

## MENCAST HOLDINGS LTD.

(Incorporated in the Republic of Singapore)  
(Company registration no.: 200802235C)

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### RESPONSE TO SGX-ST QUERIES – ANNUAL REPORT FY2019

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The Board of Directors (the "**Board**") of Mencast Holdings Ltd. ("**Company**") and, together with its subsidiaries the "**Group**") would like to respond to the queries raised by the Singapore Securities Exchange Trading Limited ("**SGX-ST**") in an email to the Company on 6 May 2020 (as set out below), in relation to the disclosures contained in the Corporate Governance Statement of the Company's Annual Report FY2019 ("**AR FY2019**").

- (i) Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. In this regard:
- (a) Provision 3.1 of the Code states that:

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

#### **SGX-ST's query:**

We note that the Company has not complied with Provision 3.1 of the Code as the Company's Chairman and CEO position is filled by the same person.

Where the Company's practices deviate from the provisions of the Code, please explicitly state the provision from which it has deviated from and explain how the practices it had adopted are consistent with the intent of Principle 3 of the Code, which requires a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision making.

#### **Company's response:**

The Company is currently under the guidance of Mr. Sim Soon Ngee Glenndle ("**Mr. Glenndle Sim**") who is both the Executive Chairman of the Board and the CEO of the Company.

The Company had provided the following explanation on page 27 of the AR FY2019 that where it deviates from the Provision 3.1 of the Code:

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

Notwithstanding the above, the Board comprises five Directors of which three directors are Independent Directors and two are Executive Directors. There is a strong independent element on the Board, capable of open and constructive debates on relevant issues affecting the business affairs of the Group. The strong independent element on the Board allows for an appropriate of power, increased accountability, and greater capacity of the Board for independent decision-making.

(b) Provision 8.1 of the Code states that:

*"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."*

**SGX-ST's query:**

We note the Company's disclosure on remuneration at pages 36 and 37 of the annual report for FY2019. Where the Company's practices deviate from the provisions of the Code, please explain how the practices it had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

**Company's response:**

The Company had provided the names, amounts (in bands of S\$250,000) and percentage breakdown in terms of categories and components paid to each individual director, the CEO and the six key management personnel (who are not directors or the CEO) for FY2019, on pages 36 and 37 of the AR FY2019.

The Company had also provided the following explanation on page 36 of the AR FY2019 where it deviates from Provision 8.1 of the Code:

*"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 Board is also of the view that the disclosure of the indicative range and percentage of the Directors' and key management personnel's remuneration provides a reasonable amount of information on the Company's remuneration framework to enable the shareholders to understand the link between the Company's performance and the remuneration of the Directors and the key management personnel. The policy and criteria for setting remuneration are also enumerated under Principle 7.1 to 7.3 on pages 34 and 35 of the AR FY2019.

The Company believes that shareholders' interest will not be prejudiced as a result of such non-disclosure of the amounts and breakdown of remuneration of each director and key management personnel of the Company.

**BY ORDER OF THE BOARD**

SIM SOON NGEE GLENN DLE  
Executive Chairman & Chief Executive Officer

8 May 2020

## **About Mencast**

Mencast Holdings Ltd. and its subsidiaries ("Mencast" or the "Group") is a regional maintenance, repair and overhaul ("MRO") solutions provider for the global Offshore, Oil & Gas and Marine sectors. 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.

**For more information on Mencast, visit <http://www.mencast.com.sg>**

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