

## 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.