EMS ENERGY
ENABLING ENERGY FOR LIFE

OVERCOMING THE ODDS

ANNUAL REPORT **2016**

CORPORATE PROFILE

Listed in 2003, EMS Energy Limited ("EEL" or the "Group") has two main business subsidiaries namely EMS Energy Solutions Pte Ltd ("EES") and Koastal Industries Pte Ltd ("KIPL"). KIPL became part of EEL following the completion of the Very Substantial Acquisition ("VSA") in October 2015.

The Group is going through a business process re-engineering which will see the Group focusing on its core strength and proven track record in handling integrated project services; and the new waterfront facility, Tuas South Shipyard. The Group through its subsidiary in Vietnam is providing water and wastewater treatment services in Vietnam.

EEL along with the two subsidiaries EES and KIPL applied to High Court for Scheme of Arrangement on 23 September 2016.

The scheme of arrangement of EEL was approved by revised creditors on 28 July 2017 and subsequently sanctioned by the High Court on 8 September 2017.

The scheme of arrangement of KIPL was withdrawn on 28 July 2017 due to a condition precedent was not met. Following the withdrawal of the SOA, KIPL has initiated the process of the creditor's voluntary liquidation ("CVL").

On 29 September 2017, the scheme of arrangement of EES was approved without modification by a majority in number representing more than three-forths in value of the scheme creditors present and voting either in person or by proxy. EES is in the midst of obtaining sanction of its scheme by the High Court.

CONTENTS

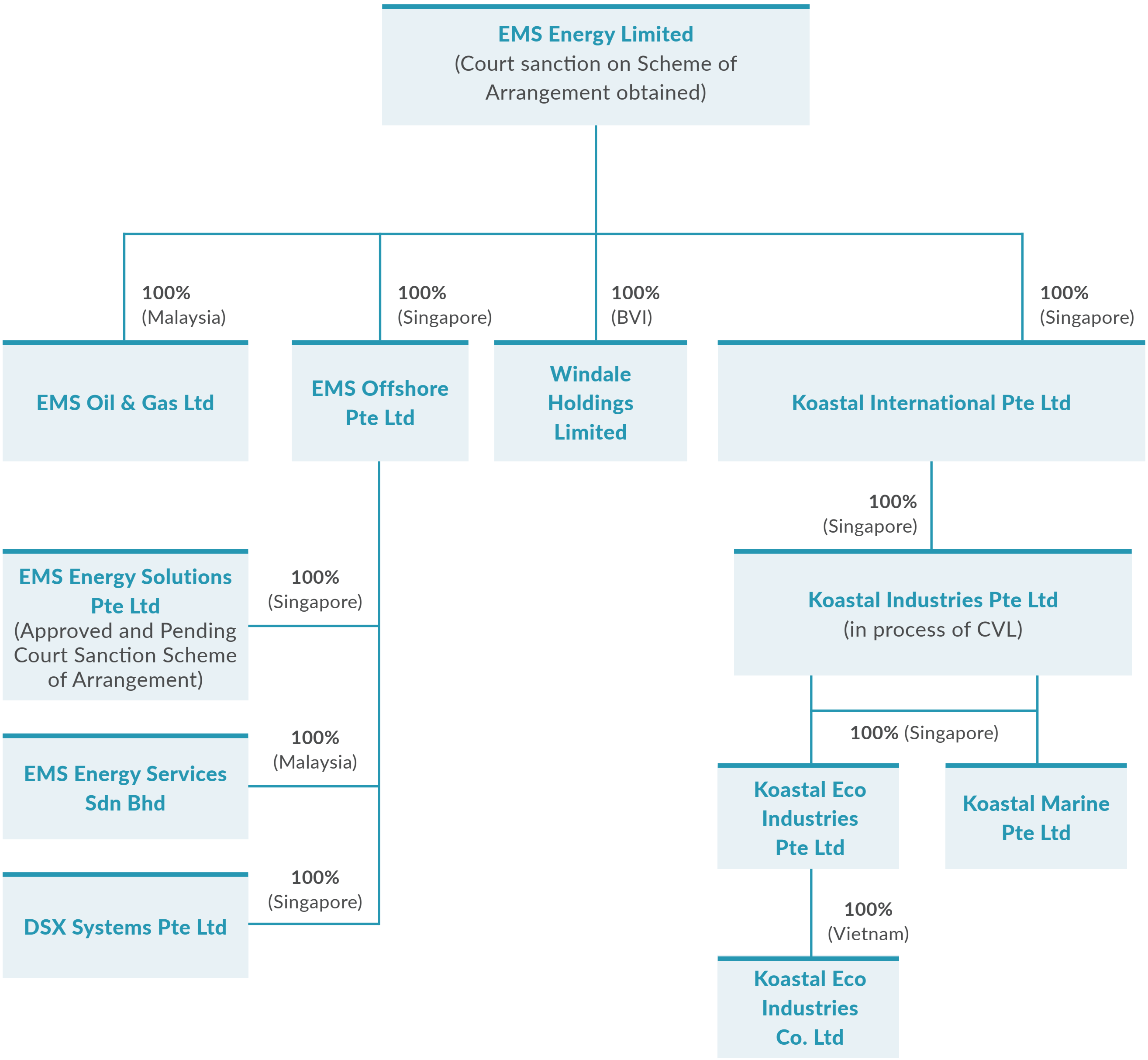
Sponsor's Statement

This annual report has been prepared by EMS Energy Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor are Mr Alvin Soh, Head of Catalist Operations, Senior Vice President, and Mr Lan Kang Ming, Vice President, at 8 Anthony Road, #01-01, Singapore 229957, telephone (65) 6590 6881.

CORPORATE STRUCTURE



CHAIRMAN'S STATEMENT

> **"Despite the uncertainties and challenges posed by these ongoing headwinds in the marine and O&G sectors, the demand for our KEI services remains strong."**
>
> **TING TECK JIN**
> *Executive Chairman and Chief Executive Officer*

Dear Valued Shareholders,

On behalf of my fellow Board of Directors, I am pleased to present to you the Annual Report for the Financial Year ended 31 December 2016 ("FY2016").

As you may be aware 2016 was a volatile and challenging year for the global markets, in particularly for the marine and oil & gas ("O&G") related sectors. Though oil prices recovered in 2016 and ended the year on a higher note at above US$50 a barrel compared to US$26 at the start of 2016, it is still below the average price of US$87 per barrel achieved between 2011 and 2014. According to market reports, the rise in oil prices were largely due to robust demand for petroleum products but were kept in check by relatively high production and inventory levels which continued to provide downward pressure on crude oil prices throughout most of 2016(1).

The impact from sustained period of low oil prices since the middle of 2014 are still being felt and it created challenges for our industry. Having said that, I would like to assure you that the Group continues to take a long-term view in a world where the global demand for energy will continue to grow.

YEAR IN REVIEW

In the year under review, our overall revenue fell largely due to the challenging operating environment in the marine and oil & gas industry which had weighed on our FY2016 financials as well as with the other related industry players. The Group's revenue came in at S$29.1 million in FY2016, compared with S$68.9 million in financial year ended 31 December 2015 ("FY2015.")

Though the Group managed to pare down its Administrative and Distribution expenses, it is the Group's provision for one time losses from the sale of machinery and assets, and impairment charges due to the termination of a contract which had increased other expenses to S$112.4 million in FY2016 from S$7.7 million.

The Group's single largest impairment charge is from the allowance for losses amounting to S$99.6 million arising from various claims following the termination of two contracts to build Derrick Equipment Set (DES) for offshore rigs. This is followed by allowance for doubtful debts – trade and non-trade debts of S$20.3 million. The others are impairment loss on intangible assets S$7.5 million, impairment loss of investment in associate company S$2.8 million, impairment of property, plant and machinery of S$3.9 million, impairment loss on available-for-sale financial assets of S$4.5 million.

The Group felt it was necessary to provide for these allowances for doubtful debts and losses from construction contracts to account for the possible non-repayment by debtors who are affected by the severe downturn in the O&G industry as well as issues related to the Group's ability to raise funds and complete certain projects respectively.

OVERCOMING THE ODDS

As highlighted earlier, globally the marine and O&G sector is undergoing a down cycle, affected by the prolonged downturn in oil and commodity prices. In Singapore, this sector includes many marine and offshore, and precision engineering firms providing O&G supporting services. While the industry is now in the midst of consolidation, the Group is looking for opportunities to ride out the

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(1) *Report by U.S. Energy Information Administration*

CHAIRMAN'S STATEMENT

down cycle by developing capabilities to meet demand in other sectors.

One such sector which had served the Group well is the Engineering, Procurement and Construction Management – Water Treatment ("EPCM-WT") segment which contributed S$14.7 million in FY2016 (compared to S$11.7 million FY2015) to the Group's revenue. The Engineering, Procurement and Construction Management – Marine, Offshore and Trading ("EPCM-MOT") segment contributed S$14.4 million (compared to S$57.2 million in FY2015) in FY2016. The drop in revenue was due primarily to lower number of sales orders received from EPCM-MOT segment arising from the Group's financial difficulty and its ability to deliver projects.

The Group is working towards the completion of the construction of the new waterfront facility at 12 Tuas South Street 15 ("Tuas South Shipyard") and has been in talks with investors on this. When completed, the facility will allow the Group to achieve substantial cost savings and a higher capacity to take on service and maintenance works and we will be ready to take on larger higher-value projects. More importantly, the facility will allow the Group to scale up the value chain as we evolve to become an integrated services player providing previously outsourced work such as machining, refurbishing and repairing.

The Group is also focusing on its water and environmental business segment under Koastal ECO Industries Co., Ltd ("KEI") in Vietnam. KEI has been actively looking to take part in the country's long backlog of large-scale municipal water and wastewater treatment projects with a total requirement of more than eight million cubic meters per day. With KEI's extensive experience in providing waste water treatment solutions across a diverse range of industries, we believe that KEI is well-placed to capture these rising opportunities in Vietnam's water and environmental sectors.

OUTLOOK

While the short-term outlook for the global marine and O&G industries remains challenging due to continuing low crude oil prices, things could be starting to look up for the global bunker oil sector. Research and Markets, the world's largest market research company, forecasted that the global bunker oil market is expected to grow by Compound Annual Growth Rate (CAGR) of 3.36% from 2017 to 2021(2). As for the marine and O&G sectors, there could be light at the end of the tunnel. According to a media report, Singapore Maritime Institute's Executive Director Heng Chiang Gnee forecasted a recovery in the shipping sector between 2018 and 2019, followed by an upturn in the oil and gas industry between 2020 and 2021 which would give the maritime industry a further lift(3). When that happens there could be demand for refurbishment, conversion, repair and maintenance services of vessels to be done in Singapore.

Despite the uncertainties and challenges posed by these ongoing headwinds in the marine and O&G sectors, the demand for our KEI services remains strong. In the near term, our Group remains focused on streamlining our operations while building business revenue for our upcoming Tuas South Shipyard and KEI business units. We will continue to explore opportunities for expansion into regional countries through partnerships or M&A, with the new Tuas South Shipyard serving as a base of support.

The revised scheme of arrangement of KIPL was withdrawn on 28 July 2017 due to a condition precedent was not met. Following the withdrawal of the SOA, KIPL has initiated the process of the creditor's voluntary liquidation.

On 29 September 2017, the scheme of arrangement of EES was approved without modification by a majority in number representing more than three-forths in value of the scheme creditors present and voting either in person or by proxy. EES is in the midst of obtaining sanction of the scheme by the High Court.

The Group will be implementing the approved SOA of the Company with the debt-to-equity conversion, identifying strategic investor for continuing the construction of Tuas South Shipyard, exploring fundraising exercise and working towards the resumption of trading of the Company's shares. On this note, I would like to thank Rajah & Tann Singapore LLP, Alternative Advisors Pte Ltd and all our creditors for their understanding, support and confidence, which will give us time to turn the Company around.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all our customers, business partners, stakeholders, shareholders and employees for their continuous and unwavering support and contributions to our Group through the current challenging times.

TING TECK JIN
Executive Chairman and Chief Executive Officer

12 October 2017

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(2) *"**Global Bunker Oil Market 2017-2021**" report published by Research and Markets*

(3) *A Today media report dated 7 November 2016 carried an interview with Singapore Maritime Institute's Executive Director, Heng Chiang Gnee.*

OPERATIONS AND FINANCIAL REVIEW

OVERVIEW

2016 had been an extremely challenging year for the offshore marine industry, with volatile stock markets and falling oil prices. Crude oil prices have plunged from over US$100 a barrel in 2014 to a low of around US$26 a barrel early 2016. Though crude oil prices ended the year above US$50 per barrel, it was still below 2015 averages. These low oil prices have in turn compounded the liquidity crunch that is being faced by the offshore, marine, and oil & gas services sector.

Despite the industry's outlook remains challenging, the Group is of the view that long-term fundamentals continue to be strong. Increased urbanisation and a growing middle class population globally will continue to stimulate global demand for energy. Currently, the Group is working towards identifying a strategic investor that will come in and jointly complete the construction of our Tuas South Shipyard.

FINANCIAL PERFORMANCE

Due to the headwinds in the sector, in FY2016, the Group reported revenue of S$29.1 million, a 57.8% or S$39.8 million decrease compared to S$68.9 million in FY2015. Accordingly, cost of sales had reduced by 59.6% to S$22.6 million compared to S$56.0 million a year ago. Nonetheless, a slightly higher 22.3% gross profit margin was achieved by the Group in FY2016, compared to 18.8% in the previous year.

Revenue from EPCM-MOT segment was S$14.4 million in FY2016 compared to S$57.2 million in the previous year. The decline is due primarily to lower number of sales orders received arising from the Group's financial difficulty and its ability to deliver projects.

On the other hand, EPCM-WT segment achieved higher revenue of S$14.7 million in FY2016, a 25.6% increase from FY2015 of S$11.7 million.

The Group's other expenses increased to S$112.4 million in FY2016 compared to S$7.7 million in FY2015. The increase was mainly due to allowance for losses of S$99.6 million arising from various cost including claims by the customer of a major project. The said allowance was necessary to account for the issues related to the Group's ability to raise funds and complete certain projects.

As a result, the Group recorded a net loss of S$120.1 million in FY2016, compared to net loss of S$10.2 million in FY2015.

CASH FLOW AND FINANCIAL POSITION

Despite higher net loss before tax of S$120.2 million in FY2016, the Group recorded net cash from operating activities of S$0.5 million in FY2016 compared to net cash used of S$24.0 million in FY2015.

Net cash used in investing activities decreased from S$4.5 million in FY2015 to S$1.1 million in FY2016 mainly due to lower purchase of property, plant and equipment of S$2.9 million and offset against proceeds of S$1.2 million from the disposal of certain available-for-sale investments held by the Group.

Net cash generated from financing activities was S$1.5 million in FY2016, a 78.6% or S$5.5 million decrease compared to S$7.0 million in FY2015.

Due to the foregoing, the Group had a positive cashflow of S$0.3 million as at end FY2016 compared to a negative cashflow of S$0.6 million as at end FY2015.

With regard to the Group's financial position, the Group was in a negative working capital position of S$126.0 million and S$21.8 million as at end FY2016 and end FY2015 respectively. In addition, the Group was in a net liability position of S$112.4 million as at end FY2016 compared to net asset position of S$12.2 million as at end FY2015.

FINANCIAL SUMMARY

AS AT 31 DECEMBER	FY2016	FY 2015
Total Assets (S$'000)	36,876	132,239
Total Liabilities (S$'000)	149,253	120,008
Shareholders Equity (S$'000)	(112,377)	12,231
Gearing Ratio [a] [a] Total borrowings divided by shareholders' equity	n.m.	3.56

AS AT 31 DECEMBER	FY2016	FY 2015
Loss per ordinary share attributable to equity holders of the Company (Singapore cents) [b]	(26.77)	(2.30)
[b] Based on weighted average number of ordinary shares in issue	448,735,224	445,063,542
Net assets per share (Singapore cents) [c]	(25.04)	2.73
[c] Based on number of ordinary shares in issue as at year end	448,735,224	448,735,224

n.m. *not meaningful*

BOARD OF DIRECTORS

TING TECK JIN

Executive Chairman and Chief Executive Officer

Mr Ting, 49, joined the Board on 6 December 2006 as Executive Chairman and assumed the role of Chief Executive Officer on 19 June 2007. He was last re-elected on 11 April 2015.

Mr Ting is responsible for the strategic corporate direction and development of the Group. He also oversees business development and operations in his role as Director of EMS Energy Solutions Pte Ltd. Mr Ting is also Managing Director of Koastal Industries Pte Ltd and Chairman of Koastal Eco Industries Co Ltd (in Vietnam).

Mr Ting has over 20 years of experience in the offshore and marine engineering industry. He spent a few years in Keppel Group's shipyard operations in Singapore and Vietnam before he founded Koastal Industries Pte Ltd in 1997. An engineer by training, Mr Ting holds a Bachelor of Engineering in Marine Technology (First Class Honours) degree from Newcastle University, United Kingdom.

LIM SIONG SHENG

Non-Executive and Lead Independent Director

Mr Lim, 66, joined the Board on 1 June 2008 as a Non-Executive and Independent Director. He was last re-elected on 30 April 2016.

Mr Lim is presently a director of the Shangyew Public Accounting Corporation where he is responsible for audit, tax, liquidation, consulting and accounting matters undertaken by the corporation and has over 30 years of experience in the related fields.

Mr Lim is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and a Fellow of the Institute of Singapore Chartered Accountants. He is also a Fellow of the Certified Public Accountant, Australia, and a Fellow of the Insolvency Practitioners Association of Singapore. In addition, Mr Lim also holds membership as an Accredited Tax Advisor (Income Tax & GST) in the Singapore Institute of Accredited Tax Professionals Limited (SIATP).

BOARD OF DIRECTORS

LIM POH BOON

Non-Executive and Independent Director

Mr Lim, 63, joined the Board on 1 June 2007 as Non-Executive and Non-Independent Director, and was re-designated as Independent Director since FY2012. He was last re-elected on 30 April 2016.

Mr Lim operates a Licensed Money Services business in Malaysia, Philippines and Hong Kong. He is also working on several Fintech projects in Indonesia and China on payment gateway and electronic commerce. He has vast experience in financial services as well as IT and corporate governance, compliance and risk management in various business sectors.

Mr Lim is currently the Committee member of the Chinese Chamber of Commerce in Batu Pahat, Johor, Malaysia; an associate member of the Malaysian Institute of Chemistry; a National Council Member and Deputy Chairman of Public Relations Committee of The Associated Chinese Chambers of Commerce and Industry of Malaysia; a National Council Member of Malaysian Association of Money Services Business; a Fellow of the Institute of Chartered Secretaries and Administrators, United Kingdom; a Fellow of the Institute of Financial Accountants, United Kingdom; a Fellow of the Institute of Public Accountants, Australia; a senior associate member of the Australian and New Zealand Institute of Insurance and Finance; and a Full member of The Society of Technical Analysis, United Kingdom and Singapore.

Mr Lim holds a Bachelor's degree in Chemistry from Universiti Sains Malaysia and a MBA from Heriot-Watt University in Edinburgh, United Kingdom.

UNG GIM SEI

Non-Executive and Independent Director

Mr Ung, 77, joined the Board on 31 August 2007 as a Non-Executive and Independent Director. He was last re-elected on 11 April 2015. Mr Ung is currently a director of a U.S.-Singapore joint venture law firm, Duane Morris & Selvam LLP, specialising in the practice of Intellectual Property.

Prior to taking up law, Mr Ung started his career with key positions at Nanyang Siang Pau, Singapore Press Holdings and the Hong Kong Sing Tao Newspaper Group. He is the Vice President of the Singapore-China Friendship Association, the Aw Boon Haw Foundation (PRC), and Tan Kah Kee Foundation where he is also the Legal Advisor. Mr Ung is also currently the Independent Director of SGX-listed companies, namely Informatics Education Ltd and Chip Eng Seng Corporation Ltd.

Mr Ung holds a Bachelor of Arts in Economics degree from the National University of Singapore, a Common Professional Examination in Law from the UK, a Graduate Diploma in Singapore Law from the National University of Singapore and a Master of Law from the City University of Hong Kong.

EXECUTIVE OFFICERS

TING TECK JIN

Executive Chairman and Chief Executive Officer

Mr Ting, 49, joined the Board on 6 December 2006 as Executive Chairman and assumed the role of Chief Executive Officer on 19 June 2007. He was last re-elected on 11 April 2015.

Mr Ting is responsible for the strategic corporate direction and development of the Group. He also oversees business development and operations in his role as Director of EMS Energy Solutions Pte Ltd. Mr Ting is also Managing Director of Koastal Industries Pte Ltd and Chairman of Koastal Eco Industries Co Ltd (in Vietnam).

Mr Ting has over 20 years of experience in the offshore and marine engineering industry. He spent a few years in Keppel Group's shipyard operations in Singapore and Vietnam before he founded Koastal Industries Pte Ltd in 1997. An engineer by training, Mr Ting holds a Bachelor of Engineering in Marine Technology (First Class Honours) degree from Newcastle University, United Kingdom.

WONG HON CHENG

Vice President, EMS Energy Solutions Pte Ltd

Mr Wong, 38, joined the Group on 24 May 2010 as a Project Manager. He was promoted to Vice President for the Group's rigs business unit in May 2013 and in January 2016 he was promoted to Managing Director of EMS Energy Solutions Pte Ltd.

In June 2017, he resigned from his position as the Managing Director of EMS Energy Solutions Pte Ltd to assume the role of Vice President of EMS Energy Solutions Pte Ltd. He is responsible for the management of the subsidiary's daily operations, formulating and implementing growth strategies to meet company objectives.

Prior to his appointment in the Group, Mr Wong was an engineer at PPL Shipyard Pte Ltd since 2006, handling drilling packages of drilling rig projects.

Mr Wong holds a Master degree in Petroleum Engineering from the Universiti Teknologi PETRONAS in Malaysia.

CORPORATE GOVERNANCE

DISCLOSURE TABLE FOR ANNUAL REPORT IN COMPLIANCE TO THE CODE OF CORPORATE GOVERNANCE 2012 AND CATALIST RULES

The Board of Directors (the "**Board**") of EMS Energy Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This corporate governance report, set out in tabular form, outlines the Company's corporate governance structures and practices that were in place during the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to the principles of the Code of Corporate Governance 2012 (the "**Code**") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in January 2015 (the "**Guide**").

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.
	If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2016.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td colspan="3">BOARD MATTERS</td></tr>
<tr><td colspan="3">The Board’s Conduct of Affairs</td></tr>
<tr><td>1.1</td><td>What is the role of the Board?</td><td>
<p>The Board has 4 Directors as follows:</p>
<table>
<tr><th colspan="2"><i>Composition of the Board</i></th></tr>
<tr><th>Name of Director</th><th>Designation</th></tr>
<tr><td>Mr Ting Teck Jin</td><td>Executive Chairman and Chief Executive Officer</td></tr>
<tr><td>Mr Lim Siong Sheng</td><td>Non-Executive and Lead Independent Director</td></tr>
<tr><td>Mr Lim Poh Boon</td><td>Non-Executive and Independent Director</td></tr>
<tr><td>Mr Ung Gim Sei</td><td>Non-Executive and Independent Director</td></tr>
</table>
<p>The Group is led by an effective Board, which comprises one (1) Executive Director and three (3) Independent Directors. All of the Directors possess the right competencies and diversity of experience to effectively lead, control and contribute to the Group. The Board is collectively responsible for the success of the Group. The Board works with the management of the Company (the “Management”) to achieve this. The Management remains accountable to the Board.</p>
<p>The principal functions of the Board include:</p>

providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
setting, reviewing and approving key business goals and strategies, and financial plans and monitoring the organisational and the Management’s performance;
establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
reviewing the adequacy and integrity of the Group’s internal controls, risk management systems and financial reporting and compliance;
approving major investments and divestments, and funding proposals;
setting the Group’s values and standards (including ethical standards); and
ensuring accurate, adequate and timely reporting to, and communication with shareholders such that obligations to shareholders and other stakeholders are understood and met.

</td></tr>
<tr><td>1.2</td><td>All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.</td><td>All Directors exercise due diligence and independent judgement in dealing with business affairs of the Group and objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.</td></tr>
</table>

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>1.3</td><td>Has the Board delegated certain responsibilities to committees? If yes, please provide details.</td><td>To assist in the execution of its responsibilities, the Board is supported by three (3) board committees; namely the Nominating Committee (the "NC"), Remuneration Committee (the "RC") and the Audit Committee & Risk Management Committee ("AC") (collectively, the "Board Committees"). The compositions of the Board Committees are as follows:
<table>
<tr><th></th><th>AC</th><th>NC</th><th>RC</th></tr>
<tr><td>Chairman</td><td>Mr Lim Siong Sheng</td><td>Mr Ung Gim Sei</td><td>Mr Ung Gim Sei</td></tr>
<tr><td>Member</td><td>Mr Lim Poh Boon</td><td>Mr Lim Siong Sheng</td><td>Mr Lim Siong Sheng</td></tr>
<tr><td>Member</td><td>Mr Ung Gim Sei</td><td>Mr Lim Poh Boon</td><td>Mr Lim Poh Boon</td></tr>
</table>
</td></tr>
<tr><td>1.4</td><td>Have the Board and Board Committees met in the last financial year?</td><td>The Board met regularly to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of half-yearly and annual results of the Group in FY2016. When circumstances require, ad-hoc meetings are convened. All Directors objectively take decisions in the interests of the Group. The Directors are also regularly updated on the Group's development via email correspondence facilitating participation and view-sharing. Board meetings are conducted in Singapore and regularly attended by Directors either in person or via telephone conference if they are unable to attend the meetings in person. The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings are disclosed in the table below.

In FY2016, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.
<table>
<tr><th></th><th colspan="2">Board</th><th colspan="2">Audit Committee & Risk Management Committee</th><th colspan="2">Remuneration Committee</th><th colspan="2">Nominating Committee</th></tr>
<tr><th></th><th colspan="2">No. of Meetings</th><th colspan="2">No. of Meetings</th><th colspan="2">No. of Meetings</th><th colspan="2">No. of Meetings</th></tr>
<tr><th>Name</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th><th>Held</th><th>Attended</th></tr>
<tr><td>Ting Teck Jin</td><td>3</td><td>3</td><td>3</td><td>3^</td><td>1</td><td>1^</td><td>1</td><td>1^</td></tr>
<tr><td>Teo Yak Huat(1)</td><td>3</td><td>2</td><td>3</td><td>2^</td><td>1</td><td>1^</td><td>1</td><td>1^</td></tr>
<tr><td>Lim Poh Boon</td><td>3</td><td>3</td><td>3</td><td>3</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Ung Gim Sei</td><td>3</td><td>3</td><td>3</td><td>3</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
<tr><td>Lim Siong Sheng</td><td>3</td><td>3</td><td>3</td><td>3</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
</table>
^ Attendance by invitation

Note(1): Mr Teo Yak Huat resigned as an Executive Director on 1 July 2016. He had only attended Board / Board Committee meetings prior to 1 July 2016.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	The Company has adopted internal guidelines setting forth matters that require Board's approval. The types of material transactions that require Board's approval under such guidelines are listed below: a. Approval of financial statements' announcements; b. Approval of interested parties' transactions or matters involving a conflict of interest for a substantial shareholder or Director; c. Declaration of interim dividends and proposal of final dividends; d. Convening of shareholders' meetings; e. Approval of corporate strategy, corporate plans and budgets; f. Authorisation of merger and acquisition or disposal transactions; g. Approval of share issuance; h. Authorisation of major funding, investment or divestment transactions; and i. Any decision likely to have a material impact on the Group from any perspective, including but not limited to, financial, operational, strategic or reputational.
1.6	(a) Are new Directors given formal training? If not, please explain why.	The Company has in place an orientation program to ensure that new Directors are familiar with the Company's business and governance practices, and training for first-time Directors in areas such as accounting, legal and industry-specific knowledge. For new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. Corporate materials and documents such as the latest Annual Report, minutes of recent Board meetings, and the Constitution of the Company will also be given to him or her to facilitate his or her understanding of the structure and operations of the Group.
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	All Directors are updated regularly concerning any changes in corporate governance, company policies, risk management, financial reporting standards, relevant new laws, regulations and changing commercial risks. Directors are encouraged to attend, at the Group's expense, relevant and useful training or seminars conducted by external organisations. News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board. The Directors were briefed regularly by the Company's auditors on the key changes to the Singapore Financial Reporting Standards. The Chief Executive Officer ("**CEO**") also updates the Board at each meeting on business and strategic developments pertaining to the Group's business. The Company also encourages Directors to regularly attend training courses organised by the Singapore Institute of Directors or other training institutions in connection with their duties as Directors.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.7	Upon appointment of each director, has the company provided a formal letter to the director, setting out the director's duties and obligations?	Upon appointment of each Director, the Company provides a formal letter to such Director, setting out his duties and obligations upon appointment.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 of the Code is met as the Independent Directors make up 75% of the Board. The Board comprises one (1) Executive Chairman and CEO, namely Mr Ting Teck Jin, and three (3) Independent Directors, namely Mr Ung Gim Sei, Mr Lim Siong Sheng and Mr Lim Poh Boon. Key information regarding the Directors is set out in the section on "Board of Directors" of this Annual Report. In view that the Executive Chairman and the CEO is the same person, the Company has complied with Guideline 2.2 of the Code requiring at least half the Board to comprise of Independent Directors. The NC is of the view that the current Board, with Independent Directors making up more than half of the Board, has a strong and independent element to exercise objective judgement on corporate affairs independently from the Management. The NC is also of the view that no individual or small group of individuals dominates the Board's decision making process. For good corporate governance, Mr Lim Siong Sheng has been appointed as the Lead Independent Director of the Company with effect from 3 May 2016. As the Lead Independent Director, he is available to address the concerns of the shareholders of the Company and when contact through the normal channels to the Chairman and CEO have failed to satisfactorily resolve their concerns or when such contact is inappropriate.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The independence of each Independent Director has been and will be reviewed annually (and as and when circumstances require) by the NC, with reference to the guidelines as set out in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgement of the conduct of the Group's affairs. Each of the Independent Directors has completed an independent director's declaration form and confirmed his independence. The NC has reviewed the independence of the Independent Directors for FY2016 and is of the view that Mr Ung Gim Sei, Mr Lim Siong Sheng and Mr Lim Poh Boon are independent as determined according to the guidelines provided in the Code.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	The Independent Directors do not have any relationship as stated in the Code that would otherwise deem him not to be independent.
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	All the Independent Directors have served the Board for more than nine years from the date of their first appointment. Noting that Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng, who first joined the Board on 1 June 2007, 31 August 2007 and 1 June 2008 respectively, have served on the Board for more than nine years from the date of their first appointment, the NC and the Board have assessed their independence through rigorous review. Each of the Independent Directors had abstained from the discussions pertaining to the rigorous review of their independence. Taking into account the views of the NC, the Board concurs that each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng continues to demonstrate strong independence in judgement in the discharge of his responsibilities as a Director of the Company, and continues to debate issues, express individual opinions and objectively analyse and challenge the Management. In addition, in view of their respective in-depth understanding of business and operations of the Group, in tandem with their individual wealth of experience in their areas of expertise, each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng contributes valuably to the Group with much appreciated experience and knowledge. Taking into account the above factors, and having also weighed the need for Board refreshment against tenure for relative benefit, the Board has determined that each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng continues to be considered an Independent Director.
2.5	Has the Board examine its size and decide on what it considers an appropriate size for the Board, which facilitates effective decision making?	The NC and the Board have examined the Board's size and are of the view that the Board is of an appropriate size which facilitates effective decision making taking into account the scope and nature of the operations of the Company and the wide spectrum of skill and knowledge of the Directors. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

<table>
<tr><th>Guideline</th><th colspan="2">Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr><td>2.6</td><td>(a)</td><td>What is the Board's policy with regard to diversity in identifying director nominees?</td><td>The NC periodically reviews the existing attributes and competencies of the Board to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender.</td></tr>
<tr><td></td><td>(b)</td><td>Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.</td><td>The Board is of the view that the current board composition offers a good balance and diversity of skills, experience, knowledge of the Company and core competencies in various areas such as accounting and finance, business and management and law as follows:-
<table>
<tr><th></th><th>Number of Directors</th><th>Proportion of Board (%)</th></tr>
<tr><td>Core Competencies</td><td></td><td></td></tr>
<tr><td>● Accounting or finance</td><td>3</td><td>75</td></tr>
<tr><td>● Business management</td><td>4</td><td>100</td></tr>
<tr><td>● Legal or corporate governance</td><td>4</td><td>100</td></tr>
<tr><td>● Relevant industry knowledge or experience</td><td>4</td><td>100</td></tr>
<tr><td>● Strategic planning experience</td><td>4</td><td>100</td></tr>
<tr><td>● Customer based experience or knowledge</td><td>4</td><td>100</td></tr>
<tr><td>Gender</td><td></td><td></td></tr>
<tr><td>– Male</td><td>4</td><td>100</td></tr>
<tr><td>– Female</td><td>0</td><td>0</td></tr>
</table>
Please refer to pages 6 and 7 of the Annual Report for further details regarding the Directors' background and experience.</td></tr>
<tr><td></td><td>(c)</td><td>What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?</td><td>The Board has taken the following steps to maintain or enhance its balance and diversity:
● An annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the effectiveness of the Board; and
● An annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.
The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors. Although currently there is no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the NC's consideration.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
2.7	How have the non-executive directors: (a) constructively challenge and help develop proposals on strategy; and (b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance?	Non-Executive Directors are constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group. At the meetings of the Board and the Board Committees, Non-Executive Directors also constantly request for and receive updates on the performance, goals, targets and projects of the Group, provide feedback on the proposals from the Management and oversee the effective implementation by the Management to achieve set objectives. To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to the Management, and have sufficient time and resources to discharge their oversight functions effectively.
2.8 3.4	Have the Non-Executive Directors/Independent Directors met in the absence of key management personnel in the last financial year?	The Independent Directors had met at least once in the absence of key management personnel in FY2016.
Chairman and Chief Executive Officer		
3.1 3.2	Are the duties between Chairman and CEO segregated?	According to Guideline 3.1 of the Code, the Chairman and the CEO should in principle be separate persons. The Board is of the view that the Group has built up a cohesive management team. The CEO together with the key management personnel have full executive responsibilities over the business directions and operational decisions. The CEO is responsible to the Board for all corporate governance procedures to be implemented by the Group and to ensure conformance by the Management to such practices. Currently, the Board comprises of four (4) Directors, three (3) of whom are Independent Directors and led by Mr Lim Siong Sheng. The Executive Chairman and CEO is Mr Ting Teck Jin. His responsibilities include:- 1. leading the Board to ensure effectiveness on all aspects of its role and setting its agenda; 2. ensuring that the Directors receive accurate, timely and clear information; 3. ensuring effective communication with shareholders; 4. encouraging constructive relations within the Board and between the Board and the Management; 5. facilitating the effective contribution of Non-Executive Directors in particular; and 6. promoting high standards of corporate governance. Taking into account the size, scope and current financial position of the Group, the roles of the Chairman and CEO are not separated as the Board is of the view that there is adequate accountability and transparency within the Group.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Membership		
4.1 4.2	What are the duties of the NC?	The NC has written terms of reference that describe the responsibilities of its members. The responsibilities of the NC are, amongst others, as follows:- a. to recommend to the Board on all Board appointments; b. to review and recommend to the Board annually, the Board's structure, size and composition; c. to identify and make recommendations to the Board for Directors' retirement, re-election and re-nomination at each annual general meeting of the Company ("AGM"), having regard to each Director's contribution and performance; d. to oversee the Board and key management personnel's succession planning; e. to determine the criteria (in particular, taking into account a Director's independence and competing commitments) to identify candidates and review nominations for the appointment of Directors to the Board; f. to determine annually if a Director is independent; and g. to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval. Succession planning is also an important part of the governance process. The NC reviews the appointment of key management personnel and conducts annual review of their remuneration, performance and development plans. As part of this annual review, the successors to the key management personnel (whenever necessary) are identified, and development plans instituted for them. The Company has put in place a structured succession programme to prepare a team of future leaders for the Group's long-term sustainability.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has determined that the maximum number of listed company board representations which any Director may hold is three (3). When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: ● Expected and/or competing time commitments of Directors; ● Geographical location of Directors; ● Size and composition of the Board; and ● Nature and scope of the Group's operations and size.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2016.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors.
4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	The Company believes that Board renewal must be an on-going process to ensure good governance and cater to the changing needs of the Company and business. The Company's Constitution requires at least one-third of its Directors (excluding the CEO) to retire from office by rotation and be subject to re-nomination and re-election by shareholders at every AGM. No Director (except the CEO) stays in office for more than three (3) years without being re-elected by shareholders. In the selection and nomination for new Directors, the NC identifies the key attributes that an incoming Director should have, based on existing or new requirements of the Group. After endorsement by the Board, the NC taps on the resources of the Directors' personal contacts for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made. New Directors are appointed by way of a Board resolution, after the NC has approved their nominations. Such new Directors shall submit themselves for re-election at the next AGM of the Company. The role of the NC also includes the responsibility of reviewing the re-nomination of Directors who retire by rotation, taking into consideration the Director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC. The Board recognises the contribution of its Independent Directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its Independent Directors so as to be able to retain the services of the Directors as necessary. The NC has recommended to the Board that Mr Ung Gim Sei be nominated for re-election at the upcoming AGM. In making the recommendation, the NC had considered the Director's contributions to the Group. The Director's profile is presented in the "Board of Directors" section of this Annual Report. Mr Ung Gim Sei will, upon re-election as a Director, remain as an Independent Director, Chairman of the NC and RC and a member of the AC. The Board considers Mr Ung Gim Sei to be independent for the purposes of Rule 704(7) of the Catalist Rules. Each member of the NC has abstained from voting on any resolution in respect of the assessment of his performance or re-nomination as a Director of the Company. In the event any member of the NC has an interest in a matter being deliberated upon by the NC, he will abstain from participating in the review and approval process relating to that matter. Mr Ung Gim Sei has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-election as a Director.

CORPORATE GOVERNANCE

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company's Compliance or Explanation</th></tr>
<tr>
<td>4.7</td>
<td>Please provide the following key information regarding the Directors'.
● academic and professional qualifications;
● Shareholding in the Company and its related corporation;
● Board committees served on (as a member or chairman), date of first appointment and last re-appointment as a director;
● Directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments;
● Indicate which directors are executive, non-executive or considered by the NC to be independent; and
● The names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions.</td>
<td>
<table>
<tr><th>Director</th><th>Academic and professional qualifications</th><th>Shareholding in the Company and its related corporations</th><th>Board committees served on (as a member or chairman)</th></tr>
<tr><td>Ting Teck Jin</td><td rowspan="4">Key information on the Directors' academic and professional qualifications can be found on pages 6 to 7 of this Annual Report.</td><td>Interested in 356,949,960 ordinary shares (79.54% of the total number of ordinary shares) in the Company</td><td></td></tr>
<tr><td>Lim Poh Boon</td><td>Interested in 1,333,333 ordinary shares (0.3% of the total number of ordinary shares) in the Company</td><td>Member of the AC, NC and RC</td></tr>
<tr><td>Ung Gim Sei</td><td>Nil</td><td>Chairman of the NC and RC, Member of the AC</td></tr>
<tr><td>Lim Siong Sheng</td><td>Nil</td><td>Chairman of the AC, Member of the NC and RC</td></tr>
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<table>
<tr><th>Director</th><th>Current Directorships in listed companies (other than the Company)</th><th>Past Directorships in listed companies (preceding three years)</th><th>Date of initial appointment</th><th>Date of last re-election</th><th>Other principal commitments</th></tr>
<tr><td>Ting Teck Jin</td><td>Nil</td><td>Nil</td><td>6 December 2006</td><td>11 April 2015</td><td>Nil</td></tr>
<tr><td>Lim Poh Boon</td><td>Nil</td><td>Nil</td><td>1 June 2007</td><td>30 April 2016</td><td>Financial Services</td></tr>
<tr><td>Ung Gim Sei</td><td>Informatics Education Ltd and Chip Eng Seng Corporation Ltd</td><td>Nil</td><td>31 August 2007</td><td>11 April 2015</td><td>Director of Duane Morris & Selvam LLP</td></tr>
<tr><td>Lim Siong Sheng</td><td>Nil</td><td>Nil</td><td>1 June 2008</td><td>30 April 2016</td><td>Director of the Shangyew Public Accounting Corporation</td></tr>
</table>
Directors who are seeking re-appointment at the forthcoming AGM to be held on 31 October 2017 are stated in the Notice of AGM set out on pages 122 to 124 of this Annual Report.
</td>
</tr>
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CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Board Performance		
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	The NC endeavours to ensure that Directors appointed to the Board possess the relevant necessary background, experience and knowledge, and bring to the Board independent and objective perspectives for balanced and well-considered decisions to be made. The NC undertakes a formal review of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board on a yearly basis with input from the other Board members and the NC Chairman. The NC adopted a formal policy to evaluate the Board's performance. The performance criteria are not changed from year to year except when deemed necessary and justifiable and include the following: i. timely guidance to the Management; ii. attendance at Board/ Board Committee meetings; iii. participation at Board/ Board Committee meetings; iv. commitment to Board activities; v. Board performance in discharging principle functions; vi. Board Committee performance; vii. independence of Directors; and viii. appropriate complement of skill, experience and expertise on the Board. Where the performance criteria are deemed necessary to be changed, the onus should be on the Board to justify this decision. The NC evaluates the Board's performance as a whole, which takes into consideration the Board's conduct of meetings, maintenance of independence, board accountability, communication with the Management, etc. The NC also assesses the performance of individual Directors based on their attendance record at the meetings of the Board and Board Committees, their quality of participation at meetings as well as any special contributions. The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, proposes new members be appointed to the Board or seeks the resignation of Directors.
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	For the year under review, the NC assessed the effectiveness of the Board, the Board Committees and the contribution of each individual Director to the effectiveness of the Board. The Board's performance was measured by its ability to support the Management especially in times of crisis, and to steer the Company towards profitability and the achievement of strategic and long-term objectives set by the Board. All Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board performance as described above. Some factors taken into consideration by the NC include value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and to the business knowledge and experience each Director possesses which are crucial to the Group's business. No external facilitator was used in the evaluation process in FY2016.
	(b) Has the Board met its performance objectives?	The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the Board had met its performance objectives.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Access to Information		
6.1 6.2 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	All Directors receive adequate and timely information prior to any Board meeting and on an on-going basis to provide contextual information and to enable the Directors to obtain further information, where necessary, in order to be properly briefed before any meeting. Such information provided to the Directors include background and explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and interim financial statements. In respect of budgets, any material variance between the projects and actual results are also disclosed and explained. In order to aid the discharge of duties by the Board, the Management provided operational reports and management accounts on a half-yearly basis in FY2016. The Board is able to request for any information from the Management at any point in time to satisfy its needs. Draft agendas for Board and Board Committee meetings are circulated in advance to the respective Chairmen, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda. Information provided to the Independent Directors are set out below:-

	Information	Frequency
1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Half-yearly
2.	Updates to the Group's operations and the markets in which the Group operates in	Half-yearly
3.	Budgets and/or forecasts (with variance analysis), management accounts (with financial ratio analysis), and external auditors report(s)	Half-yearly
4.	Reports on on-going or planned corporate actions	Half-yearly
5.	Enterprise risk framework and internal auditors report(s)	Annually
6.	Shareholding statistics	Annually
7.	Updates on the Group's financial situation	Half-yearly

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
6.3 6.4	What is the role of the Company Secretary?	All Directors have separate and independent access to the key management personnel and the Company Secretary at all times. Under the direction of the Executive Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and Board Committees and between the key management personnel and Non-Executive Directors and advising the Board on all governance matters. The Company Secretary attends all meetings of the Board and ensures that Board procedures, applicable rules and regulations are followed. The Company Secretary also attends all meetings of the Board and Board Committees. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.
6.5	Is there a procedure for directors, either individually or as a group, to take independent professional advice, if necessary?	Should Directors, whether as a group or individually, need independent professional advice, the Company will appoint a professional advisor selected by the group or the individual to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
REMUNERATION MATTERS		
Developing Remuneration Policies		
7.1 7.2 7.4	What is the role of the RC?	The function of the RC is to review the procedure for developing the remuneration policy of the Executive Director(s) of the Company, to establish the remuneration packages of individual Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration. No Director is involved in the decision for his own remuneration. The responsibilities of the RC are set out in the written terms of reference and include, amongst others: a. to recommend to the Board a framework of remuneration for the Executive Director(s) of the Group (where applicable), all aspects of remuneration such as Directors' fees, salaries, allowance, bonuses, options, share-based incentives and awards, and benefits-in-kind and to submit all such recommendations for endorsement by the entire Board; b. to determine the remuneration packages and terms of employment for each Executive Director; and c. to review the remuneration of key management personnel. The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2016.
Level and Mix of Remuneration		
8.1	What are the measures for assessing the performance of executive directors and key management personnel?	The RC ensures that the levels of remuneration for all Directors are appropriate to attract, retain and motivate them to run the Group successfully and in this respect, the RC avoids paying more than necessary. In its deliberations, the RC takes into consideration industry practices, practices of comparable companies and norms in compensation and employment in addition to the Company's performance and the performance of the individual Directors. However, any comparisons of practices within the industry and with comparable companies are done with caution in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance. A significant proportion of each Executive Director's remuneration is structured to link rewards to corporate and individual performance. Therefore the performance of each Executive Director is measured by the achievement of corporate and individual performance targets. The RC is of the view that such measurements are appropriate and meaningful. The performance-related elements of remuneration are designed to align interests of the Executive Director with those of shareholders. Each Executive Director has a service agreement with a fixed appointment period that the RC reviews, in particular its termination provisions. The service agreement is not excessively long and does not contain onerous removal clauses. In the event of early termination, the Executive Director or the Company may terminate the service agreement by giving to the other party not less than three (3) months' notice in writing, or in lieu of notice, payment of an amount equivalent to three (3) months' salary based on the Executive Director's last drawn salary. Compensation is fair and the RC avoids rewarding poor performance.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
8.2	Are there long-term incentive schemes for Executive Directors and key management personnel?	For long-term incentive schemes, the Group operates the "EMS Energy Performance Share Plan" (the "**EPSP**") and "EMS Energy Employee Share Option Scheme" (the "**ESOS**") for its Directors and employees. The Company has adopted the EPSP and ESOS which were approved by the shareholders at the Company's Extraordinary General Meeting dated 22 August 2009. The EPSP and ESOS are administered by the RC. EPSP The EPSP provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out under the rules of the EPSP, to reward them with participation in the equity of the Company. Controlling shareholders of the Company and their associates are also eligible to participate in the EPSP. The total number of ordinary shares in the capital of the Company ("**Shares**") over which the RC may grant awards under the EPSP ("**Performance Shares**") on any date, when added to the number of Shares, over which shares, options or awards are granted under any other share schemes of the Company, i.e. the ESOS, shall not exceed 15% of the number of the total issued Shares on the day immediately preceding the date on which the awards shall be granted. Subject to prevailing legislation and rules of the Catalist Rules, the Company, in its sole and absolute discretion, will deliver Performance Shares to the participants upon vesting of their awards by way of an issue and allotment of new Shares or delivery of existing Shares to the participant. ESOS The ESOS provides an opportunity for employees of the Group who have contributed to the growth and performance of the Group (including Executive and Non-Executive Directors) and who satisfy the eligibility criteria as set out under the rules of the ESOS, to participate in the equity of the Company. Controlling shareholders of the Company and their associates are also eligible to participate in the ESOS. The total number of Shares over which the RC may grant options under the ESOS ("**Options**") on any date, when added to the number of Shares issued and issuable in respect of all Options, shall not exceed 15% of the number of the issued Shares on the day immediately preceding the date on which the Options shall be granted. Under the rules of the ESOS, the Options that are granted may have exercise prices that are, at the RC's discretion, set at the price ("**Market Price**") equal to the average of the last dealt prices for the Shares on Catalist for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant Option, or (provided that shareholders' approval is obtained in a separate resolution) at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercisable at any time by the participant after the first anniversary of the date of grant of that Option while Options granted at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the Option. Options granted under the ESOS will have a life span of ten years except in the case of Options granted to Non-Executive Directors and Independent Directors where the exercise period may not exceed five (5) years from the date of grant or such earlier date as may be determined by the RC. Further details on the EPSP and ESOS can be found in the Directors' Report in this Annual Report.
8.3	How is the remuneration for non-executive directors determined?	The remuneration of each Non-Executive Director is determined by his contribution to the Company, taking into account factors such as effort and time spent as well as his responsibilities on the Board. The Non-Executive Directors are not overcompensated to the extent that their independence may be compromised. The directors' fees of the Non-Executive Directors are endorsed by the RC and recommended by the Board for approval at the AGM.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
8.4	Are there any contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company?	Having reviewed and considered the performance-related elements of remuneration of each Executive Director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim bonuses or other incentive components (such as Performance Share and/or Options) of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. However, the RC will consider the same in the next review of Executive Director's and key management personnel's service agreements.
Disclosure on Remuneration		
9	What is the Company's remuneration policy?	The Company adopts a formal procedure in setting the remuneration packages of individual Directors, taking into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual Directors.
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	**Breakdown of the Directors' remuneration for FY2016** (see table below)

Breakdown of the Directors' remuneration for FY2016

Name of Directors	Remuneration	Salary %	Bonus %	Directors' fee %	Stock-based remuneration %	Total %
Mr Ting Teck Jin	S$250,000 to S$500,000	93.91%	6.09%[2]	–	–	100%
Mr Teo Yak Huat[1]	Below S$250,000	100%	–	–	–	100%
Mr Lim Poh Boon	Below S$100,000	–	–	100%	–	100%
Mr Ung Gim Sei	Below S$100,000	–	–	100%	–	100%
Mr Lim Siong Sheng	Below S$100,000	–	–	100%	–	100%

The aggregate total remuneration paid to the Company's Independent Directors (Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng) is S$135,000.

For competitive reasons, the Company is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of each individual Director's remuneration.

Note[1]: Mr Teo Yak Huat resigned as an Executive Director on 1 July 2016. His remuneration is computed up to 30 June 2016.

Note[2]: This amount relates the annual wage supplement under the employment contract.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>9.3</td><td>(a) Has the Company disclosed each key management personnel’s remuneration, in bands of S$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</td><td>The Company only has two (2) key executives in FY2016 and one (1) key executive as at the date of this Annual Report.
The details of remuneration paid to top two (2) key executives (who are not Directors of the Company) of the Group for FY2016 are set out below:
Remuneration of Key Management Personnel
<table>
<tr><th>Name of Key Executives</th><th>Remuneration Band</th><th>Salary %</th><th>Bonus[2] %</th><th>Stock-based remuneration %</th><th>Total %</th></tr>
<tr><td>Mah Peck Sze Patsy[1]</td><td>Below S$250,000</td><td>93.19%</td><td>6.81%</td><td>–</td><td>100%</td></tr>
<tr><td>Wong Hon Cheng</td><td>Below S$500,000</td><td>93.41%</td><td>6.59%</td><td>–</td><td>100%</td></tr>
</table>
Note[1]: Ms Mah Peck Sze Patsy resigned as the Chief Financial Officer on 1 April 2017.
Note[2]: This amount relates the annual wage supplement under the employment contract.</td></tr>
<tr><td></td><td>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</td><td>The aggregate total remuneration paid to the top two (2) key executives (who are not Directors or the CEO) for FY2016 was S$463,000.
There were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top two (2) key executives in FY2016.</td></tr>
<tr><td>9.4</td><td>Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.</td><td>The Company does not have any employee who is an immediate family member of any Director and whose remuneration exceeded S$50,000 during the financial year under review.</td></tr>
<tr><td>9.5</td><td>Please provide details of the employee share scheme(s).</td><td>Details of the EPSP and ESOS schemes have been provided above under Guideline 8.2.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2016. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation consists of performance bonuses and is determined based on the Group's profit and other non-financial qualitative factors.
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The performance conditions used to determine the entitlement of the Executive Director and key management personnel under short-term incentive scheme (such as bonuses) and long term incentive scheme (such as the EPSP and ESOS) comprise of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions are on-the-job performance, leadership, teamwork, etc. The performance conditions are set by the RC. The inclusion of the performance conditions in the service agreement of the Executive Director and key management personnel is done in a review conducted prior to the renewal of the service agreement of the Executive Director and key management personnel.
	(c) Were all of these performance conditions met? If not, what were the reasons?	The RC has reviewed and is of the view that the performance conditions of the Executive Director and key management personnel were not met for FY2016 in view of the Group's financial situation in FY2016.
ACCOUNTABILITY AND AUDIT		
Accountability		
10.1 10.2	The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.	The Board believes that it should promote best practices and present a balanced and comprehensible assessment of the Group's performance, position and prospects, which extends to interim and price sensitive public reports, as a means to build an excellent business for our shareholders as the Board is accountable to shareholders for the Company and the Group's performance. The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is either first publicly released before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the mandatory period. The Board also provides reports to regulators when required. In view of the quarterly reporting requirement for the Company with effect from 2017, the Management will provide the Board with half-yearly management accounts that present a balanced and understandable assessment of the Group's performance, position and prospects.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Risk Management and Internal Controls		
11.1	The Board should determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.
11.2 11.4	The Board should, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	The Board reviewed the adequacy of the Group's risk management framework and systems and conducted dialogue sessions with the Management to understand the process to identify, assess, manage and monitor risks within the Group. Prior to the suspension of the trading of the Company's shares on 26 September 2016, the Management presented semi-annual reports to the AC and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas: a. assessment of the Group's key risks by major business units and risk categories; b. identification of specific "risk owners" who are responsible for the risks identified; c. description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an onging basis; d. ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps; e. status and changes in plans undertaken by the Management to manage key risks; and f. description of the risk monitoring and escalation processes and also systems in place. **The Management's Responsibility in Risk Management** The Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls. The Management is responsible for day to day monitoring of these risks and highlighting significant events arising thereon to the AC and the Board. **Key Contracts/ Projects Execution Risk** Currently, the Group's core businesses comprised of the following three reportable segments: Marine and Offshore ("EPCM-MOT") - Engineering, Procurement and Construction Management - Trading of equipment

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		Water treatment - ("EPCM - WT") The EPCM – Marine and Offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil & gas companies. The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste. Some of the Group's larger EPCM projects may stretch to two (2) or even three (3) years with milestone payments, resulting in the heightened role of cash flow management in such projects. Unexpected delays in project delivery during execution or delay in customers' payment of any such key long-term contracts may have an adverse effect on the financial condition and results of operations of the Group. The Group has taken the necessary approach to mitigate this risk by securing project financing for its larger EPCM projects, ensuring adequate bank facilities to support its execution of projects, and tight monitoring of its collections from customers. The Group would continue to pursue diversification strategies to strengthen its operations and financial position. **Product Liability Risk** During the year, the Management has reviewed and deemed adequate its insurance coverage against common fire, industrial, machinery, building, third party liability risks and so forth. With its range of offshore products, the Management is assessing its potential product liability risks, and suitable insurance coverage for such product liability. The Board believes that such insurance coverage of product liability will manage the Company's exposure to such risks. **Financial risks** The nature of the Group's businesses and activities exposes the Group to market risks (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group has a system of controls in place to ensure an acceptable balance between the cost of risks occurring and the cost of managing such risks. The steps taken by the Group to manage its exposure to financial risks are set out in the Financial Report on pages 105 to 110 of the Notes to the Financial Statements in this Annual Report. **Annual Review of the Group's Risk Management and Internal Control Systems** The Board with the assistance of the AC has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2016. Following the suspension of the trading of the Company's shares on 26 September 2016, the Company has been actively working on the proposed scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore (the "Companies Act") for the purposes of implementing and facilitating the restructuring of the Group's debt obligations and liabilities as well as the submission of a resumption proposal to resume trading of the Company's shares. Notwithstanding the current difficulties, the Management continues to oversee the affairs of the Group (including periodic reporting requirements pursuant to Rule 704(22) of the Catalist Rules).

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		The Board's annual assessment for FY2016 in particular considered: a. the changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; b. the scope and quality of the Management's ongoing monitoring of risks and of the system of internal controls and the work of its internal audit function and other providers of assurance; c. the extent and frequency of the communication of the results of the monitoring to the AC; and d. the incidence of significant internal controls weaknesses that were identified during the previous financial year.
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	Based on the internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by the Management, the Board with the concurrence of the AC is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls as well as the risk management systems, were adequate and effective for FY2016.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the Financial Controller that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	The Board has received assurance from the CEO and Financial Controller: (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems were effective in FY2016.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
11.4	(c) The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	The Board will consider the need to establish a separate Board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Company's risk management framework and policies should the need arises. Currently, the responsibility of overseeing the Company's risk management framework and policies rests with the AC.
Audit Committee		
12.1 12.3 12.4	What is the role of the AC?	The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and reasonable resources to enable it to discharge its functions properly, as well as full access to and co-operation by the Directors and key management personnel and discretion to invite any of them to attend its meeting. The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities. The AC holds periodic meetings and reviews primarily the following: (a) the audit plan of the Company's external auditors; (b) the external auditors' reports; (c) the co-operation given by our officers to the external auditors; (d) the effectiveness of the Group's internal audit function; (e) the scope and results of the audit procedures and their cost effectiveness; (f) the financial statements of the Company and the Group, especially any significant financial reporting issues and judgements so as to ensure their integrity, before submission to the Board; (g) all formal announcements relating to the Group's financial performance; (h) the independence and objectivity of the external auditors on an annual basis; (i) the remuneration and terms of engagement of the external auditors; (j) nomination, re-nomination and removal of external auditors for appointment; (k) the adequacy and effectiveness of the Group's internal controls; (l) the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules, and by such amendments made thereto from time to time; (m) interested person transactions; and (n) capital expenditure transactions. The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls or infringement of any Singapore laws, rules or regulations which have or are likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he is interested.

<table>
<tr><th>Guideline</th><th>Code and/or Guide Description</th><th>Company’s Compliance or Explanation</th></tr>
<tr><td>12.2</td><td>Are the members of the AC appropriately qualified to discharge its responsibilities?</td><td>Mr Lim Siong Sheng, the Lead Independent Director, is the Chairman of the AC. The AC comprises two (2) other Independent Directors, Mr Ung Gim Sei and Mr Lim Poh Boon. At least two (2) members of the AC, Mr Lim Siong Sheng and Mr Lim Poh Boon have the appropriate accounting or related financial management expertise and experience.</td></tr>
<tr><td>12.5</td><td>Has the AC met with the auditors in the absence of key management personnel?</td><td>During the financial year under review, the AC met up with the external auditors and the internal auditors only once without the presence of the Management.</td></tr>
<tr><td>12.6</td><td>Has the AC reviewed the independence of the external auditors?</td><td>The AC assesses the independence of the external auditors annually. The AC has reviewed the non-audit services rendered by the external auditors for FY2016 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired. The AC has recommended Messrs BDO LLP for re-appointment as auditors of the Company at the forthcoming AGM.</td></tr>
<tr><td></td><td>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</td><td>The aggregate amount of fees paid for the external auditors of the Group for FY2016 was:
<table>
<tr><th></th><th>S$</th></tr>
<tr><td>Audit fees</td><td>76,000</td></tr>
<tr><td>Non-audit fees</td><td>6,000</td></tr>
<tr><td>Total fees</td><td>82,000</td></tr>
</table></td></tr>
<tr><td></td><td>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC’s view on the independence of the EA.</td><td>The AC has reviewed the non-audit services provided by the external auditors and is satisfied that the nature and extent of such services would not prejudice the independence of external auditors.</td></tr>
<tr><td>12.7</td><td>Does the Company have a whistle-blowing policy?</td><td>The Company has a “Whistle-Blowing” policy in place which provides a well-defined and accessible channel for staff of the Group through which the staff may, in confidence, raise concerns about possible fraudulent activities, malpractices or improprieties in matters of financial reporting or other matters in a responsible and effective manner (“Complaints”). The staff of the Group may approach (a) his or her direct line manager, operation manager or the Company’s Directors; or (b) the AC directly (via email or phone call) to raise his or her Complaints. Arrangements for independent investigation of such matters and appropriate follow up actions were also provided for in the “Whistle-Blowing” policy. There were no reports of whistle blowing received in FY2016.</td></tr>
<tr><td>12.8</td><td>What are the AC’s activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?</td><td>The members of the AC sit on multiple boards of private companies and hence, have the necessary accounting and financial expertise to deal with the matters that come before them. The AC is kept updated from time to time on any changes to the accounting and financial reporting standards by the external auditors. The members of the AC will also attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary.</td></tr>
<tr><td>12.9</td><td>Are any of the members of the AC (i) a former partner or director of the Company’s existing auditing firm or auditing corporation within the previous 12 months and (ii) hold any financial interest in the auditing firm or auditing corporation?</td><td>None the members of the AC (i) is a former partner or director of the Company’s existing auditing firm or auditing corporation within the previous 12 months and/or (ii) holds any financial interest in the auditing firm or auditing corporation.</td></tr>
</table>

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Group had appointed an external professional firm, Baker Tilly Consultancy (Singapore) Pte. Ltd. to perform its internal audit review in FY2015. The Group will assess the need to resume internal audit review by external professional firm once the restructuring of the debt obligations and liabilities of the Group are completed. However, the Board and the AC have reviewed the adequacy of the Company's internal controls that address the Group's financial, operational, compliance and information technology risks. As part of the annual statutory audit of the financial statements, the external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weakness noted during their audit and recommendations, if any, are reported to the AC. The AC will follow up on the actions taken by the Management in response to the recommendations made by the external auditors.
Shareholders' Rights		
14.1	The Company should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.	The Board believes in regular, effective, fair and timely disclosure of material information to its shareholders to enhance the standard of corporate governance. To be in line with the provisions of the Catalist Rules and the Companies Act, the Board's policy requires that all shareholders are equally and in a timely manner informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET, including press releases, annual reports and other various media. If there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The Company constantly ensures that all information disclosed is as descriptive, detailed and forthcoming as possible such that boilerplate disclosures are avoided.
14.2	The Company should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	The Board supports the Code's principle to encourage shareholder participation. Shareholders are encouraged to attend, to participate effectively and to vote in the general meetings of the Company and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. Notice of the general meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. Shareholders may vote in person or by proxy. The Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the general meeting. The Chairpersons of the Board and Board Committees, and the external auditors, are normally available at the meeting to answer questions relating to the general meetings, work of their committees, conduct of audit and the preparation and content of the auditors' report. Separate resolutions are provided at general meetings on each separate issue and the 'bundling' of resolutions is avoided unless they are interdependent and linked so as to form one significant proposal and unless the Company explains the reasons and material implications.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
14.3	The Company should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	Members of the Company are generally able to appoint one (1) or two (2) proxies to attend and vote instead of the member. With effect from 3 January 2016, the Companies Act was amended to allow certain members, defined as "relevant intermediary" to appoint more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.1	Does the Company have an investor relations policy?	Presently, the Company does not have an investor policy or protocol in place.
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	The Company firmly believes in high standards of transparent corporate disclosure by disclosing to its stakeholders, including its shareholders the relevant information on a timely basis through SGXNET. The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNET, either before the Company meets with any investors or analysts. Shareholders are also kept informed of all important developments concerning the Company through press releases, annual reports and various other announcements made whenever necessary. The general meetings of shareholders are the principal forum for dialogue with shareholders. During such general meetings, shareholders are given ample time and opportunities to air their views and concerns, as well as ask questions relating to the resolutions to be passed or on other corporate and business issues. Presently, the financial and corporate communications with the Company's shareholders are handled by the Management.
15.5	Does the Company have a dividend policy?	The Company does not have a dividend policy. Nonetheless, the Management will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration. The Board would also consider establishing a dividend policy at the appropriate time.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended dividend for FY2016 as the Company was not profitable in FY2016.

CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	Under the Constitution of the Company, a shareholder may vote in person or appoint a proxy or proxies to vote in his stead in accordance with the process as explained in Guideline 14.3. The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless in the case of exigencies. The external auditors are also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. All resolutions are put to vote by poll. Shareholders will be briefed on the rules, including poll voting procedures that govern general meetings of shareholders. The Company will make an announcement on the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages via SGXNET after the conclusion of the general meeting. All minutes of general meetings will be made available to shareholders upon their request.

CORPORATE GOVERNANCE

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	**Rule Description**	**Company's Compliance or Explanation**
712, 715 or 716	Appointment of auditors	The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.
1204(8)	Material Contracts	There were no material contract entered into by the Group involving the interest of the CEO, any Directors or controlling shareholders, which are either still subsisting at the end of FY2016, or if not then subsisting, which were entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the AC are of the opinion that the Group's internal controls are adequate and effective to address the financial, operational, compliance and information technology risks in FY2016 based on the following: ● internal controls and the risk management system established by the Company; ● work performed by the external auditors; ● assurance from the CEO and Financial Controller (see Guideline 11.3(b)); and ● reviews done by the various Board Committees and key management personnel. Please refer to Guideline 11.3 above.
1204(17)	Interested persons transaction ("IPT")	The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's IPTs. The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs with value more than S$100,000 transacted during FY2016.
1204(19)	Dealing in securities	The Company has adopted an internal policy which prohibits the Directors and officers of the Group from dealing in the securities of the Company while in possession of price-sensitive information. The Company, its Directors and officers of the Group are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full year financial statements respectively, and ending on the date of the announcement of the relevant results. The Company, its Directors and officers of the Group are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.
1204(21)	Non-sponsor fees	The Continuing Sponsor of the Company is UOB Kay Hian Private Limited ("**UOB Kay Hian**"). There were no non-sponsor fees paid to UOB Kay Hian (and its affiliates) for FY2016.

DIRECTORS' STATEMENT

The Directors of EMS Energy Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as disclosed in Note 4 to the financial statements.

2. Directors

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

Ting Teck Jin
Lim Poh Boon
Lim Siong Sheng
Ung Gim Sei

3. 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, except as disclosed in paragraph 5 below.

4. Directors' interests in shares or debentures

According to the register of Directors' shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), none of the Directors of the Company 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 name of director or nominee		Holdings in which director is deemed to have an interest	
	At 1.1.2016	At 31.12.2016	At 1.1.2016	At 31.12.2016
The Company				
(No. of ordinary shares)				
Mr Ting Teck Jin	1,200,000	1,503,500	355,446,460	355,446,460
Mr Lim Poh Boon	1,333,333	1,333,333	–	–

By virtue of Section 7 of the Act, Mr Ting Teck Jin is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

DIRECTORS' STATEMENT

5. Share Incentive Schemes

The Company has adopted the EMS Energy Employee Share Option Scheme (the "Scheme") as well as the EMS Energy Performance Share Plan (the "Plan") at the Extraordinary General Meeting dated 22 August 2009.

Each of the Scheme and the Plan is administered by the Remuneration Committee. The members of the Remuneration Committee are:

(a) Ung Gim Sei (Chairman);

(b) Lim Poh Boon; and

(c) Lim Siong Sheng.

Under the Scheme, the following employees shall be eligible to participate:

(a) full-time employees of the Company and/or its subsidiary corporations who have attained the age of twenty-one (21) years on or before the offering date;

(b) Executive Directors of the Company; and

(c) Non-Executive Directors (including Independent Directors and Non-Independent Directors) of the Company.

Under the Plan, the following employees shall be eligible to participate:

(a) confirmed full-time employees of the Company and/or its subsidiary corporations and associated companies who have attained the age of twenty-one (21) years on or before the date of award; and

(b) Executive Directors of subsidiary corporations or associated companies.

Further details on the Scheme and the Plan have also been included in the Corporate Governance Report segment in this Annual Report.

Controlling Shareholders of the Company and their associates are eligible to participate in the Scheme and the Plan. However, their participation and the actual grant of options and/or awards to them must be approved by independent shareholders of the Company in separate resolutions for each such person and for each such grant.

DIRECTORS' STATEMENT

5. Share Incentive Schemes (Continued)

Name of Participant	Date of Grant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of scheme to end of financial year under review (adjusted)[a]	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options cancelled or lapsed since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Director						
Ting Teck Jin(1)	–	Nil	700,000	–	–	700,000
Lim Poh Boon(2)	–	Nil	50,000	–	–	50,000
Lim Siong Sheng(2)	–	Nil	50,000	–	–	50,000
Ung Gim Sei(2)	–	Nil	50,000	–	–	50,000
Employees						
Mah Peek Sze Patsy(3)	–	Nil	100,000	–	–	100,000
Wong Hon Cheng(3)	–	Nil	100,000	–	–	100,000
Total			1,050,000	–	–	1,050,000

Notes:

(a) The Company undertook a consolidation of its shares on the basis of every 15 existing shares into one consolidated share, which was approved by the shareholders at an extraordinary general meeting on 15 October 2015 ("Share Consolidation"). The Share Consolidation became effective on 26 October 2015. Accordingly, the share options granted are adjusted to take into account of the Share Consolidation pursuant to Rule 12 of the EMS Employee Share Option Scheme.

(1) Pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 26 April 2014, the Company had on 28 April 2014, granted a total of 10,500,000 options at an exercise price of $0.061 per option at the date of the grant, to Mr. Ting Teck Jin, an Executive Director and controlling shareholder of the Company. These options are exercisable from 28 April 2015 to 27 April 2024. The exercise price of these options had been revised to $0.027 on 1 December 2014. As at 31 December 2016, the total 700,000 options (adjusted for Share Consolidation) granted to Mr. Ting Teck Jin still remained outstanding and exercisable into 700,000 ordinary shares at an exercise price of $0.405.

(2) These options, which are exercisable from 23 February 2015 to 22 February 2020, were granted on 24 February 2014 at an exercise price of S$0.069 at the date of the grant and subsequently revised to $0.027 on 1 December 2014. As at 31 December 2016, the total 150,000 options (adjusted for Share Consolidation) granted to the Independent Directors remained outstanding and exercisable into 150,000 ordinary shares at an exercise price of $0.405.

(3) On 24 February 2014, a total of 15,000,000 options were granted at an exercise price of $0.069 per option at the date of grant to employees who are not Directors, controlling shareholders or their associates. On 1 December 2014, the exercise price of these options had been revised to $0.027. 1,500,000 options granted in 2014 were not accepted and 7,500,000 options granted in 2014 were forfeited upon the resignation of certain employees in 2014. As at 31 December 2016, 200,000 options (adjusted for share consolidation) remained outstanding and exercisable into 200,000 ordinary shares at an exercise price of S$0.405. These options are exercisable from 23 February 2015 to 22 February 2024.

During the financial year ended 31 December 2016, no options or share awards were granted to the directors and employees of the Company or its subsidiary corporations under the Scheme or the Plan respectively.

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

There were no unissued shares of the Company and its subsidiary corporations under option at the end of the financial year.

DIRECTORS' STATEMENT

6. Audit Committee

The audit committee of the Company is chaired by Lim Siong Sheng, the Lead independent Director, and includes Lim Poh Boon and Ung Gim Sei, who are both independent Directors. In FY2016, the audit committee has met three times and has carried out its functions in accordance with section 201B(5) of the Companies Act, Chapter 50 of Singapore, including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the half-yearly and full year results announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's internal and external auditor; and

(f) the re-appointment of the external auditor of the Company.

The audit committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Mr Ting Teck Jin Director	**Mr Lim Poh Boon** Director

Singapore

12 October 2017

INDEPENDENT AUDITOR’S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit the financial statements of EMS Energy Limited (the “Company”) and its subsidiaries (the “Group”) as set out on pages 44 to 119, which comprise the consolidated statement of financial position of Group and the statement of financial position of the Company as at 31 December 2016, 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.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters 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

1. Going Concern and Completeness of Liabilities

As disclosed in Note 4 to the financial statements, the Group incurred a loss of approximately $120 million for the financial year ended 31 December 2016. As at 31 December 2016, the Group’s and Company’s current liabilities exceeded their current assets by approximately $126 million and $39 million respectively, while the Group’s cash and bank balances amounted to approximately $433,000.

During the financial year, arising from the receipt of notices of termination of contracts from certain major customers and letters of demands from certain creditors and borrowers, the Company, together with two of its significant wholly-owned subsidiaries, Koastal Industries Pte Ltd (“KIPL”) and EMS Energy Solutions Pte Ltd (“EES”), filed an application with the High Court of the Republic of Singapore to propose schemes of arrangement under the Companies Act, Chapter 50 in connection with the proposed restructuring of the respective debt obligations and liabilities.

As at the end of the financial year, as disclosed in Note 37, the Group is unable to determine if any further liabilities will be required to be included arising from the various legal claims.

Subsequent to the financial year end, the Company’s and EES’s schemes of arrangement were approved without modification while KIPL’s scheme of arrangement (“SOA”) was withdrawn. Following the withdrawal of the SOA, KIPL has initiated the process of creditor’s voluntary liquidation.

As at the date of our report, all bank facilities of the Group have been withdrawn by its bankers and the Group has no revenue-generating activities in Singapore as KIPL and EES have since ceased operations.

Notwithstanding that these conditions, together with the other matters disclosed in Note 4, cast significant doubt about the Group’s and the Company’s abilities to continue as going concerns, the Directors of the Company are of the view that it is appropriate to prepare the financial statements of the Group and the Company on a going concern basis having regard to management’s plans as disclosed in Note 4.

We were unable to obtain sufficient appropriate audit evidence to evaluate the feasibility and effectiveness of management’s plans in relation to going concern as management has not provided us with sufficient information to support the key assumptions used in the projected cash flows forecast., including whether further liabilities may be required to be recognised by the Group arising from the various legal claims and ongoing schemes of arrangement.

Accordingly, we were not able to determine the completeness of liabilities recognised by the Group as at 31 December 2016 and assess whether the use of the going concern basis of accounting in the preparation of the accompanying financial statements is appropriate.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

2. Impairment of Property, plant and equipment

As at 31 December 2016, the Group's property, plant and equipment comprise mainly a yard under construction with carrying amount of approximately $8.9 million which is held by the Company. The construction of the yard was stalled as at 31 December 2016 as the Group did not have sufficient funds to complete the construction.

As at the date of our report, the Group is in the process of seeking new funds to restart the construction of the yard.

Furthermore, the yard sits on a piece of land that the Group leased from a landlord. During the financial year, the Group renegotiated its lease payment schedule with the landlord and requested for an extension of time to complete the construction of the yard as the stipulated deadline in the lease agreement had past. In the event that the Group is not able to make the necessary payment or unable to obtain further extension of the construction period, the landlord may repossess the land and the yard under construction.

These conditions indicate that the yard under construction may be impaired as at 31 December 2016. No provision for impairment has been made for the yard for the financial year ended 31 December 2016.

Based on the limited information provided by management, we were unable to obtain sufficient appropriate audit evidence on whether the Company will be able to raise the necessary funds to complete the construction of the yard and to make the monthly lease payments to the landlord. We were also unable to satisfy ourselves that there was no impairment loss on the yard as management did not provide us with their assessment of the recoverable amount of the yard. Accordingly, we were unable to determine whether adjustments may be necessary to the carrying amount of the yard of approximately $8.9 million as at 31 December 2016 that was recognised in the financial statements.

3. Recoverability of trade and other receivables

The Group's trade and other receivables as at 31 December 2016 amounted to approximately $9.6 million. Included therein are trade and other receivables of KIPL and EES amounting to approximately $4.6 million, net of an allowance of approximately $20 million, which significant portion of these receivables remained outstanding as at date of this report.

As these receivables had been long outstanding, coupled with the cessation of operations of KIPL and EES, there was objective evidence of impairment of these receivables as at 31 December 2016. Based on management's assessment, an allowance of approximately $20 million was made during the financial year and recognised in the Group's profit or loss.

We were unable to obtain sufficient appropriate audit evidence to determine whether the allowance made of approximately $20 million during the financial year is appropriate and whether the remaining amount of approximately $4.6 million is recoverable as management was unable to provide sufficient information to support their basis for the recoverable amounts of these receivables. We were also unable to satisfy ourselves through alternative means. Consequently, we were unable to determine whether adjustments to these amounts may be necessary.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Report on the Audit of the Financial Statements (Continued)

Basis for Disclaimer of Opinion (Continued)

4. **Impairment of available-for-sale financial assets – Investment in unquoted equity shares**

As disclosed in Note 16 to the financial statements, the Group recognised available-for-sale financial assets amounting to approximately $3.99 million as at 31 December 2016. These unquoted equity shares represents the Group's 10% interest in PV Drilling Overseas Company Private Limited ("PVDO"). The financial performance of PVDO is experiencing downturn as a result of the overall situation in the oil and gas sector. Based on management's assessment, an impairment loss of approximately $4.5 million was made during the financial year and recognised in the Group's profit or loss.

We were unable to obtain sufficient appropriate audit evidence to determine whether the provision made in the current financial year is appropriate as management was unable to provide sufficient information to substantiate their determination of the recoverable amount of the investment. We were also unable to satisfy ourselves through alternative means. Consequently, we were unable to determine whether adjustments may be necessary to the carrying amount of the available-for-sale financial assets and the impairment loss recognised for the financial year ended 31 December 2016.

5. **Valuation of financial derivative liabilities**

As disclosed in Note 29 to the financial statements, the Group recorded financial derivative liabilities at their fair values amounting to approximately $2.9 million as at 31 December 2016. The fair values of these financial derivative liabilities were determined based on an internal valuation performed by management as of 31 December 2016.

As management was unable to provide us with supporting documents on their determination of the fair values and there were no practical alternative audit procedures that we could carry out, we were unable to obtain sufficient appropriate audit evidence on the fair values of the financial derivative liabilities.

Consequently, we were unable to determine whether adjustments may be necessary to the carrying amount of approximately the financial derivative labilities of $2.9 million recognised in the financial statements as at 31 December 2016.

Responsibilties 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) and Financial Reporting Standards in Singapore (FRSs), 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EMS ENERGY LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of these financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters 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 Company within the meaning of the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ng Kian Hui.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore

12 October 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 $'000	2015 $'000
Revenue	5	29,100	68,881
Cost of sales		(22,615)	(55,964)
Gross profit		6,485	12,917
Other income	6	947	3,051
Other items of expense			
Administrative expenses		(10,781)	(14,392)
Distribution costs		(168)	(175)
Other expenses		(112,447)	(7,664)
Finance costs	7	(4,060)	(3,428)
Share of (loss)/profit of associate	15	(189)	248
Loss before income tax	8	(120,213)	(9,443)
Income tax credit/(expense)	9	89	(797)
Loss for the year		(120,124)	(10,240)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences			
- On translation of foreign operations		(3,925)	(476)
Available-for-sale financial assets			
- Gains arising during the year		–	42
- Reclassification to profit or loss on disposal		(199)	–
- Deferred tax relating to component of other comprehensive income	17	–	(7)
		(199)	35
Share of other comprehensive income of associated company			
- Translation reserve	15	(9)	4
- Fair value (loss)/gain on available-for-sale financial asset	15	(9)	4
		(18)	8
Items that will not be reclassified subsequently to profit or loss:			
(Loss)/gain on revaluation of leasehold land and building		(290)	2,825
Share of other comprehensive income of associated company			
- Revaluation (deficit)/surplus	15	(57)	124
Other comprehensive income for the year, net of tax		(4,489)	2,516
Total comprehensive income for the year		(124,613)	(7,724)
Loss per share	10		
- basic (in cents)		(26.77)	(2.30)
- diluted (in cents)		(26.77)	(2.30)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group	
		2016 $'000	2015 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	9,544	17,606
Investment property	12	–	201
Intangible assets	13	–	7,469
Investment in associate	15	–	6,057
Available-for-sale financial assets	16	3,986	9,732
Deferred tax assets	17	125	125
Total non-current assets		13,655	41,190
Current assets			
Inventories	18	648	686
Trade and other receivables	19	9,639	29,873
Amounts due from contract customers	20	3,868	44,621
Prepayments		12	7,764
Cash and bank balances	21	433	8,105
Tax recoverable		43	–
		14,643	91,049
Assets held for sale	22	8,578	–
Total current assets		23,221	91,049
Total assets		36,876	132,239
EQUITY AND LIABILITIES			
Equity			
Share capital	23	167,711	167,711
Accumulated losses		(131,635)	(11,511)
Other reserves	25	(148,453)	(143,969)
Total (deficit)/equity		(112,377)	12,231
Non-current liabilities			
Financial derivatives liabilities	29	–	1,892
Convertible loan	30	–	5,218
Deferred tax liabilities	17	–	25
Total non-current liabilities		–	7,135
Current liabilities			
Trade and other payables	31	42,604	58,954
Advances from contract customers		2,080	9,783
Amounts due to contract customers	20	59,957	3,404
Finance lease liabilities	26	–	3
Bank borrowings	27	22,670	27,849
Borrowings from third parties	28	12,360	10,470
Convertible loan	30	5,942	–
Financial derivative liabilities	29	2,972	1,020
Provisions for warranties	33	33	252
Income tax payables		635	1,138
Total current liabilities		149,253	112,873
Total liabilities		149,253	120,008
Total equity and liabilities		36,876	132,239

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Company	
		2016	2015
		$'000	$'000
Non-current assets			
Property, plant and equipment	11	8,996	6,086
Investments in subsidiaries	14	–	129,251
Total non-current assets		8,996	135,337
Current assets			
Trade and other receivables	19	671	25,129
Prepayment		12	41
Cash and bank balances	21	1	19
Total current assets		684	25,189
Total assets		9,680	160,526
EQUITY AND LIABILITIES			
Equity			
Share capital	23	167,711	167,711
Share option reserve	25	85	80
Accumulated losses		(197,573)	(50,200)
Total (deficit)/equity		(29,777)	117,591
Current liabilities			
Trade and other payables	31	6,856	3,960
Amount due to subsidiaries	32	32,601	38,975
Total current liabilities		39,457	42,935
Total liabilities		39,457	42,935
Total equity and liabilities		9,680	160,526

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Share option reserves $'000	Merger reserve $'000	Other reserves $'000	Accumulated losses $'000	Total (deficit)/ equity $'000
Balance at 1 January 2016		167,711	268	161	(2,003)	6,525	80	(149,000)	(143,969)	(11,511)	12,231
Total comprehensive income for the year:											
Loss for the year		–	–	–	–	–	–	–	–	(120,124)	(120,124)
Other comprehensive income											
Currency translation differences:											
On translation of foreign operations		–	–	–	(3,925)	–	–	–	(3,925)	–	(3,925)
Loss on revaluation of leasehold land and building		–	–	–	–	(290)	–	–	(290)	–	(290)
Available-for-sale financial asset – reclassification to profit or loss on disposal		–	–	(199)	–	–	–	–	(199)	–	(199)
Share of other comprehensive income of associated companies:											
Translation reserve		–	–	–	(9)	–	–	–	(9)	–	(9)
Fair value loss on available-for-sale financial asset		–	–	(9)	–	–	–	–	(9)	–	(9)
Revaluation deficit		–	–	–	–	(57)	–	–	(57)	–	(57)
Total other comprehensive income for the year, net of tax		–	–	(208)	(3,934)	(347)	–	–	(4,489)	–	(4,489)
Total comprehensive income for the year		–	–	(208)	(3,934)	(347)	–	–	(4,489)	(120,124)	(124,613)
Contribution by and distributions to others											
Employee share option expenses		–	–	–	–	–	5	–	5	–	5
Balance at 31 December 2016		167,711	268	(47)	(5,937)	6,178	85	(149,000)	(148,453)	(131,635)	(112,377)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Note	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Revaluation reserve $'000	Share option reserves $'000	Merger reserve $'000	Other reserves $'000	Accumulated losses $'000	Total (deficit)/ equity $'000
Balance at 1 January 2015		47,050	119,002	122	(1,531)	3,576	55	(149,000)	(27,776)	2,480	21,754
Total comprehensive income for the year:											
Loss for the year		–	–	–	–	–	–	–	–	(10,240)	(10,240)
Other comprehensive income											
Currency translation differences:											
On translation of foreign operations		–	–	–	(476)	–	–	–	(476)	–	(476)
Available-for-sale financial assets:											
Gains arising during the year		–	–	42	–	–	–	–	42	–	42
Deferred tax relating to component of other comprehensive income		–	–	(7)	–	–	–	–	(7)	–	(7)
Gain on revaluation of leasehold land and building		–	–	–	–	2,825	–	–	2,825	–	2,825
Share of other comprehensive income of associated companies:											
Translation reserve		–	–	–	4	–	–	–	4	–	4
Fair value gain on available-for-sale financial asset		–	–	4	–	–	–	–	4	–	4
Revaluation surplus		–	–	–	–	124	–	–	124	–	124
Total other comprehensive income for the year, net of tax		–	–	39	(472)	2,949	–	–	2,516	–	2,516
Total comprehensive income for the year		–	–	39	(472)	2,949	–	–	2,516	(10,240)	(7,724)
Contributions by owners of the parent											
Adjustment pursuant to the restructuring exercise	23	118,734	(118,734)	–	–	–	–	–	(118,734)	–	–
Issuance of shares during the year	23	2,024	–	–	–	–	–	–	–	–	2,024
Share issue expenses	23	(97)	–	–	–	–	–	–	–	–	(97)
Contribution by and distributions to others											
Employee share option expenses		–	–	–	–	–	25	–	25	–	25
Dividends by Koastal Group	34	–	–	–	–	–	–	–	–	(3,751)	(3,751)
Balance at 31 December 2015		167,711	268	161	(2,003)	6,525	80	(149,000)	(143,969)	(11,511)	12,231

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016	2015
		$'000	$'000
Operating activities			
Loss before tax		(120,213)	(9,443)
Adjustments for:			
Depreciation of investment property	12	3	3
Depreciation of property, plant and equipment	11	618	471
Employee share option expenses		5	25
Fair value loss arising from derivative financial instruments		60	319
Fair value gain reclassified from fair value reserve on disposal of financial assets, available for sale		(199)	–
Loss on disposal of plant and equipment		313	–
Gain on disposal of investment property		(311)	–
Life insurance premium expense	16	–	15
(Reversal) of provision for warranties	33	(219)	78
Allowance for doubtful debts		20,316	–
Allowance for losses from construction contract		99,577	914
Share of associate's results	15	189	(248)
Impairment loss on intangible assets	13	7,469	1,800
Impairment loss on investment in associate	15	2,815	2,100
Impairment loss on available-for-sale financial assets	16	4,526	–
Impairment loss on property, plant and equipment	11	3,928	–
Plant and equipment written off		279	–
Interest expense		4,060	3,428
Interest income		(112)	(47)
Unrealised exchange differences		65	(262)
Operating cash flows before movements in working capital		23,169	(847)
Inventories		38	(540)
Trade and other receivables		(125)	1,005
Prepayments		6,889	1,306
Provision for warranties		–	(289)
Trade and other payables		(17,947)	10,080
Advances from contract customers		(8,686)	(17,274)
Amount due from contract customers		–	(17,712)
Amount due to contract customers		(2,272)	3,093
Cash from/(used in) operations		1,066	(21,178)
Income taxes paid		(528)	(2,851)
Net cash from/(used in) operating activities		538	(24,029)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 **$'000**	**2015** **$'000**
Investing activities			
Interest received		112	47
Proceeds from sale of investment property		522	–
Proceeds from disposal of plant and equipment		41	25
Proceeds from disposal of available-for-sale investments		1,220	–
Dividend received from associated company	15	–	217
Purchase of property, plant and equipment	11	(2,996)	(4,824)
Net cash used in investing activities		(1,101)	(4,535)
Financing activities			
Repayment to a director		(488)	(8,813)
Decrease in fixed deposits pledged		7,709	2,568
Interest paid		(4,060)	(1,130)
Proceeds from issuance of ordinary shares	23	–	2,024
Share issue expenses	23	–	(97)
Proceeds from convertible loan		–	6,708
Proceeds from third parties loan		2,614	–
Proceeds from bank borrowings		–	54,297
Repayment of bank borrowings		(4,247)	(48,580)
Repayment of finance lease liabilities		(3)	(17)
Net cash provided by financing activities		1,525	6,960
Net change in cash and cash equivalents		962	(21,604)
Cash and cash equivalents at beginning of year		(638)	20,651
Effects of currency translation on cash and cash equivalents		6	315
Cash and cash equivalents at end of year	21	330	(638)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. Corporate Information

1.1 General

EMS Energy Limited (the "Company") (Registration Number 200300485D) is a limited liability company incorporated and domiciled in Singapore and is publicly traded on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is at 25 International Business Park #02-57.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The Company's ultimate controlling party is Ting Teck Jin, who is a Director of the Company as at 31 December 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have the most significant effect on the financial statements are disclosed in Note 3.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years, except as detailed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective

As at the date of the authorisation of these financial statements, the Group and the Company have not adopted the following relevant FRS that have been issued but not yet effective:

			Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	:	Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	:	Recognition to Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 102 (Amendments)	:	Clarifications and measurement of Share Based Payments Transactions	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	:	Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	:	Leases	1 January 2019
INT FRS 122	:	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	:	Uncertainty over income tax treatments	1 January 2019

Consequential amendments were also made to various standards as a result of these new or revised standards.

The Group and the Company expect that the adoption of the above FRS, if applicable, will have no material impact on the financial statements in the period of initial adoption, except as discussed below.

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

FRS 109 Financial Instruments

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and financial liabilities and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost.

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group has reassessed the classification and measurement of its financial assets, and anticipates that there may be a material impact for those currently classified as available for sale which the Group will measure at fair value through other comprehensive income on adoption of FRS 109.

The Group currently accounts for its investment in unquoted equity securities at cost less impairment loss, if any, as disclosed in Note 16 to the financial statements. On adoption of FRS 109, the Group will be required to measure such investment in unquoted equity securities at fair value, with the difference between the previous carrying value and the fair value recognised in the opening balance of retained earnings. Subsequently all fair value changes will be recognized in other comprehensive income and will not be reclassified to profit or loss even on disposal.

The new impairment requirements are expected to result in changes to and likely increase in impairment loss allowance for trade and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective *(Continued)*

FRS 109 Financial Instruments (Continued)

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statements of financial position by recognising a ‘right-of-use’ asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group’s leases, particularly rented factory and office premises, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 April 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective *(Continued)*

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on the SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 First-time Adoption of International Financial Reporting Standards to the transition. This will involve restating the comparatives for the financial ended 31 December 2018 and the opening statements of financial position as at 1 December 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed above, as well as other transitional adjustments that may be required or elected under IFRS 1.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are carried at cost, less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 January 2010

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combination arising from transfers of interest in entities that are under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. For this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously and no adjustments are made to reflect the fair values or recognised any new assets or liabilities, including no goodwill is recognised as a result of the combination. The components of equity of the acquired entities are added to the same components within the Group equity. Any difference between the consideration paid for the acquisition and share capital of acquiree is recognised directly in equity as merger reserve.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Engineering, Procurement and Construction Management ("EPCM")

Revenue arising from EPCM marine and offshore and water treatment are recognised in profit or loss in accordance with the agreed stage of completion which is assessed by reference to the contract costs incurred to date to the estimated total costs of the contract or surveys of work performed and agreement with customer, as applicable to the extent that it is probable that the contract will result in revenue that can be measured reliably. Contract revenue includes the initial amount agreed in the contract plus any variation in contract work, claims and incentive payments to the extent it is probable that they will result in revenue and can be measured reliably.

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Engineering, Procurement and Construction Management ("EPCM") (Continued)

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Trading sales

Revenue from the marine and offshore trading sales are recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and it is probable that the agreed consideration will be received. Normally these criteria are considered to be met when the goods are delivered to and accepted by the buyer.

Interest income

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

Commission income

When the Company acts in the capacity of an agent rather than as the principal in a transaction, the commission income is recognised on an accrual basis and the amount is based on an agreed fixed percentage of the total contract value.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

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

2.7 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividend are recorded in the financial year in which dividends are approved by shareholders.

2.8 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

2.9 Employee Compensation

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

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.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees.

2. Summary of significant accounting policies (Continued)

2.10 Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.10 Taxes (Continued)

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.11 Foreign currency transactions and translation

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.12 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs 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. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Land and buildings are initially recognised at cost. Leasehold land and buildings are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.12 Property, plant and equipment (Continued)

Land and buildings are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial years.

Increase in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same assets, in which case, they are recognised in profit or loss. Decrease in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

Office building and crane in the course of construction are carried at cost. Cost includes all direct costs and other inputs used in the construction, professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. No depreciation is provided for construction in progress. Depreciation of these assets, commences when the assets are substantially completed and ready for their intended use.

Plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives or lease term as follows using the straight-line method:

Leasehold land and buildings	16 to 19 years
Plant and machinery	10 years
Office equipment	5 to 10 years
Motor vehicles	5 years
Furniture and fittings	5 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.13 Investment property

Investment property, which is property held to earn rentals or for capital appreciation or for both.

Investment property is measured initially at its cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of 82 years. The residual values, useful lives and depreciation method of investment property are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

The carrying values are reviewed at the end of each financial year to determine whether there is any indication of impairment. If such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset exceeds the recoverable amount. The impairment loss is charged to profit or loss.

2.14 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 rents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Goodwill on associates is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

On disposal of a subsidiary or an associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

2. Summary of significant accounting policies (Continued)

2.14 Intangible assets (Continued)

Certificate

Certificate is stated at cost less any impairment loss.

For the purpose of impairment testing, Certificate is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which Certificate has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired.

If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

2.15 Associates

An associate is an entity over which the Group has significant influence, but that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Associates are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is accounted as goodwill and is included in the carrying amount of the investment in associate.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates and distributions received are adjusted against the carrying amount of the investments.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. Any premium paid for an associate above the fair value at the group's share of identifiable net assets is included in the carrying amount of the associate.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

2.16 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.16 Impairment of non-financial assets excluding goodwill (Continued)

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.17 Financial instruments

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

Financial assets are classified into the following specified categories: loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statement of financial position comprise trade and other receivables and cash and bank balances.

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets (AFS)

Certain investments held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs. The Group classifies ordinary shares as equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as fair value through profit or loss if the financial liabilities is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition.

Derivative financial instruments

Derivatives are initially recognised at their fair values at the date of the contract is entered into and subsequently re-measured at their fair values at the end of each financial year. Fair value changes on derivatives are recognised in the profit or loss when the changes arise.

Other financial liabilities

Trade and other payables

Trade and other payables, excluding deferred revenue are classified as other financial liabilities.

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Borrowings

Interest-bearing bank loans, overdrafts and borrowings from third parties are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.5).

2. Summary of significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible loan

Based on the terms of the contract, the convertible loans are accounted for as financial liability with an embedded equity conversion option derivative. On issuance, the embedded conversion option is recognised at its fair value as a derivative financial instrument with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component, net of allocated transaction costs, and carried at amortised cost until the liability is extinguished on conversion or redemption. When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

The transaction costs are allocated pro-rata to the liability and derivative components and accounted for as part of the amortised cost for the liability component and expensed for the derivative component.

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 Revenue.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Offsetting of financial instruments

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

2.18 Share warrants

The Group entered into a put and call option deed with certain investors to obtain the funds to acquire the interest in an investee. As part of the put and call option deed, the Group issued share warrants to the investors as part of an arrangement. The share warrants grant the investors the right to subscribe for shares in the Company at an agreed exercise price.

The borrowings from the investors reflected as borrowings from third parties are measured at amortised cost using effective interest method after taking into account the fair value of the share warrants issued to the investor.

Based on the terms of the agreement, the borrowings from the investor are accounted for as financial liability with an embedded equity conversion option derivative. On issuance, the share warrants are recognised at their fair value as a derivative financial instrument with subsequent changes in fair value recognised in profit or loss. The remainder of the proceeds is allocated to the liability component and carried at amortised cost until the liability is extinguished on exercise of the share warrants or redemption. When the share warrants are exercised, the carrying amounts of the liability component and the share warrants are derecognised with a corresponding recognition of share capital.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.19 Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings.

Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statement of financial position as “Amounts due from contract customers”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as “Amounts due to contract customers”.

Progress billings not yet paid by customers and retentions sums (if any) are included within “trade and other receivables”. Advances received are presented separately on the statement of financial position.

2.20 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.21 Cash and bank balances

Cash and bank balances in the statement of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents also includes bank overdrafts and excludes any pledged deposits. In the statement of financial position, bank overdrafts are presented within borrowings under current liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (Continued)

2.22 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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

2.23 Leases

Finance Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased assets to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are capitalised as investment property of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (Note 2.5).

Operating Leases

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

2.24 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the managing director who make strategic decisions for the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.25 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while 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 judgements and key sources of estimation uncertainty

In application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Critical judgements made in applying entity's accounting policies

The following are the critical judgements, apart from those involving estimations that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

(i) Impairment of available-for-sale equity instrument

The Group follows the guidance of FRS 39 in determining when an available-for-sale financial asset is impaired. A significant or prolonged decline in the fair value of the security below cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. The Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology, operational and financing cash flow.

Management believes that any reasonable change in the key assumptions used in the assessment of impairment will not cause the assessment to be significantly different.

(ii) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the respective entities in the Group, judgment is required to determine the currency that mainly influences sales price of goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on the local management's assessment of the economic environment in which the entities operate and the respective entities' process of determining sales prices.

3. Summary of significant accounting policies (Continued)

3.1 Critical judgements made in applying entity's accounting policies (Continued)

(iii) Construction Contracts

The Group uses the percentage-of-completion method to account for its contract revenue where it is probable that contract costs are recoverable. The stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract or reference to surveys of work performed. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress (amount due from/to contract customers) on the statement of financial position unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

Significant judgement is required in determining the stage of completion, estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Management exercises significant judgement in determining as to when the outcome of a construction contract can be estimated reliably. Total contract revenue also includes an estimation of the variation works and claims that are recoverable from the customers. In making the judgement, the Group has relied on past experience and the work of specialists. The amount and timing of recorded revenue and raw materials and consumables used would differ if the Group made different judgements.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(i) Revenue from contract work-in-progress

As described in Note 2 to the financial statements, revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the proportion of cost incurred to date in relation to the estimated total costs for the respective contracts, provided that the outcome can be reliably estimated. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Management has performed cost studies, taking into account the costs to date and costs to complete each project, foreseeable losses and applicable liquidated damages, if any. Management has also reviewed the status of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amounts of the Group's amount due from/(to) contract customers as at 31 December 2016 was $3,868,000 (2015: $44,621,000) and $59,957,000 (2015: $3,404,000) respectively.

(ii) Allowance for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, as discussed in Note 19, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and Company's trade and other receivables as at 31 December 2016 was $9,639,000 (2015: $29,873,000) and $671,000 (2015: $25,129,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iii) Fair value of derivatives

Fair values of derivatives on convertible notes and share warrants are determined using valuation techniques. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include the volatility, risk-free rate of the host contract, etc. Changes in assumptions about these factors could affect the reported fair value of the financial instruments amounting to $2,972,000 (2015: $2,912,000) as at 31 December 2016.

(iv) Impairment of intangible assets-Goodwill

At the end of each financial year, an assessment is made whether there is objective evidence that the intangible assets are impaired.

Impairment exist when the carrying value of intangible assets, comprising of goodwill, exceed their recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value-in-use. The recoverable amounts of intangible assets are determined based on value-in-use, by discounting the expected future cash flows for each cash-generating unit ("CGU").

The recoverable amount was sensitive to discount rate used for discounted cash flow model as well as the expected future cash inflows and the growth rates used. The carrying amount of the Group's goodwill as at 31 December 2016 was $Nil (2015: $7,448,000) respectively. For further details of assumptions applied in the impairment assessment of intangible assets refer to Note 13 to the financial statements.

(iv) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current tax payable as at 31 December 2016 was $635,000 (2015: $1,138,000).

(v) Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there are indicators that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2016 was $NIL (2015: $129,251,000) (Note 14).

4. Going concern

The Group incurred loss of S$120 million for the financial year ended 31 December 2016. As at 31 December 2016, the Group's current liabilities exceeded its current assets by approximately S$126 million and total liabilities exceeded its total assets by approximately S$112 million. The Group's cash and bank balances as of 31 December 2016 amounted to approximately S$433,000 and all of the Group's facilities have been withdrawn.

The Company's current liabilities exceeded its current assets by approximately S$39 million and total liabilities exceeded its total assets by approximately S$30 million.

During the financial year, the Group received notices of termination of contracts from certain major customers and received letters of demands from certain creditors and borrowers.

On 28 September 2016, the Company together with two of its significant wholly owned subsidiaries KIPL and EES filed an application with the High Court of the Republic of Singapore to propose schemes of arrangement ("SOA") under S210 of the Companies Act (Cap.50) in connection with the proposed restructuring of the respective debt obligations and liabilities. Through the filing of the Applications, the Group is seeking to effect a consensual restructuring of the debts and liabilities of the Company, KIPL and EES.

The Company's SOA was approved on 28 July 2017 without modification by a majority in number representing more than three-fourths in value of the scheme creditors. However, KIPL's scheme was withdrawn at the creditors' meeting as one of the conditions precedent to the proposed scheme of arrangement could not be fulfilled. Following the withdrawal of the SOA, KIPL has initiated the process of creditor's voluntary liquidation.

Subsequently on 29 September 2017, the revised SOA of EES was also approved without modification by a majority in number representing more than three-fourths in value of the scheme creditors. Following the approval, EES will update the Courts around mid of October 2017 and apply sanction of the same accordingly.

Koastal International Pte Ltd ("KPL") had on 23 November 2016 received a letter from Phillip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd (collectively, the "PV Investors") demanding for the sum of S$6.2 million and S$4.2 million respectively, being the option price payable and the interest accrued thereon under a Put and Call option Deed dated 8 August 2014. The Group and the PV Investors are in discussion with the aim to reach a settlement.

As at date of the end of the financial year, the Group is unable to determine if any further liabilities will be required to be included arising from the various legal claims (Note 37).

The above conditions indicate the existence of multiple material uncertainties that may cast significant doubt about the Group's and the Company's abilities to continue as going concerns.

Notwithstanding the above, the Directors of the Company are of the opinion that the Group and the Company are able to meet their obligations as and when they fall due having regard to the following:

(i) Upon the successful completion of the Company's and EES's SOA, the Group's financial position will be substantially improved with the debt to equity conversion.

(ii) The Company is exploring fundraising exercise by way of a placement and/or rights issue to strengthen its cash position.

(iii) One of the two significant subsidiaries, KIPL, when placed under liquidation, will clear a significant portion of the liabilities of the Group.

If 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 their 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 statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets. No such adjustments have been made to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Revenue

	Group	
	2016 $'000	2015 $'000
Marine and offshore		
Construction contracts	11,619	41,521
Trading sales	2,793	15,714
	14,412	57,235
Water treatment		
Construction contracts	14,688	11,646
	29,100	68,881

6. Other income

	Group	
	2016 $'000	2015 $'000
Interest income	112	47
Rental income from investment property (Note 12)	23	25
Gain on disposal of investment property	311	–
Commission income	208	1,044
Consulting services income	221	284
Government Grant	107	110
Scrap disposal income	63	–
Foreign exchange (loss)/gain	(144)	1,510
Others	46	31
	947	3,051

7. Finance costs

	Group	
	2016 $'000	2015 $'000
Interest expenses on:		
- Finances leases	–	1
- Bank loans and overdrafts	1,215	1,119
- Borrowings from third parties		
Interest accretion on borrowings from third parties (Note 28)	1,890	1,896
Interest accretion on convertible notes (Note 30)	724	402
Interest on loan from other creditors	231	10
	2,845	2,308
	4,060	3,428

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Loss before tax

In addition to the charges and credits disclosed elsewhere in the notes to the statement of comprehensive income, the above includes the following charges/(credits):

	Group	
	2016 $'000	2015 $'000
Purchases of material and equipment	5,659	41,631
Subcontractor cost recognised as expense	2,316	2,484
Audit fees paid/payable to auditors:		
Auditors of the Company	76	128
Other auditors	6	6
Directors' fees paid to Directors of the subsidiaries	135	154
Directors' remuneration other than fees:		
Directors of the Company		
Short-term benefits	453	436
Post-employment benefits	24	11
Directors of the subsidiaries		
Short-term benefits	328	707
Post-employment benefits	24	103
Staff costs (excluding directors' remuneration)	5,431	10,976
Employee share option expense	5	25
Costs of defined contribution plans included in staff costs	435	730
Operating lease payments	788	888
Depreciation of property, plant and equipment	618	471
Legal and professional fees	771	3,764
Impairment loss on:		
Property, plant and equipment (Note 11)	3,928	–
Intangible assets (Note 13)	7,469	1,800
Investment in associate (Note 15)	2,815	2,100
Available for sale financial assets (Note 16)	4,526	–
Plant and equipment written off	279	–
Loss on disposal of plant and equipment	313	–
Gain on disposal of investment property	(311)	–
Allowance for losses from construction contract	99,577	914
Allowance for doubtful debts	20,316	–
Unrealised exchange differences	65	(262)
Fair value loss on financial derivative liabilities – Share warrants	60	319

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Income tax (credit)/expense

	Group	
	2016 $'000	2015 $'000
Current income tax		
- Current	28	682
- (Over)/under provision in prior years	(92)	115
	(64)	797
Deferred tax		
- Over provision in prior years	(25)	–
	(25)	–
Total income tax expense	(89)	797

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016 $'000	2015 $'000
Loss before income tax	(120,213)	(9,443)
(Less)/Add: Share of associate's results	189	(248)
	(120,024)	(9,691)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(20,404)	(1,648)
Effect of income not subject to tax	(52)	(74)
PIC enhanced allowance	–	(11)
(Over)/under provision in prior years – current income tax	(92)	115
Over provision in prior years – deferred tax	(25)	–
Effect of non-allowable items	5,782	1,463
Stepped income exemption	–	(36)
Corporate income tax rebate	–	(19)
Unrecognised deferred tax benefits	14,702	1,039
Other deductions	–	(20)
Others	–	(12)
Total income tax (credit)/expense	(89)	797

10. Loss per share

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

	Group	
	2016	2015
Loss attributable to equity holders of the Company ($'000)	(120,124)	(10,240)
Weighted average number of ordinary shares in issue	448,735,224	445,063,542
Basic loss (cents per share)	(26.77)	(2.30)
Diluted loss (cents per share)	(26.77)	(2.30)

Diluted loss per share is the same as the basic loss per share because the potential ordinary shares from the employee share option scheme, convertible loans and share warrants are anti-dilutive as the effect of exercise of options or warrants or the shares conversion would be to decrease the loss per share.

Share options of 1,050,000 (2015:1,250,000) outstanding under the existing share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

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11. Property, plant and equipment

Group	Leasehold land and buildings $'000	Plant and machinery $'000	Office equipment $'000	Motor vehicles $'000	Furniture and fittings $'000	Construction in progress $'000	Total $'000
	At valuation	←		At cost			→
2016							
Balance at 1 January 2016	7,188	1,137	1,152	382	394	9,956	20,209
Revaluation	(290)	–	–	–	–	–	(290)
Additions	–	7	23	–	–	2,966	2,996
Disposal	–	(495)	(141)	(29)	(200)	–	(865)
Write-off	–	(200)	(675)	–	(67)	–	(942)
Reclassified to asset held for sale	(6,898)	–	–	–	–	–	(6,898)
Currency re-alignment	–	–	6	12	–	–	18
Balance at 31 December 2016	–	449	365	365	127	12,922	14,228
Accumulated depreciation							
Balance at 1 January 2016	925	607	633	227	211	–	2,603
Depreciation	373	59	107	30	49	–	618
Disposal	–	(257)	(88)	(29)	(140)	–	(514)
Write-off	–	(140)	(475)	–	(48)	–	(663)
Reclassified to asset held for sale	(1,298)	–	–	–	–	–	(1,298)
Currency re-alignment	–	–	3	5	2	–	10
Balance at 31 December 2016	–	269	180	233	74	–	756
Impairment							
Impairment during the year and balance at 31 December 2016	–	–	–	–	–	(3,928)	(3,928)
Carrying amount							
At 31 December 2016	–	180	185	132	53	8,994	9,544

11. Property, plant and equipment (Continued)

Group	Leasehold land and buildings $'000	Plant and machinery $'000	Office equipment $'000	Motor vehicles $'000	Furniture and fittings $'000	Construction in progress $'000	Total $'000
	At valuation	←		At cost			→
2015							
Balance at 1 January 2015	4,363	857	1,093	367	393	5,517	12,590
Revaluation	2,825	–	–	–	–	–	2,825
Additions	–	280	105	–	–	4,439	4,824
Disposal	–	–	(36)	–	(4)	–	(40)
Reclassified to intangible asset	–	–	(21)	–	–	–	(21)
Currency re-alignment	–	–	11	15	5	–	31
Balance at 31 December 2015	7,188	1,137	1,152	382	394	9,956	20,209
Accumulated depreciation							
Balance at 1 January 2015	695	547	543	190	160	–	2,135
Depreciation	230	60	102	30	49	–	471
Disposal			(15)	–	–	–	(15)
Currency re-alignment	–	–	3	7	2	–	12
Balance at 31 December 2015	925	607	633	227	211	–	2,603
Carrying amount							
At 31 December 2015	6,263	530	519	155	183	9,956	17,606

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11. Property, plant and equipment (Continued)

Leasehold land and building of the Group with carrying amount of $5,600,000 (2015: $6,263,000) are pledged to financial institutions for banking facilities (Note 27).

Leasehold land and buildings of the Group were valued as at 31 December 2015 by Dennis Wee Realty Pte Ltd, an independent professional valuation firm using the sales comparison approach. Sale prices of comparable land and buildings in similar locations are adjusted for differences in key attributes such as land and property size. The most significant input into the valuation model is the price per square metre of the land and buildings. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of land and buildings are considered level 2 recurring fair value measurements.

On 14 October 2016, EES entered into a sale and purchase agreement with a third party for disposal of its leasehold land and buildings with carrying amount of $5,600,000 for a consideration of $5,600,000. On 18 September 2017, JTC Corporation issued a letter to approve the proposed disposal subject to the terms and conditions stated therein. The Group's leasehold land and buildings are reclassified into assets held for sale as at 31 December 2016.

In the previous financial year, if the leasehold land and buildings of the Group stated at valuation were included in the financial statements at historical cost less accumulated depreciation and impairment loss, their carrying amounts would have been approximately $1,318,000.

During the financial year, EES carried out a review of the recoverable amount of its construction in progress due to the cessation of operations. An impairment of $3,928,000 (2015: Nil), representing the write-down of this construction in progress was recognised in "Other expenses" (Note 8) line item of profit or loss for the financial year ended 31 December 2016.

	Office equipment $'000	Construction in progress $'000	Total $'000
Company			
2016			
Cost			
Balance at 1 January 2016	205	6,031	6,236
Additions	23	2,963	2,986
Disposal	(125)	–	(125)
Balance at 31 December 2016	103	8,994	9,097
Accumulated depreciation			
Balance at 1 January 2016	150	–	150
Depreciation charge	8	–	8
Disposal	(57)	–	(57)
Balance at 31 December 2016	101	–	101
Carrying amount			
At 31 December 2016	2	8,994	8,996

11. Property, plant and equipment (Continued)

	Office equipment $'000	Construction in progress $'000	Total $'000
Company			
2015			
Cost			
Balance at 1 January 2015	152	1,906	2,058
Additions	53	4,125	4,178
Balance at 31 December 2015	205	6,031	6,236
Accumulated depreciation			
Balance at 1 January 2015	149	–	149
Depreciation charge	1	–	1
Balance at 31 December 2015	150	–	150
Carrying amount			
At 31 December 2015	55	6,031	6,086

12. Investment property

	Group	
	2016 $'000	2015 $'000
Cost		
At beginning of financial year	243	227
Disposal	(243)	–
Currency re-alignment	–	16
At end of financial year	–	243
Accumulated depreciation		
At beginning of financial year	42	36
Depreciation charge	3	3
Disposal	(45)	–
Currency re-alignment	–	3
At end of financial year	–	42
Carrying Value		
Net carrying amount	–	201

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12. Investment property (Continued)

Details of the Group's Investment property as at 31 December 2015 was as follow:

Location	Description	Tenure/unexpired term	Fair value
Block 192 Pandan Loop #07-25 Pantech Business Hub Singapore 128381	Office	99 years lease commencing from January 27, 1984	$239,927

The fair value of the investment properties disclosed in the financial statements were based on highest and best use which was in line with current use. The valuation was carried out by independent professional valuation firm with experience in the location and category of the property being valued. The valuations were arrived at by reference to market evidence of transacted prices per square metre in the open market for comparable properties with adjustments made to unobservable inputs such as location, size, amenities and lease terms etc. As at 31 December 2015, the fair value measurements of the Group's investment properties are classified within Level 3 of the fair value hierarchy.

Investment property was leased to third party under operating leases (Note 35) and was pledged to financial institutions for bank loans which were subsequently settled during the financial year ended 31 December 2016 (Note 27).

	Group	
	2016 $'000	2015 $'000
Rental income from investment property (Note 6)	23	25
Property tax expense and other direct operating expenses arising from investment properties that generated income	–	2

13. Intangible assets

	Certificate $'000	Goodwill $'000	Total $'000
Group			
2016			
Cost:			
Balance at 1 January and 31 December 2016	21	14,953	14,974
Impairment:			
Balance at 1 January 2016	–	7,505	7,505
Impairment loss (Note 8)	21	7,448	7,469
Balance at 31 December 2016	21	14,953	14,974
Carrying amount			
At 31 December 2016	–	–	–

13. Intangible assets (Continued)

	Certificate $'000	Goodwill $'000	Total $'000
Group			
2015			
Cost:			
Balance at 1 January 2015	–	14,953	14,953
Reclassification	21	–	21
Balance at 31 December 2015	21	14,953	14,974
Impairment:			
Balance at 1 January 2015	–	5,705	5,705
Impairment loss (Note 8)	–	1,800	1,800
Balance at 31 December 2015	–	7,505	7,505
Carrying amount			
At 31 December 2015	21	7,448	7,469

Impairment tests for goodwill

Goodwill is allocated to each of the Group's CGUs expected to benefit from synergies of the business combination.

A summary of the goodwill allocation is analysed as follows:

	31.12.2016 $'000	31.12.2015 $'000
EMS Energy Solutions Pte Ltd	–	7,448

The recoverable amount of the relevant assets had been determined on the basis of their value-in-use calculations based on financial budgets for the next five years as approved by management. Cash flows projection used in these calculations were based on financial budgets for the next five years. Cash flow beyond the five-year period were extrapolated using the estimated growth rates stated below. These rates were determined based on past performance, sales order book on hand and expected market conditions.

	31.12.2016	31.12.2015
Gross margin(1)	–	14%
Growth rate(2)	–	4%
Discount rate(3)	–	14.5%

(1) Budgeted gross margin.

(2) Weighted average growth rate used to extrapolate cash flows beyond the budgeted period.

(3) Pre-tax discount rate applied to the pre-tax cash flows projection.

During the previous financial year, due to the slump in the price of crude oil, an impairment loss was recognised to write-down to its recoverable amount the carrying amount of goodwill attributable to the EPCM – Marine and offshore & trading segment. The impairment loss of $1,800,000 has been recognised in the profit or loss under the line item other expenses.

During the financial year, the goodwill has been fully impaired as the subsidiary ceased its operation due to financial difficulty.

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14. Investments in subsidiaries

	Company	
	2016 $'000	2015 $'000
Unquoted equity shares, at cost	165,711	165,711
Allowance for impairment losses	(165,711)	(36,460)
Net carrying value	–	129,251

Movements in allowance for impairment losses were as follows:

	Company	
	2016 $'000	2015 $'000
Balance at beginning of financial year	36,460	6,460
Allowance made during the financial year	129,251	30,000
Balance at end of financial year	165,711	36,460

Impairment of subsidiary

As at 31 December 2015, the Company carried out a review on the recoverable amount of its investments in subsidiaries due to the slump in the price of crude oil. The review led to the recognition of an impairment loss of approximately $30 million pertaining to the investment in Windale Holdings Limited that have been recognised in the Company's profit or loss. The recoverable amount of the investment in a subsidiary of $120 million has been determined based on value-in-use calculation estimated by the management using the projected cash flows from the Windale Holdings Limited Group for a period five years using a discount rate of 16.9% and revenue growth rate of 2.7%.

As at 31 December 2016, further allowance for impairment losses of $129 million was recognised due to its two major subsidiaries, EES and KIPL in unfavourable financial positions and have since ceased its operations.

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/principal place of business)	**Principal activities**	**Shareholding**	
		2016 **%**	**2015** **%**
Held by Company			
EMS Offshore Pte.Ltd.(1)	Investment holding	100	100
EMS Oil & Gas Ltd(2) (Malaysia)	Dormant	100	100
Windale Holdings Limited(3) (British Virgin Island)	Investment holding	100	100
Koastal International Pte Ltd (formerly known as Koastal Pte Ltd and Koastal Investment Holdings Pte Ltd)(1)* (Singapore)	Investment holding	100	100

14. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows: (Continued)

Name of subsidiaries (Country of incorporation/principal place of business)	**Principal activities**	**Shareholding**	
		2016 %	**2015** %
Held by EMS Offshore Pte Ltd			
EMS Energy Solutions Pte Ltd(1) (Singapore)	Design, manufacture and installation of engineering solution for oil & gas and offshore marine industries#	100	100
EMS Energy Services Sdn Bhd(4) (Malaysia)	Dormant	100	100
DSX Systems Pte Ltd(4) (Singapore)	Dormant	100	100
Held by Koastal International Pte Ltd (“KPL”)			
Koastal Industries Pte Ltd(1) (Singapore)	Import and export of marine equipment and spare parts, engineering, procurement and construction management, installation and commissioning#	100	100
Overseas Drilling Holdings Ltd(3) (British Virgin Island)	Investment holding	100	100
Held by Koastal Industries Pte Ltd (“KIPL”)			
Koastal Eco Industries Pte Ltd(1) (Singapore)	Providing environmental engineering services and sewerage treatment plant construction	100	100
Koastal Marine Pte. Ltd.(1) (Singapore)	Dormant	100	100
Held by Koastal Eco Industries Pte Ltd (Singapore)			
Koastal Eco Industries Company Limited.(5) (Vietnam)	Providing technical services in the field of environmental systems and industrial water treatment works	100	100

(1) Audited by BDO LLP, Singapore.

(2) Subsidiary is dormant and not required to be audited.

(3) Not required to be audited in country of incorporation. The Group acquired the interest in the shares through financing from borrowings from third parties (Note 28).

(4) Subsidiary is in the process of strike off.

(5) Audited by member firms of the BDO network in the respective countries.

* (i) Change of name from Koastal Pte Ltd to Koastal Investment Holdings Pte Ltd on 4 February 2016 and to Koastal International Pte Ltd on 3 August 2017; and

(ii) Transfer of 100% shareholding in Koastal International Pte Ltd from Windale Holdings Limited to the Company on 14 June 2017.

\# During the financial year these subsidiaries ceased their operations due to financial difficulties.

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15. Investment in associate

	Group	
	2016 $'000	2015 $'000
Equity investment at carrying value		
At beginning of financial year	6,057	7,994
Impairment losses	(2,815)	(2,100)
Shares of results	(189)	248
Dividend received	–	(217)
Share of other comprehensive income		
- Translation reserve	(9)	4
- Fair value loss/gain on available-for-sale financial asset	(9)	4
- Revaluation (deficits) surplus	(57)	124
Reclassified to asset held for sale	(2,978)	–
At end of financial year	–	6,057

Movements in allowance for impairment losses are as follows:

	Group	
	2016 $'000	2015 $'000
Balance at beginning of financial year	(2,100)	–
Allowance made during the financial year	(2,815)	(2,100)
Balance at end of financial year	(4,915)	(2,100)

During the financial year, the Group carried out review of the recoverable amount of its investment in associate due to the slump in crude oil prices. The review has led to an impairment charge of $2.8 million (2015: $2.1 million) to reflect the recoverable amount as at end of the financial year. The recoverable amount is determined based on indicative value obtained from third party which the Group can recover if they dispose its interest in the associate.

Subsequent to the reporting date, the Group disposed its investment in associate for a consideration of $2,800,000. Consequently, the Group's investment in associate is reclassified into assets held for sale as at 31 December 2016.

The details of the associate is as follows:

Name of associates (Country of incorporation/principal place of business)	Principal activities	Shareholding	
		2016 %	2015 %
Oilfield Services & Supplies Pte Ltd(1) (Singapore)	Manufacture, rental and servicing of downhole tools and equipment that are used primarily in oil and gas exploration	20	20

(1) Audited by Nexia T S Public Accounting Corporation

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15. Investment in associate (Continued)

Summarised financial information in respect of the Company's associate is set out as follows:

Summarised statement of financial position

	2016 $'000	2015 $'000
Current assets	13,914	16,218
Current liabilities	7,620	7,933
Non-current assets	23,656	23,687
Non-current liabilities	5,694	4,975
Net assets	24,256	26,997

Summarised statement of comprehensive income

	2016 $'000	2015 $'000
Revenue	11,066	15,301
(Loss)/Profit for the year	(1,034)	1,337
(Loss)/Profit after tax for the year	(947)	1,240
Other comprehensive income	(374)	661
Total comprehensive income	(1,321)	1,901
Dividends received from associated company	–	217
Group's share of associate's (loss)/profit for the year	(189)	248

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in significant associate, is as follows:

	2016	2015
Proportion of the Group's ownership	20%	20%
Group's share of net assets	4,851	5,399
Goodwill	942	658
Allowance for impairment of associate company	(2,815)	–
Reclassified to asset held for sale	(2,978)	–
	–	6,057

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16. Available-for-sale financial assets

	Group	
	2016 $'000	2015 $'000
Investment in life insurance plans	–	1,220
Investment in unquoted equity shares	3,986	8,512
	3,986	9,732
Investment in life insurance plan		
At fair value		
At beginning of financial year	1,220	1,115
Annual premium charged to profit or loss (included under "Administrative expense")	–	(15)
Fair value gain recognised in other comprehensive income	–	42
Disposal	(1,220)	–
Foreign currency translation	–	78
At end of financial year	–	1,220
Investment in unquoted equity shares		
At cost		
At beginning of financial year	8,512	8,512
Less : Provision for impairment loss during the financial year	(4,526)	–
At end of financial year	3,986	8,512

The investment in life insurance plans pertain to the 'Asian Wealth Prestige Universal Life Insurance Policy' and 'Jade Global Select Universal Life Plan' bought by the Group to insure a director for a sum of US$1,000,000 and US$3,000,000 respectively. The investment in life insurance plans have variable return determined by the insurer. These investments were pledged to a bank for certain banking facilities (Note 27). These investments were surrendered during the year.

The investment in unquoted equity shares was initially recognised at fair value on acquisition and subsequently carried at cost less impairment loss as its fair value cannot be determined reliably.

During the financial year, an impairment loss on investment in unquoted equity securities amounting to $4,526,000 was recognised as the financial performance of PVDO is experiencing downturn as a result of the overall situation in the oil and gas sector.

The currency profiles of the Company's available-for-sale investments are as follows:

	Group	
	2016 $'000	2015 $'000
Singapore dollar	3,986	8,512
United States dollar	–	1,220
	3,986	9,732

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17. Deferred tax assets/(liabilities)

The following are the major deferred tax assets and liabilities recognised by the Group and movement during the financial year.

	Group	
	2016	2015
	$'000	$'000
Deferred tax liabilities	–	(25)
Deferred tax assets	125	125

The amount of temporary differences for which deferred tax liability has been recognised are as follows:

	Group	
	2016	2015
	$'000	$'000
Plant and equipment	–	(18)
Fair value gain	–	(7)
	–	(25)

The amount of temporary differences for which deferred tax asset has been recognised are as follows:

	Group	
	2016	2015
	$'000	$'000
Allowance for foreseeable losses	125	125

Subject to the agreement by relevant taxation authorities, at the end of financial year ended, the Group has unutilised tax losses of $49,540,000 (2015: $16,806,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of the tax losses as management expect not to have sufficient taxable profits in the near future. These losses may be carried forward indefinitely subject to the conditions imposed by law.

18. Inventories

	Group	
	2016	2015
	$'000	$'000
Raw materials	112	137
Allowance for inventory write down	(86)	(86)
	26	51
Machinery parts	622	635
	648	686

The cost of inventories recognised as an expense in "cost of sales" amounts to $20,280,000 (2015: $41,631,000).

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19. Trade and other receivables

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables				
- Third parties	9,047	9,664	–	–
- Related parties	90	327	–	–
Accrued revenue	98	201	–	–
	9,235	10,192	–	–
Less: Allowance for doubtful trade receivables (third parties)	(3,327)	–	–	–
	5,908	10,192	–	–
Other receivables				
- Third parties	17,334	18,205	476	–
- Subsidiaries	–	–	16,751	25,124
- Related parties	1,349	1,132	–	–
- Advance to a director of a foreign subsidiary	1,245	–	–	–
- Deposits	735	524	50	106
	20,663	19,861	17,277	25,230
Less: Allowance for doubtful other receivables				
Balance at beginning of year	(522)	(522)	(101)	–
Charge for the year	(16,467)	–	(16,505)	(101)
Balance at end of year	(16,989)	(522)	(16,606)	(101)
	3,674	19,339	671	25,129
	9,582	29,531	671	25,129
Add: GST receivables	57	342	–	–
Total trade and other receivables	9,639	29,873	671	25,129

Trade receivables are non-interest bearing and generally on 0 to 30 (2015: 0 to 30) days' credit.

The non-trade receivables due from related parties and loan to a director of a foreign subsidiary are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The Group has recognised an allowance for doubtful other receivables of $16,467,000 (2015: $522,000) for other receivables including related parties balances based on estimated irrecoverable amounts, determined by reference to past default experience relating to the non-trade receivables due from related parties.

In the previous financial year, included in the other receivables from third parties is an amount totalling $4.9 million was secured, guaranteed by the controlling shareholder, interest free, non-trade in nature and is repayable on or before 31 December 2016. This amount has been fully impaired during the financial year.

The non-trade receivables due from subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to historical experience in the receivables collection.

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19. Trade and other receivables (Continued)

Movements in allowance for doubtful trade receivables for third parties are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Balance at beginning of year	–	778	–	–
Bad debt receivables written off	–	(778)	–	–
Allowance made during the year	3,327	–	–	–
Balance at end of year	3,327	–	–	–

The currency profiles of the Group's and the Company's trade and other receivables included as "loan and receivables" are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
United States dollar	1,596	24,053	–	844
Singapore dollar	3,219	2,507	671	24,285
Vietnamese dong	4,727	2,925	–	–
Others	40	46	–	–
	9,582	29,531	671	25,129

20. Amounts due from/(to) contract customers

	Group	
	2016 $'000	2015 $'000
Contract costs incurred plus recognised profits (less recognised losses to date)	95,835	191,095
Less: Progress billings	(151,924)	(149,878)
	(56,089)	41,217
Amounts due from contract customers	3,868	44,621
Amounts due to contract customers	(59,957)	(3,404)
	(56,089)	41,217

Included in the amount due to Contract Customers is the claim by one of the Contract Customer during the financial year amounting to approximately $59.3 million.

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21. Cash and bank balances

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at bank and on hand	433	396	1	19
Fixed deposits	–	7,709	–	–
Cash and bank balances	433	8,105	1	19

Fixed deposits of approximately $Nil (2015: $7,709,000) are pledged as security for overdraft, short terms loans and bank guarantee purpose.

The currency profiles of the Group's cash and bank balances were as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
United States dollar	135	5,048	–	–
Singapore dollar	190	2,900	1	19
Euro	–	18	–	–
Vietnamese Dong	104	135	–	–
Others	4	4	–	–
	433	8,105	1	19

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at the end of financial year:

	Group	
	2016 $'000	2015 $'000
Cash and bank balances	433	8,105
Less: bank overdrafts (Note 27)	(103)	(1,034)
Less: bank deposits pledged	–	(7,709)
Cash and cash equivalents	330	(638)

22. Asset held for sale

	Group	
	2016 $'000	2015 $'000
Property, plant and equipment (Note 11)	5,600	–
Investment in associate (Note 15)	2,978	–
	8,578	–

23. Share capital

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares			
	’000	’000	$’000	$’000
Issued and fully-paid:				
At beginning of financial year	448,735	1,480,710	167,711	47,050
Issuance of rights shares	–	88,000	–	2,024
Share issue expenses	–	–	–	(97)
	448,735	1,568,710	167,711	48,977
Impact of the share Consolidation:	–	(1,464,129)	–	–
Issuance of shares pursuant to the restructuring exercise	–	344,155	–	118,734
At end of financial year	448,735	448,736	167,711	167,711

On 2 June 2015, the Company issued 88 million new ordinary shares (“Rights Shares”) pursuant to a renounceable non-underwritten rights issue at an issue price of S$0.023 for each Rights Share. The Rights Issue was approved by shareholders at the annual general meeting of the Company held on 11 April 2015. Funds raised was to provide flexibility for the expansion of the Group’s operations and the building of new waterfront facility in Tuas.

The Company undertook a consolidation of its shares on the basis of every 15 existing shares into one consolidated share, which approved by the shareholders at an extraordinary general meeting on 15 October 2015. The share consolidation became effective on 26 October 2015.

On 26 October 2015, the Company issued 344,155,420 new ordinary shares (“Share Issue”) to the Vendors amounting to $118,734,000 which constitute the consideration for the acquisition of Windale Holdings Limited. The Share Issue was approved by shareholders at the extraordinary general meeting of the Company held on 15 October 2015.

24. Share options

No share option was granted by the Company in the financial year 2016 and 2015.

In financial year 2014, share options were granted to the Group’s directors and key management personnel in accordance to the provisions stipulated in the Company’s Employee Share Option Scheme (“the Scheme”) approved by the shareholders of the Company at the Extraordinary General Meeting held on 22 August 2009.

The exercise price of the options is determined at the average of the closing prices of ordinary shares as quoted on the Catalyst of the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is determined annually at the end of the relevant financial year based on the condition that Group’s directors and key management personnel have completed a full year of term/service with Group.

Once they have vested, the options are exercisable over a period of five (5) years for the independent directors and ten (10) years for the executive director and key management personnel. The options may be exercised in full or in part in respect of one thousand (1,000) shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of the Company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24. Share options (Continued)

The following options have been granted pursuant to the Scheme:

(i) On 24 February 2014, a total of 750,000 options to the Independent Directors of the Company as set out below:

Independent Directors	Number of Share Options Outstanding as at 31 December 2016 Original	 Adjusted#
Mr. Lim Siong Sheng	250,000	50,000
Mr. Lim Poh Boon	250,000	50,000
Mr. Ung Gim Sei	250,000	50,000

These options, which are exercisable from 23 February 2015 to 22 February 2020, were granted at an exercise price of $0.069 at the date of the grant and subsequently revised to $0.027 on 1 December 2014 as disclosed in (iv) below.

As at 31 December 2016, an adjusted# total 150,000 options granted to the Independent Directors still remained outstanding and exercisable into 150,000 ordinary shares at an exercise price of $0.405.

(ii) On 24 February 2014, a total of 15,000,000 options at an exercise price of $0.069 per option at the date of grant to employees who are not Directors, controlling shareholders or their associates. On 1 December 2014, the exercise price of these options has been revised to $0.027 as disclosed in (iv) below. 1,500,000 options granted in 2014 were not accepted and 7,500,000 options granted in 2014 were forfeited upon the resignation of certain employees in 2014.

As at 31 December 2016, 200,000 options (adjusted for share consolidation) remained outstanding and exercisable into 200,000 ordinary shares at an exercise price of $0.405. These options are exercisable from 23 February 2015 to 22 February 2025.

(iii) Pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 26 April 2014, the Company had on 28 April 2014, granted a total of 10,500,000 options at an exercise price of $0.061 per option at the date of the grant, to Mr. Ting Teck Jin, an Executive Director and controlling shareholder of the Company. These options are exercisable from 27 April 2015 to 26 April 2025. The exercise price of these options has been revised to $0.027 on 1 December 2014 as disclosed in Note (iv) below.

As at 31 December 2016, an adjusted# total of 700,000 options granted to Mr. Ting Teck Jin still remained outstanding and exercisable into 700,000 ordinary shares at exercise price of $0.405.

(iv) On 1 December 2014, the Company announced that following the Rights Issue that were completed in October 2014 and pursuant to the rules of the EMS Energy Employee Share Option Scheme, adjustments had been made to the exercise price of the outstanding Share Options (the "**Adjustments**") in the following manner:

Share Options Issued To	Exercise Price Before Adjustments	Exercise Price After Adjustments
Independent Directors	$0.069	$0.027
Employees who are not Directors, Controlling Shareholders or their Associates	$0.069	$0.027
Controlling Shareholder	$0.061	$0.027

The Adjustments has been made in accordance with the rules of the Scheme. The Adjustments took effect on 1 December 2014.

\# The Company undertook a consolidation of its shares on the basis of every 15 existing shares into one consolidated share, which was approved by the shareholders at an extraordinary general meeting held on 15 October 2015. The share consolidation became effective on 26 October 2015. Accordingly, the share options granted are adjusted to take into account of the share consolidation pursuant to Rule 12 of the EMS Energy Employee Share Option Scheme.

24. Share options (Continued)

Movements in the number of unissued ordinary shares under option and their exercise prices are as follows.

	Post Share Consolidation Adjustment #					
	Beginning of financial year ’000	Granted during financial year ’000	Lapsed during financial year ’000	Exercised during financial year ’000	End of financial year ’000	Exercise price $
Group and Company						
2016						
Independent Directors [(i)]	150	–	–	–	150	0.027
Key management personnel [(ii)]	200	–	–	–	200	0.027
Executive Director/ Controlling Shareholders [(iii)]	700	–	–	–	700	0.027
	1,050	–	–	–	1,050	

	Post Share Consolidation Adjustment #					
	Beginning of financial year ’000	Granted during financial year ’000	Lapsed during financial year ’000	Exercised during financial year ’000	End of financial year ’000	Exercise price $
Group and Company						
2015						
Independent Directors [(i)]	150	–	–	–	150	0.405
Key management personnel [(ii)]	400	–	(200)	–	200	0.405
Executive Director/ Controlling Shareholders [(iii)]	700	–	–	–	700	0.405
	1,250	–	(200)	–	1,050	

(i) Exercise period – 23 February 2015 to 22 February 2010

(ii) Exercise period – 23 February 2015 to 22 February 2025

(iii) Exercise period – 27 April 2015 to 26 April 2015

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Other reserves

	Group	
	2016 $'000	2015 $'000
Capital reserve	268	268
Fair value reserve	(47)	161
Foreign currency translation reserve	(5,937)	(2,003)
Revaluation reserve	6,178	6,525
Share option reserve	85	80
Merger reserve	(149,000)	(149,000)
	(148,453)	(143,969)

25.1 Capital reserve

The capital reserve of $268,000 (2015: $268,000) for the year ended 31 December 2016 pertains to a capital contribution arising from a waiver of an amount payable (non-trade) to a related party in prior years.

25.2 Fair value reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

25.3 Foreign currency translation reserve

The foreign currency translation account comprises of all foreign exchange differences arising from the translation of the financial statements of foreign operations and entities whose functional currencies are different from that of the Group's presentation currency and is non-distributable.

Movement in the foreign currency translation account is set out in the consolidated statement of changes in equity.

25.4 Revaluation reserve

The revaluation reserve represents the increase in the fair value of freehold land and building, other than investment property, net of tax, and the decrease to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

	Group	
	2016 $'000	2015 $'000
At beginning of financial year	6,525	3,576
(Loss)/gain on revaluation	(290)	2,825
Share of associate's revaluation	(57)	124
At end of financial year	6,178	6,525

25.5 Share option reserve (Group and Company)

The share option reserve arises on the grant of share options to employees under the employee share option plan.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Other reserves (Continued)

25.6 Merger reserve

Merger reserve adjustment of $149 million represents the difference between the consideration and the carrying value of the net assets of Windale Holdings Limited Group which was considered as a business combination under common control.

26. Finance lease liabilities

	Group		
	Minimum lease payments $'000	Future finance charges $'000	Present value of minimum lease payments $'000
2016			
Within one year	–	–	–
After one year but within five years	–	–	–
	–	–	–
2015			
Within one year	3	–	3
After one year but within five years	–	–	–
	3	–	3

The finance leases terms range is 7 years from financial year 2009 to financial year 2016.

The effective interest rates charged during the financial year is 4.53% (2015: 4.53%) per annum.

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Company. The lessor is the finance company.

The finance lease payables are denominated in Singapore dollar.

27. Bank borrowings

	Group	
	2016 $'000	2015 $'000
Bank loans	22,567	26,815
Bank overdrafts	103	1,034
Total	22,670	27,849

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Bank borrowings (Continued)

	Group	
	2016 $'000	2015 $'000
Bank loan 3	2,927	1,680
Bank loan 4	2,088	3,500
Bank loan 5	8,370	8,487
Bank loan 6	–	73
Bank loan 7	106	193
Bank loan 9	887	2,000
Bank loan 10	2,640	5,658
Bank loan 13	1,993	900
Bills payables	3,556	4,324
Bank overdrafts	103	1,034
	22,670	27,849

(a) The bank loans are secured as follows:

(i) Bank loan 3 is secured by mortgage over certain property, plant and equipment of the Group amounting to $5,600,000 (2015: $6,263,000), guarantee of the director and corporate guarantee of the Company.

(ii) Bank loan 4 is joint and several guarantee of the directors and corporate guarantee of one of the subsidiary.

(iii) Bank loan 5 is joint and several guarantee of the directors and corporate guarantee of one of the subsidiary.

(iv) Bank loan 6 was secured by mortgage over the investment property (Note 12), pledge of First legal assignment of Jade Global Insurance Policy (Note 16) in relation to a director and joint and several guarantee of the directors. This loan was fully settled in the current financial year.

(v) Bank loan 7 is secured by negative pledge over the assets of a subsidiary and joint and several guarantee of the directors.

(vi) Bank loan 9 is secured by joint and several guarantee of the directors and corporate guarantee of one of the subsidiary.

(vii) Bank loan 10 is secured by joint and several guarantee of the directors.

(viii) Bank loan 13 was secured by receivables and certain real estate located in Vietnam that belongs to a director of a subsidiary.

The average effective borrowing rates range from 4.16% to 9.80% (2015: 2.45% to 11.50%) per annum and have become payable subsequent to 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Bank borrowings (Continued)

(b) The bank overdrafts are repayable on demand and secured as follows:

(i) First legal mortgage to be executed by the Company and it subsidiary over certain property, plant and equipment.

(ii) Corporate guarantee by the corporate guarantor.

The average effective interest rates on bank overdrafts and bills payables range from 2% to 5% (2015: 2% to 6%) during the financial year.

(c) Undrawn borrowing facilities

	Group	
	2016	2015
	$'000	$'000
Undrawn borrowing facilities	–	29,639

The currency profiles of bank borrowings of the Group are as follows:

	Group	
	2016	2015
	$'000	$'000
Singapore dollar	9,669	9,921
United States dollar	11,008	16,350
Vietnamese dong	1,993	900
Others	–	678
	22,670	27,849

28. Borrowings from third parties

	Group	
	2016	2015
	$'000	$'000
Balance at beginning of year	10,470	8,574
Interest accretion during the financial year	1,890	1,896
Balance at end of year	12,360	10,470

In financial year 2014, Koastal International Pte Ltd ("KPL"), a subsidiary of the Group, entered into a put and call option deed with Philip Ventures Enterprise Fund 3 Ltd and Venstar Investments II Ltd to obtain the funds to invest in Overseas Drilling Holdings Ltd ("ODH"). ODH in turn acquired 10% stake of the share capital of PV Drilling Overseas Company Private Limited ("PVDO") for a purchase consideration of US$4,196,000 (approximately $5,257,000). In addition to the purchase consideration, ODH has also made capital injections of US$2,604,000 (approximately $3,255,000). The purchase consideration and capital injection amounted to $8,512,000 ("Investment Amount") (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Borrowings from third parties (Continued)

Under the above arrangement,

(a) The Investors have granted KPL a call option to require the Investors to sell to the Company all the shares of ODH at 122.5% of the Investment Amounts ("Call Option");

(b) KIPL has granted the Investors to require KPL to purchase all of the shares of ODH held by the Investors at 122.5% of the Investment Amounts ("Put Option");

(c) The Put Option and Call Option are exercisable 18 months from August 2014 and will expire 30 days thereafter.

The matching terms of the Call Option and the Put Option have effectively resulted in a bridging loan arrangement for the Company to acquire 10% interest in PVDO (Note 16) through ODH. The Group effectively controls/and owns 100% of the shares of ODH (Note 14). The borrowings from the Investors are measured at amortised cost using the effective interest method and are expected to be settled in Singapore Dollars.

29. Financial derivative liabilities

		Group	
	Non–current liabilities $'000	Current liabilities $'000	Total $'000
2016			
Financial derivative liabilities			
Share warrants	–	1,080	1,080
Convertible loan (Note 30)	–	1,892	1,892
	–	2,972	2,972

		Group	
	Non–current liabilities $'000	Current liabilities $'000	Total $'000
2015			
Financial derivative liabilities			
Share warrants	–	1,020	1,020
Convertible loan (Note 30)	1,892	–	1,892
	1,892	1,020	2,912

As part of the put and call option deed (Note 28), KPL also issued 2 share warrants to the Investors with a total exercise value of US$2,000,000 which grant the investors the right to subscribe for shares in KPL at an exercise price of 80% of the share price of KPL in the event of an IPO or trade sale which will expire 3 years after the date of issue ("KPL Share Warrants"). The Share Warrants are derivative financial instrument initially measured at fair value of S$655,000 and subsequent changes in fair value has been recognised in the income statement.

During the financial year, as part of the Restructuring exercise, the KPL share warrants have been replaced with the Company's share warrants. The Company has issued new warrants to the warrant holder in exchange for the KPL share warrants.

29. Financial derivative liabilities (Continued)

The key terms of the new warrants are as follows:

(a) Each New Warrant carrying the right to subscribe for one (1) new Share ("Warrant Share") at the Exercise Price of S$0.276 per Warrant Share.

(b) Warrant holders agreeing not to exercise any of the Warrants, from the date of the Warrant Exchange Agreements up to the Warrants Exchange Completion; and

(c) Warrant holders surrendering the KPL Share Warrants for cancellation on the Warrants Exchange Completion in accordance with the terms of the Warrant Exchange Agreements, upon which the existing warrants shall be terminated and shall carry no further rights.

	Group	
	2016	**2015**
	$'000	**$'000**
Derivative financial liabilities		
At fair value		
At beginning of financial year	2,912	701
Additions	–	1,892
Fair value loss recognised in profit or loss	60	319
At end of financial year	2,972	2,912

30. Convertible loan

	Group	
	2016	**2015**
	$'000	**$'000**
Face value of convertible loan	6,708	6,708
Less: financial derivative liability (Note 29)	(1,892)	(1,892)
	4,816	4,816
Add: Interest accretion:		
Balance as at beginning of the financial year	402	–
Interest accretion during the financial year	724	402
Balance as at the end of the financial year	1,126	402
Balance at end of year	5,942	5,218

On 4 May 2015, the Company announced that KPL had entered into negotiations with Venstar Investments III Ltd ("Venstar III") in relation to the proposed issue and subscription of convertible notes (the "Notes") with a coupon interest of 15% p.a., maturing on 12 June 2018 with an aggregate principal value of $6.708 million, redeemable or convertible at the option of Venstar III into new ordinary shares in the capital of the Company to be issued credited as fully paid-up (the "Exchanged Shares"), subject to and in accordance with the terms and conditions of the Notes. The Notes have not been redeemed nor converted into ordinary shares of the Company as at 31 December 2016.

The Group has assessed and classified the equity conversion feature in the Notes as an embedded derivative. Accordingly, the Group has engaged an independent professional valuer to determine the fair value of the derivative, taking into consideration certain parameters such as the volatility, risk-free rate of the host contract, etc. Based on this valuation, the total subscribed amount of the Notes, were segregated into convertible loan (debt host) and derivative financial liability of $4,816,000 and $1,892,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Trade payables				
- Third parties	17,250	13,956	–	–
- Related parties	192	165	–	–
- Accrued trade payables	11,616	36,862	–	–
	29,058	50,983	–	–
Other payables				
- Third parties	6,879	4,511	5,990	3,510
- Related parties	105	62	4	–
- Amount due to a director	1,495	948	–	–
- Loan from a director of a subsidiary	–	55	–	–
- Accrued operating expenses	5,028	2,391	862	450
- Deposits	39	4	–	–
Total trade and other payables	42,604	58,954	6,856	3,960

The non-trade amounts due to related parties and Director within other payables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

The non-trade amounts due to subsidiaries are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Included in the other payables from third parties is an amount $1.35 million (2015: $1 million) due to individuals which are secured, bear interest at 18% per annum, non-trade in nature and is repayable by June 2016.

No interest is charged on the trade and other payables, other than as disclosed above.

The currency profiles of trade and other payables of the Group and the Company are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore dollar	27,455	23,878	6,528	3,450
Euro	139	443	–	–
United States dollar	11,400	32,412	328	510
Vietnamese Dong	3,599	2,203	–	–
Others	11	18	–	–
	42,604	58,954	6,856	3,960

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

32. Amount due to subsidiaries

The amount due to subsidiaries are non-trade in nature, unsecured, non-interest bearings and are repayable on demand.

The currency profiles of amount due to subsidiaries are as follows:

	Company	
	2016	2015
	$’000	$’000
Singapore dollar	32,601	37,997
United States dollar	–	978
	32,601	38,975

33. Provisions for warranties

	Group	
	2016	2015
	$’000	$’000
At the beginning of year	252	463
Provisions made	–	94
Warranty utilised during the financial year	–	(289)
Reversal made during the year	(219)	(16)
At end of year	33	252

The provision for warranty represents management’s best estimate of the present value of the future outflow of economic benefits that will be required under the Group’s warranties on certain projects and undertakes to repair those that fail to perform satisfactorily. A provision is recognized at the end of financial year for expected warranty claims based on past experience of the level of repairs.

34. Dividends by Koastal Group

	Group	
	2016	2015
	$’000	$’000
First Interim dividend of $NIL (2015: Interim dividend of $3.751), one tier exempt share	–	3,751

NOTES TO THE FINANCIAL STATEMENTS

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35. Operating lease commitments

The Group as lessee

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premise, leasehold land and other operating facilities are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Future minimum lease payments payable:		
Within one year	512	888
After one year but within five years	1,918	2,547
More than 5 years	4,295	5,949
Total	6,725	9,384

Operating lease payments represent rents payable by the Group for office premise, land lease and other operating facilities. Leases of office premises and other facilities are negotiated for a term of 1 to 2 years and rentals are fixed for an average of 1 to 2 years with no provisions for contingent rent or upward revision of rent based on market price indices.

The Group as lessor

The Company has entered into commercial leases on its investment property. The following table sets out the future minimum lease payments receivable under non-cancellable operating leases as at 31 December are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Future minimum lease payments payable:		
Within one year	–	19
After one year but within five years	–	–
Total	–	19

36. Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure, are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Capital expenditure contracted but not provided for		
- Commitments for the construction of property, plant and equipment	–	21,407

37. Contingent liabilities

As at end of the financial year, there are a number of outstanding legal cases relating to the Group and the Company's two subsidiaries, KIPL and EES arising from claims from suppliers and creditors. Due to the initiation of the process of Creditors' Voluntary liquidation of KIPL and the recent approval of the proposed revised Scheme of arrangement of EES, the Group is unable to determine the amount of liabilities from these outstanding legal cases and other potential claims.

38. Significant related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

During the financial year, in addition to those related party information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
With subsidiaries				
Management fees income	–	–	667	706
Rental income	–	–	476	–
Advance payment	–	–	–	2,737
Advance payment from	–	–	–	(2,523)
Expenses paid on behalf of	–	–	172	763
Expenses paid on behalf by	–	–	(409)	(5,251)
With related parties				
Advances to a director of a foreign subsidiary	1,245	–	–	–
Expenses paid on behalf of entity in which the director of a subsidiary corporation is a shareholder	–	1,324	–	–
With associated company				
Dividend received	–	217	–	–

The outstanding balances as at 31 December 2016 with related parties are disclosed in Notes 19 and 31 are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. There are no outstanding balances with key management personnel or their immediate family members except for loan to a Director of a foreign subsidiary (Note 19).

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38. Significant related party transactions (Continued)

Key management personnel remuneration

Key management personnel are Directors and those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Group's and Company's key management personnel are the Directors of the Company and the Heads of key functions.

The remuneration of key management personnel of the Group during the financial year were as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Directors' fee	135	154	135	135
Short-term benefits	781	1,143	453	436
Post-employment benefits	48	114	24	11
	964	1,411	612	582

Key management personnel remuneration includes the following remuneration to the Directors of the Company and Directors of the subsidiaries as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Directors of the Company				
Directors' fee	135	135	135	135
Short-term benefits	453	436	453	436
Post-employment benefits	24	11	24	11
	612	582	612	582
Directors of the subsidiaries				
Directors' fee	–	19	–	–
Short-term benefits	328	707	–	–
Post-employment benefits	24	103	–	–
	352	829	–	–

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39. Financial instruments and financial risks

The following table sets out the financial instruments as at the end of the financial year:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial assets				
Trade and other receivables	9,582	29,531	671	25,129
Less: Accrued revenue	(98)	(201)	–	–
	9,484	29,330	671	25,129
Cash and bank balances	433	8,105	1	19
Loans and receivables	9,917	37,435	672	25,148
Available-for-sale financial assets	3,986	9,732	–	–
Financial asset	13,903	47,167	672	25,148
Financial liabilities				
Trade and other payables	42,604	58,954	6,856	3,960
Amount due to subsidiaries	–	–	32,601	38,975
Finance lease liabilities	–	3	–	–
Bank borrowings	22,670	27,849	–	–
Borrowings from third parties	12,360	10,470	–	–
Convertible loan	5,942	5,218	–	–
Financial liabilities carried at amortised cost	83,576	102,494	39,457	42,935
Financial derivative liabilities	2,972	2,912	–	–
Financial liabilities carried at fair value	2,972	2,912	–	–
Financial liabilities	86,548	105,406	39,457	42,935

The Group's activities expose it to credit risks, market risks and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Financial instruments and financial risks (Continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from default. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

The Company is subject to significant Credit Risk in respect of amount due from subsidiaries which have been subsequently impaired.

The Group's and Company's major classes of financial assets subject to credit risk are cash and bank balances and trade and other receivables.

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

In the previous financial year, concentration of credit for the Group arises from trade receivable totalling $3.9 million due from certain contract customers.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

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

	2016 $'000	2015 $'000
Past due for 1-30 days	1,615	3,317
Past due for 31 to 90 days	205	527
Past due for more than 91 days	4,088	4,430

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Company is not exposed to significant financial risks arising from changes in foreign currency exchange rates.

Foreign currency risk

The Group transact business in various foreign currency, including United States dollar, Vietnamese Dong and Euro. The exposure to foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The Group monitors its foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions and recognised assets and liabilities are denominated in the currency that is not the entity's functional currency.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risk (Continued)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

	United States dollar $'000	Vietnamese dong $'000	Euro $'000
Group			
2016			
Total monetary assets	3,354	4,830	–
Total monetary liabilities	22,410	5,592	139
Net monetary liabilities	(19,056)	(762)	(139)
Less:			
Net monetary liabilities denominated in respective entities' functional currencies	17,845	588	–
Net foreign currency exposure	(1,211)	(174)	(139)
Group			
2015			
Total monetary assets	29,101	3,060	59
Total monetary liabilities	81,004	2,203	1,343
Net monetary (liabilities)/assets	(51,903)	857	(1,284)
Less:			
Net monetary (assets)/liabilities denominated in respective entities' functional currencies	2,800	(845)	–
Net foreign currency exposure	(49,103)	12	(1,284)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to United States dollar (USD), Vietnamese Dong (VND) and Euro (EUR).

The following table details the Group's sensitivity to a 10% (2015: 10%) change in USD, VND and Euro against SGD. The sensitivity analysis assumes an instantaneous 10% (2015: 10%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, VND and Euro are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Group	
	2016 $'000	2015 $'000
USD		
Strengthen against $	(121)	(4,910)
Weakens against $	121	4,910
VND		
Strengthen against $	(17)	(1)
Weakens against $	17	1
EUR		
Strengthen against $	(14)	(128)
Weakens against $	14	128

Interest rate risks

The Group's interest rate risks relate to interest bearing liabilities and interest bearing assets.

The Group has no significant interest-bearing assets.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

The Group's exposure to interest rate risks is set out in a table under Liquidity risks. The Company is not exposed to any significant interest rate risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Financial instruments and financial risks (Continued)

Market risks (Continued)

Interest rate risks (Continued)

Interest rate sensitivity analysis

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of financial year was outstanding for the whole year. The sensitivity analysis assumes a 10 percent change in the interest rates from the end of the financial year, with all variables held constant.

	Group Profit or Loss	
	2016 $'000	2015 $'000
Increase in interest rate		
Borrowings and overdrafts	(122)	(112)
Decrease in interest rate		
Borrowings and overdrafts	122	112

Liquidity risk

Liquidity risks refer to the risks in which the Group and the Company encounters difficulties in meeting its short term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the company is expected to receive or (pay). The table includes both expected interest and principal cash flows. Derivative financial instruments are included at their fair values.

	Effective interest rate %	Less than 1 year $'000	1 to 5 years $'000	Total $'000
2016				
The Group				
Financial liabilities				
Bank borrowings	3.4	22,845	–	22,845
Bank overdrafts	15.0	134	–	134
Trade and other payables	–	42,604	–	42,604
Convertible loan	12.2	6,666	–	6,666
Borrowings from third parties	15.3	14,250	–	14,250
		86,499	–	86,499
Financial liabilities carried at fair value				
Financial derivative liabilities	–	2,972	–	2,972
As at 31 December 2016		89,471	–	89,471

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Financial instruments and financial risks (Continued)

Liquidity risk (Continued)

	Effective interest rate %	Less than 1 year $'000	1 to 5 years $'000	Total $'000
2015				
The Group				
Financial liabilities				
Obligations under finance leases	4.5	3	–	3
Bank borrowings	2.8	28,271	–	28,271
Bank overdrafts	4.1	1,082	–	1,082
Trade and other payables	–	58,954	–	58,954
Convertible loan	13.2	–	6,983	6,983
Borrowings from third parties	20.7	12,365	–	12,365
		100,675	6,983	107,658
Financial liabilities carried at fair value				
Financial derivative liabilities	–	1,020	1,892	2,912
As at 31 December 2015		101,695	8,875	110,570
2016				
The Company				
Financial liabilities				
Trade and other payables	–	6,856	–	6,856
Amount due to subsidiaries	–	32,601	–	32,601
As at 31 December 2016		39,457	–	39,457
Financial guarantee contract	–	2.927	–	2,927
2015				
The Company				
Financial liabilities				
Trade and other payables	–	3,960	–	3,960
Amount due to subsidiaries	–	38,975	–	38,975
As at 31 December 2015		42,935	–	42,935
Financial guarantee contract	–	1,680	–	1,680

40. Fair value of financial assets and financial liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Company can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are determined using the other observable inputs such as quoted prices for similar asset/liability in active markets, quoted prices for identical or similar asset/liability in non-active markets or inputs other than quoted prices that are observable for the asset or liability,
- Level 3 – Unobservable inputs for the asset or liability.

(b) Financial assets and liabilities measured at fair value

Except as detailed in the following table, management considers that the carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the bank borrowings are reasonable approximations of fair values due to the insignificant impact of discounting, drawdown close to reporting and maturity date.

The borrowings from the third parties is stated at amortised cost using the effective interest method after taking into account the fair value of Share warrants issued to the investors (Note 28).

The convertible loan is stated at amortised cost using the effective interest method after taking into account the financial derivative liabilities (Note 30).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

40. Fair value of financial assets and financial liabilities (Continued)

(b) Financial assets and liabilities measured at fair value (Continued)

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group				
As at 31 December 2016				
Financial derivative liabilities				
Share warrants	–	–	1,080	1,080
Convertible loan	–	–	1,892	1,892
	–	–	2,972	2,972
As at 31 December 2015				
Available-for-sale financial asset				
Investments in life insurance plans	–	–	1,220	1,220
Financial derivative liabilities				
Share warrants	–	–	1,020	1,020
Convertible loan	–	–	1,892	1,892
	–	–	2,912	2,912

There were no transfers between levels during the financial year.

The fair value of the investment in life insurance plans are based on cash value provided by the insurer without adjustment. Observable inputs such as volatility in interest rates and unobservable inputs such as perceived risk by the insurer will affect the fair value of the insurance plan but are not expected to be material. The life insurance plans have been classified as level 3 in the current and previous financial years.

The financial instruments that are not traded in active markets comprise of financial derivatives, share warrants and financial derivatives convertible loan.

The fair value of the share warrants of previous financial year were determined through the use of Binomial Option pricing model with observable market inputs such as the agreed share price of underlying assets (S$0.345), strike price (S$0.276), time of expiry of share warrants and unobservable inputs such market volatility of comparable companies (37.6%). The share warrants have been classified as level 3 in the current and previous financial years. There have been no changes in the valuation techniques and inputs of the share warrants during the financial year. If the volatility used had been 5% higher/lower, the fair value of the derivative would have been S$66,000 and S$69,000 higher/lower respectively.

40. Fair value of financial assets and financial liabilities (Continued)

(b) Financial assets and liabilities measured at fair value (Continued)

The fair value of the financial derivative – convertible loan conversion option of the previous financial year was determined through the use of binomial option pricing model with observable market inputs such as the risk free rate equivalent to the 2 year Singaporean Sovereign Yield Curve as the valuation date (1%), the underlying agreed share price of the Company and unobservable input like the annualised volatility calculated based on the median of the 3 year weekly share price volatility of comparable companies (37.6%). The financial derivative - convertible loan has been classified as level 3 in the current financial year. If the volatility used had been higher/lower by 5%, the fair value of the derivatives would have been $229,000 and $232,000 higher/lower respectively.

41. Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value through optimisation of debt and equity balance. The management reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the management considers the cost of capital and the risks associated with each class of capital and makes adjustments to capital structure, where appropriate, in light of changes in economic conditions and the risk characteristics of the underlying assets.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital (Note 23), reserves and retained earnings.

The Group's overall strategy remains unchanged from the previous financial year.

The Group and the Company monitor capital based on a gearing ratio, which is net debt divided by total capital. The Group and the Company include net debt, trade and other payables, bank borrowing and finance lease payables less cash and cash equivalents. Total equity consists of total share capital, other reserves plus accumulated profits. Total capital consists of net debt plus total equity.

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other payables	42,604	58,954	6,856	3,960
Amount due to subsidiaries	–	–	32,601	38,975
Finance lease payables	–	3	–	–
Bank borrowings	22,670	27,849	–	–
Borrowings from third parties	18,302	10,470	–	–
Convertible loan	–	5,218	–	–
Less: Cash and bank balances	(433)	(8,105)	(1)	(19)
Net debt	83,143	94,389	39,456	42,916
Total equity	(112,377)	12,231	(29,777)	117,591
Total (deficit)/capital	(29,234)	106,620	9,679	160,507
Gearing ratio	N.M.	88.5%	407.6%	26.7%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

42. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

Management consider business from mainly business segment perspective. The Group has three reportable segments as follows:

EPCM – MOT

The EPCM – Marine and Offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil & gas companies.

EPCM – WT

The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste.

Others

"Other" segment includes the Group's investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

42. Segment information (Continued)

	EPCM – MOT $'000	EPCM – WT $'000	Others $'000	Total $'000
2016				
Revenue				
Revenue from external customers	14,412	14,688	–	29,100
Profit/(Loss) from operation	25,436	162	(1,937)	23,661
Interest income	110	2	–	112
Interest expenses	(1,214)	–	(2,846)	(4,060)
Other material non-cash items:-				
Allowance for impairment of goodwill	(7,469)	–	–	(7,469)
Allowance for doubtful debts	(20,316)	–	–	(20,316)
Allowance for impairment in associate	–	–	(2,815)	(2,815)
Allowance for losses from construction contracts	(99,577)	–	–	(99,577)
Depreciation of property, plant and equipment	(577)	(30)	(11)	(618)
Depreciation of investment property	(3)	–	–	(3)
Impairment of property, plant and equipment	(3,928)	–		(3,928)
Impairment loss of available-for-sale financial assets	–	–	(4,526)	(4,526)
Property, plant and equipment written off	(212)	–	(67)	(279)
Shares of loss of associates	–	–	(189)	(189)
Fair value loss from derivatives financial instruments	–	–	(60)	(60)
Exchange loss	(32)	(13)	(101)	(146)
Loss before income tax	(107,782)	121	(12,552)	(120,213)
Income tax expense	141	(52)	–	89
Profit/(Loss) for the financial year	(107,641)	69	(12,552)	(120,124)
Segment assets				
Non-current assets	408	259	12,988	13,655
Current assets	10,552	8,711	3,958	23,221
Total assets	10,960	8,970	16,946	36,876
Additions to non-current assets	9	–	2,987	2,996
Segment liabilities				
Non-current liabilities	–	–	–	–
Current liabilities	133,072	7,508	8,674	149,254
Total liabilities	133,072	7,508	8,674	149,254

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

42. Segment information (Continued)

	EPCM – MOT $'000	EPCM – WT $'000	Others $'000	Total $'000
2015				
Revenue				
Revenue from external customers	57,234	11,647	–	68,881
Profit/(Loss) from operation	2,387	1,024	(4,117)	(706)
Interest income	46	1	–	47
Interest expenses	(1,141)	(5)	(2,282)	(3,428)
Other material non-cash items:-				
Allowance for impairment of goodwill	(1,800)	–	–	(1,800)
Allowance for impairment in associate	–	–	(2,100)	(2,100)
Allowance for foreseeable losses	(914)	–	–	(914)
Depreciation	(437)	(30)	(4)	(471)
Shares of profit of associates	–	–	248	248
Fair value loss from derivatives financial instruments	–	–	(319)	(319)
Profit/(Loss) before income tax	(1,859)	990	(8,574)	(9,443)
Income tax expense	(670)	(127)	–	(797)
Profit/(Loss) for the financial year	(2,529)	863	(8,574)	(10,240)
Segment assets				
Non-current assets	12,792	287	28,111	41,190
Current assets	82,550	7,720	779	91,049
Total assets	95,342	8,007	28,890	132,239
Investment in associates	–	–	6,057	6,057
Additions to non-current assets	644	–	4,180	4,824
Segment liabilities				
Non-current liabilities	(25)	–	(7,110)	(7,135)
Current liabilities	(59,151)	(6,399)	(47,323)	(112,873)
Total liabilities	(59,176)	(6,399)	(54,433)	(120,008)

Reportable segments' assets are reconciled to total assets as follows:

The amounts provided to the Board of Directors with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the Board of Directors monitor property, plant and equipment, intangible assets, inventories, receivables, operating cash and investment properties attributable to each segment. All assets are allocated to the reportable segments except for certain assets included in "Others" not reported to the chief operating decision maker.

42. Segment information (Continued)

Reportable segments' liabilities are reconciled to total liabilities as follows:

The amounts provided to the Board of Directors with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Geographical segments

Segment revenue is based on the region where services are rendered and the region where the customers are located. Non-current assets are shown by geographical region where the assets are located.

Non-current assets in current financial year consist of property, plant and equipment.

	2016 **$'000**	**2015** **$'000**
Revenue from external customers		
China	97	34,356
Vietnam	27,480	21,116
Singapore	1,306	5,027
Malaysia	183	102
Others	34	8,280
	29,100	68,881
Non-current assets		
Singapore	9,410	31,171
Vietnam	259	287

Major customers

The revenues from two major customers of the Group's EPCM segment represent approximately $12,140,000 (2015: $42,204,000)

43. Authorisation of financial statement

The statement of financial position as at 31 December 2016 of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 were authorised for issue in accordance with a Directors' resolution dated 12 October 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2017

NUMBER OF ISSUED SHARES : 448,735,224
CLASS OF SHARES : ORDINARY SHARES WITH EQUAL VOTING RIGHTS
VOTING RIGHTS : 1 VOTE PER SHARE
TREASURY SHARES : NIL
SUBSIDIARY HOLDINGS : NIL

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	157	7.08	8,391	0.00
100 - 1,000	561	25.29	269,115	0.06
1,001 - 10,000	871	39.27	3,590,510	0.80
10,001 - 1,000,000	608	27.41	45,847,984	10.22
1,000,001 AND ABOVE	21	0.95	399,019,224	88.92
TOTAL	**2,218**	**100.00**	**448,735,224**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	OCBC SECURITIES PRIVATE LIMITED	272,418,712	60.71
2	TITANIUM HOLDINGS LLC	85,646,460	19.09
3	ASIAN TRUST INVESTMENT PTE LTD	7,766,666	1.73
4	FOO SEK KUAN	3,395,186	0.76
5	PEH OON KEE	3,320,433	0.74
6	KAEDJOHARE ISMAIL CHECHATWALA	2,755,986	0.61
7	CITIBANK NOMINEES SINGAPORE PTE LTD	2,580,799	0.58
8	PHILLIP SECURITIES PTE LTD	2,461,111	0.55
9	WATERWORTH PTE LTD	2,200,000	0.49
10	NG SEOW YUEN (HUANG XIAOYAN)	2,047,000	0.46
11	PECK CHUAN YONG	1,800,000	0.40
12	YAP YEE LING	1,590,000	0.35
13	WEI RAN	1,528,000	0.34
14	SEOW CHOON PHENG	1,349,600	0.30
15	LIM POH BOON	1,333,333	0.30
16	JIANG HUIPING	1,300,880	0.29
17	MORPH INVESTMENTS LTD	1,166,666	0.26
18	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	1,165,000	0.26
19	PEI SIM KWEE	1,114,333	0.25
20	RAFFLES NOMINEES (PTE) LIMITED	1,044,119	0.23
	TOTAL	**397,984,284**	**88.70**

STATISTICS OF SHAREHOLDINGS

AS AT 20 SEPTEMBER 2017

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

As at 20 September 2017, the percentage of shareholdings held in the hands of the public was approximately 20.16% and Rule 723 of the Catalist Rules is complied with.

SUBSTANTIAL SHAREHOLDERS

AS AT 20 September 2017

	Nos. of shares held registered in the names of the substantial shareholders	**Nos. of shares in which the substantial shareholders is deemed to have an interest**	**Total shareholding interest**	**% of total issued shares[1]**
Titanium Holdings LLC[2]	85,646,460	269,800,000	355,446,460	79.21%
Ting Teck Jin[3]	303,500	356,646,460	356,949,960	79.54%

(1) As a percentage of the total issued share capital of the Company, comprising 448,735,224 shares.

(2) Titanium Holdings LLC has a direct interest in 269,800,000 shares through its nominee, OCBC Securities Private Limited.

(3) Mr Ting Teck Jin has a direct interest in 1,200,000 shares through his nominee, OCBC Securities Private Limited and a deemed interest in 355,446,460 shares held by Titanium Holdings LLC in which he is a controlling shareholder and a director.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of **EMS ENERGY LIMITED** (the "**Company**") will be held at 25 International Business Park, Level 5, East Wing, Munich Room, German Centre, Singapore 609916 on Tuesday, 31 October 2017 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of Non-Executive Directors' fees of S$135,000 for the financial year ending 31 December 2017 (2016: S$135,000) **(Resolution 2)**

3. To re-elect Mr Ung Gim Sei retiring pursuant to Regulation 90 of the Company's Constitution. **(Resolution 3)**

   Mr Ung Gim Sei will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and Remuneration Committee, and a member of the Audit Committee of the Company. The Board considers Mr Ung to be independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

4. To re-appoint Messrs BDO LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company - Share Issue Mandate**

   "That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, and Rule 806 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:-

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   (b) notwithstanding that the authority conferred by this Resolution may have ceased to be in force, issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution is in force,

   provided that:-

   (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed one hundred per cent (100%) of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company (as calculated in accordance with sub-paragraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(2) (subject to such manner of calculations as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed after adjusting for:-

  (i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;

  (ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

  (iii) any subsequent bonus issue, consolidation or sub-division of Shares.

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

(4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (i)] **(Resolution 5)**

7. **Authority to issue shares under the EMS Energy Employee Share Option Scheme**

“That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the EMS Energy Employee Share Option Scheme (the “Scheme”) and to issue such shares as may be required to be issued pursuant to the exercise of the options under the Scheme provided always that the aggregate number of shares to be issued pursuant to the Scheme and any other share option schemes/ share-based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.”
[See Explanatory Note (ii)] **(Resolution 6)**

8. **Authority to issue shares under the EMS Energy Performance Share Plan**

“That, pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore, the Directors of the Company be and are hereby authorised to offer and grant share awards in accordance with the EMS Energy Performance Share Plan (the “Plan”) and to issue such shares as may be required to be issued pursuant to the vesting of share awards under the Plan provided always that the aggregate number of shares to be issued pursuant to the Plan and any other share option schemes/ share-based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.”
[See Explanatory Note (ii)] **(Resolution 7)**

By Order of the Board

Wong Chuen Shya
Company Secretary

Singapore, 16 October 2017

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors from the date of the AGM until the date of the next annual general meeting, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares and convertible securities which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next annual general meeting.

(ii) Ordinary Resolutions 6 and 7 proposed in items 7 and 8 above, if passed, will empower the Directors of the Company, from the date of the AGM until the date of the next annual general meeting, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to allot and issue shares upon the exercise of share options and vesting of share awards in accordance with the Scheme and the Plan respectively up to a number not exceeding in total 15% of the total number of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.

2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

3. The instrument appointing a proxy or proxies must be signed by the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

4. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

6. The instrument appointing a proxy must be deposited at the registered office of the Company at **25 International Business Park, #02-57 German Centre, Singapore 609916** not less than seventy-two **(72)** hours before the time for holding the AGM.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

EMS ENERGY LIMITED

(Company Registration Number: 200300485D)
(Incorporated in Singapore with limited liability)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the meeting in person. CPF and SRS Investors who are unable to attend the meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We, ______________________________ (Name) ____________________ (NRIC/ Passport No.)

of ____ (Address)

being *a member/members of **EMS ENERGY LIMITED** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

and/or*

Name	**NRIC/Passport No.**	**Proportion of Shareholding**	
		No. of Shares	**%**
Address			

or failing him/her/them, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the AGM to be held at 25 International Business Park, Level 5, East Wing, Munich Room, German Centre, Singapore 609916 on Tuesday, 31 October 2017 at 9.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her* discretion. The resolutions put to vote at the AGM shall be decided by poll.

(If you wish to exercise all your vote "For" or "Against", please indicate with a tick [√] within the box provided.) Alternatively, please indicate the number of votes as appropriate.)

No.	**Ordinary Resolutions relating to:**	**For**	**Against**
1	Adoption of Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2016 together with the Directors' Statement and Auditors' Report		
2	Approval of the payment of Non-Executive Directors' fees of S$135,000 for the financial year ending 31 December 2017		
3	Re-election of Mr Ung Gim Sei as a Director of the Company		
4	Re-appointment of BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
5	Authority to allot and issue new shares		
6	Authority to issue shares under the EMS Energy Employee Share Option Scheme		
7	Authority to issue shares under the EMS Energy Performance Share Plan		

Dated this ________ day of ______________ 2017

Total Number of Shares Held

____
Signature of Shareholder(s)
and Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

NOTES:

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

2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.

3. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. Subject to note 11, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

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

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

7. The instrument appointing a proxy or proxies must be duly deposited at the registered office of the Company at **25 International Business Park, #02-57 German Centre, Singapore 609916** not less than 72 hours before the time appointed for the AGM.

8. The instrument appointing a proxy or proxies must be signed by the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

11. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

PERSONAL DATA PRIVACY:

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Ting Teck Jin
Executive Chairman and Chief Executive Officer

Mr Lim Siong Sheng
Non-Executive and Lead Independent Director

Mr Lim Poh Boon
Non-Executive and Independent Director

Mr Ung Gim Sei
Non-Executive and Independent Director

COMPANY SECRETARY

Ms Wong Chuen Shya (Appointed on 10 April 2017)

REGISTERED OFFICE

25 International Business Park
#02-57 German Centre
Singapore 609916

T +65 6261 5755
F +65 6261 5255

PRINCIPAL PLACE OF BUSINESS

25 International Business Park
#02-57 German Centre
Singapore 609916

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778

Partner in charge: Mr Ng Kian Hui
Appointed since FY2015

SOLICITORS

Rajah & Tann Singapore LLP

SPONSOR

UOB Kay Hian Private Limited
8 Anthony Road #01-01
Singapore 229957

(Co. Reg. No. 200300485D)

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