be found in Note 15 to the financial statements.

Equity price sensitivity

In respect of equity investments classified as FVOCI, if equity prices had been 10% higher or lower, with all other variables including tax rate being held constant, the impact to the net profit and equity of the Group 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% (2018: 0.5%) with all other variables including tax rate being held constant, the net profit would have been lower/higher by $928,000 (2018: $672,000) 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 2019

31. 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 for the corporate guarantees provided by the Group and the Company to 3rd parties as disclosed in Note 29.

The movements in credit loss allowance are as follows:

	Trade receivables $'000
Group	
2019	
Beginning of financial year	**4,305**
Loss allowance recognised in profit or loss during the year on:	
- Assets acquired (Note 5)	**239**
- Reversal of unutilised amounts (Note 5)	**(13)**
Receivables written off as uncollectible	**(6)**
Reclassified to disposal group	**(158)**
End of financial year (Note 12)	**4,367**
2018	
Beginning of financial year	4,297
Loss allowance recognised in profit or loss during the year on:	
- Assets acquired (Note 5)	164
- Reversal of unutilised amounts	(4)
Receivables written off as uncollectible	(152)
End of financial year (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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Financial risk management (continued)

(b) Credit risk (continued)

Trade receivables and contract assets (continued)

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.

(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.

	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
Group				
At 31 December 2019				
Trade and other payables	**(14,844)**	**-**	**-**	**-**
Borrowings*	**(177,462)**	**(1,540)**	**(4,178)**	**(17,026)**
At 31 December 2018				
Trade and other payables	(17,807)	-	-	-
Borrowings*	(190,274)	(1,092)	(100)	-
Company				
At 31 December 2019				
Trade and other payables	**(24,486)**	**-**	**-**	**-**
Borrowings	**(53,348)**	**-**	**-**	**-**
Financial guarantees	**(11,985)**	**-**	**-**	**-**
At 31 December 2018				
Trade and other payables	(24,383)	-	-	-
Borrowings	(54,402)	-	-	-
Financial guarantees	(13,931)	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Financial risk management (continued)

(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 (2018: 3.20 times).

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

	Group		Company	
	2019	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000
Borrowings*	**169,505**	191,436	**53,348**	54,402
Total equity	**15,276**	20,626	**51,171**	59,249
Debt to equity ratio (times)	**11.10**	9.28	**1.04**	0.92

* 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 2019 and 2018.

(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	
	2019	2018
	$'000	$'000
Financial assets, at FVOCI (Note 15)	**95**	102

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

31. Financial risk management (continued)

(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	
	2019	2018
	$'000	$'000
Financial assets, at FVOCI	**95**	102
Financial assets at amortised cost	**35,219**	43,219
Financial liabilities at amortised cost	**215,649**	209,243

	Company	
	2019	2018
	$'000	$'000
Financial assets at amortised cost	**68,689**	67,570
Financial liabilities at amortised cost	**77,834**	78,785

32. Related party transactions

Key Management personnel compensation

Key Management personnel compensation is as follows:

	Group	
	2019	2018
	$'000	$'000
		(Restated)
Wages and salaries	**1,950**	1,867
Employer's contribution to defined contribution plans, including Central Provident Fund	**131**	139
Performance shares expense	**150**	220
	2,231	2,226

Key Management personnel compensation includes Directors' remuneration amounting to $1,052,000 (2018: $990,000).

33. 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.

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For the financial year ended 31 December 2019

33. Segment information (continued)

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 - include waste treatment and recovery waste system. Capabilities of waste treatment plant include treatment of waste water, oily sludge, slope, mud oil, contaminated soil, solid wastes and filter cakes.

	Group			
	Offshore & Engineering	Marine	Energy Services	Total
	$'000	$'000	$'000	$'000
Continuing Operations				
2019				
Revenue				
Total segment revenue	**9,421**	**47,051**	**6,997**	**63,469**
Inter-segment revenue	**(147)**	**(1,762)**	**(1,104)**	**(3,013)**
Revenue from external parties	**9,274**	**45,289**	**5,893**	**60,456**
Gross (loss)/profit	**(4,144)**	**6,255**	**936**	**3,047**
Other gains – net				
- gain on disposal of non-current assets held-for-sale	**-**	**5,038**	**-**	**5,038**
- gain on re-measurement of retained investment	**-**	**-**	**1,456**	**1,456**
- impairment loss on property, plant and equipment	**(1,405)**	**-**	**-**	**(1,405)**
- other gains, net				**3,077**
Other gains – net				**8,166**
Expenses				
- Administrative				**(12,502)**
- Finance				**(8,339)**
Share of profit of associated company	**-**	**-**	**308**	**308**
Loss before income tax				**(9,320)**
Income tax expense				**437**
Loss from continuing operations				**(8,883)**

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For the financial year ended 31 December 2019

33. Segment information (continued)

	Group			
	Offshore & Engineering	Marine	Energy Services	Total
	$'000	$'000	$'000	$'000
			(Restated)	(Restated)
Continuing Operations				
2018				
Revenue				
Total segment revenue	14,987	45,469	2,335	62,791
Inter-segment revenue	(391)	(2,069)	(914)	(3,374)
Revenue from external parties	14,596	43,400	1,421	59,417
Gross (loss)/profit	(3,978)	8,356	(119)	4,259
Other gains – net				
- gain on disposal of non-current assets held-for-sale	2,183	-	-	2,183
- write down of inventories	(416)	-	-	(416)
- other gains, net				4,775
Other gains – net				6,542
Expenses				
- Administrative				(14,083)
- Finance				(5,822)
Loss before income tax				(9,104)
Income tax expense				28
Loss from continuing operations				(9,076)

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	
	2019	2018
	$'000	$'000
		(Restated)
Singapore	**54,062**	44,216
Asia[1]	**6,117**	10,876
Rest of the world[2]	**277**	4,325
Total	**60,456**	59,417

(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.

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33. Segment information (continued)

Revenue of $17,830,000 (2018: $12,169,000) is derived from one (2018: one) external customer. This revenue is attributable to the dredging and reclamation business under Singapore marine segment (2018: Singapore marine 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	
	2019	2018
	$'000	$'000
Singapore	**120,221**	121,819
Asia[1]	**7,361**	7,947
Total	**127,582**	129,766

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

34. Events occurring after balance sheet date

(a) The Company entered into a settlement agreement (the "**Settlement Agreement**") with S&W Engineering Pte Ltd and Wong Chung Kang (collectively, the "**Parties**") in relation to the suit in the High Court of the Republic of Singapore with respect to the Sale and Purchase Agreement ("**S&P Agreement**") dated 4 February 2014, as amended by a Supplemental S&P Agreement dated 8 July 2014 and a Consolidated Suit related to the S&P Agreement.

Signed originals of the Settlement Agreement were exchanged by the Parties on 9 January 2020, and the Settlement Agreement was agreed to be effective from 17 December 2019.

Pursuant to the Settlement Agreement, all disputes, issues, claims, and demands in, arising from, or having any connection with the S&P Agreement and the Consolidated Suit have been resolved amicably on a confidential basis, without any admission of liability.

(b) On 15 January 2020, Mencast Engineering Sdn Bhd, an indirect wholly owned subsidiary of the Company incorporated in Malaysia and which has been dormant since 2017 has been voluntarily liquidated.

(c) The current Debt Restructuring Agreement (the "**DRA**") of the Group with its lenders expired on 29 February 2020. This DRA requires the Group to meet an asset disposal timeline. The Group has not met this timeline due to market conditions.

The Company, together with RSMCA, its corporate advisors, have sought and have obtained the consent of its Lenders to an extension of the deadline of the DRA to end of March. The Company and its corporate advisors are working towards finalising the terms of a revised debt re-financing plan by end of March. The extension was subsequently extended to 31 August 2020, subject to final approval of its major lender's credit committee.

(d) On 2 March 2020, Mencast Marine Pte Ltd, a wholly owned subsidiary of the Company, entered into a settlement agreement with LQS Pte. Ltd. (in compulsory liquidation) ("LQS") in relation to a dispute on the construction of a 4-storey factory and an 11-storey office building at 42A Penjuru Road.

The parties have come to a full and final settlement of all claims arising out of the contract and each party has agreed to discontinue all claims against the other party and to not sue or commence any action, suit or other proceeding against the other party in any jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

34. Events occurring after balance sheet date (continued)

(e) The emergence of COVID-19 since early 2020 has brought about uncertainties to the Group's operating environment and its financial position subsequent to the financial year end. The Group is aware of the challenges posed by these developing events and the impact they potentially could have on our business sector. As the situation is still evolving, the effect of the outbreak is subject to uncertainty hence the Group is unable to quantify the magnitude and duration of such impact and has not considered such impact, if any, on the following areas involving critical accounting estimates, assumptions and judgements at this time.

35. New or revised accounting standards and interpretations

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2020

SHARE CAPITAL

Number of ordinary shares (excluding treasury shares and subsidiary holding)	:	428,848,724
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	7	1.11	96	0.00
100 - 1,000	36	5.70	29,059	0.01
1,001 - 10,000	160	25.36	837,008	0.20
10,001 - 1,000,000	394	62.44	45,257,794	10.55
1,000,001 AND ABOVE	34	5.39	382,724,767	89.24
TOTAL	**631**	**100.00**	**428,848,724**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	102,554,302	23.91
2	WONG SWEE CHUN	49,612,350	11.57
3	DBS NOMINEES (PRIVATE) LIMITED	43,323,824	10.10
4	CHUA KIM CHOO	41,716,800	9.73
5	SIM SOON YING (SHEN SHUNYING)	21,686,000	5.06
6	RAFFLES NOMINEES (PTE.) LIMITED	12,819,763	2.99
7	WONG CHEE HERNG	12,544,400	2.93
8	ORCHID 1 INVESTMENTS PTE LTD	10,511,000	2.45
9	GOH KAI KUI	9,706,000	2.26
10	MAYBANK KIM ENG SECURITIES PTE.LTD	6,635,700	1.55
11	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,790,900	1.35
12	TAT LEE HOLDINGS PTE LTD	5,782,335	1.35
13	HUANG ZHIYONG	5,179,000	1.21
14	VENSTAR CAPITAL MANAGEMENT PTE LTD	5,000,000	1.17
15	NG KENG TEONG	4,291,550	1.00
16	PANG YOKE MIN	4,278,800	1.00
17	GAY CHEE CHEONG	3,858,000	0.90
18	SONG BONG JOO	3,837,632	0.89
19	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,632,035	0.85
20	ANG KIAN HUI LARRY (WANG JIANHUI)	3,546,900	0.83
	TOTAL	**356,307,291**	**83.10**

STATISTICS OF SHAREHOLDINGS

AS AT 13 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 13 March 2020)

	Direct Interest	%	Deemed Interest	%
Sim Soon Ngee Glenndle[1]	83,567,900	19.49	63,402,800	14.78
Chua Kim Choo[1]	41,716,800	9.73	105,253,900	24.54
Sim Soon Ying[1]	21,686,000	5.05	125,284,700	29.22
Wong Swee Chun[2]	49,612,350	11.57	1,509,900	0.35
Gay Chee Cheong[3]	11,358,000	2.65	21,175,000	4.94
Chua Siok Lan[3]	21,000,000	4.90	11,533,000	2.69
Ni Weiming[3]	175,000	0.04	32,358,000	7.55
Wong Boon Huat[4]	28,903,206	6.74	–	–

Notes:

(1) The following shares are registered under Sim Soon Ngee Glenndle:
  (a) 64,600,000 shares in Citibank Nominees Singapore Pte Ltd; and
  (b) 18,967,900 shares 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 13 March 2020, approximately 37.63% 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 13 March 2020.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Sim Soon Ngee Glenndle
Executive Chairman &
Chief Executive Officer

Wong Boon Huat
Executive Director

Independent Directors:

Sunny Wong Fook Choy
Lead Independent Director

Leow David Ivan
Independent Director

Ng Chee Keong
Independent Director

AUDIT COMMITTEE

Leow David Ivan
Chairman

Sunny Wong Fook Choy

Ng Chee Keong

NOMINATING COMMITTEE

Sunny Wong Fook Choy
Chairman

Ng Chee Keong

Sim Soon Ngee Glenndle

REMUNERATION COMMITTEE

Ng Chee Keong
Chairman

Sunny Wong Fook Choy

Leow David Ivan

CORPORATE STRATEGY & COMMUNICATIONS COMMITTEE

Leow David Ivan
Chairman

Sim Soon Ngee Glenndle

Wong Boon Huat

SECRETARY

Cho Form Po

REGISTERED OFFICE

42E Penjuru Road,
Mencast Central,
Singapore 609161

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
80 Robinson Road
#25-00
Singapore 068898
Director-In-Charge
Low See Lien
Appointed since financial year ended 31 December 2015

PRINCIPAL BANKER

United Overseas Bank Limited

COMPANY REGISTRATION NO.

200802235C

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