



Inorganic to
Organic

Mencast

Annual Report 2014



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CORPORATE PROFILE

Complete MRO Solutions Provider in the Offshore, Marine and Oil & Gas Industries

Mencast Holdings Ltd and its subsidiaries ("Mencast" or the "Group") is a regional Maintenance, Repair and Overhaul ("MRO") solutions provider for the global Offshore, Marine and Oil & Gas sectors. Headquartered in Singapore, our Group was successfully listed in June 2008 as the first sponsor-approved listing on Singapore's SGX Catalist and later became the first such company to transfer to the SGX Mainboard.

From its establishment in 1981, the Group grew into a leader in the manufacture and repair of propellers and sterngear equipment and has built on its core competencies to steadily expand business over the last three decades. Today, through organic growth and acquisitions, Mencast has transformed into a complete MRO solutions provider catering to the global Offshore, Marine and Oil & Gas industries.

Led by a dedicated and experienced management team, and operating from our waterfront facilities and workshops in Singapore, China, Indonesia and Malaysia, Mencast is steadily gaining recognition as a leader in the global Oil & Gas MRO industry.

At present, our Group services customers through our three business segments, being Offshore & Engineering, Marine, and Energy Services.

OFFSHORE & ENGINEERING SEGMENT

Offshore & Engineering segment includes inspection, maintenance and fabrication of offshore structures as well as engineering and other services related to onshore structures from the rapidly growing Construction & Infrastructure, Oil & Gas, Energy, Utilities, Water Treatment and Reclamation sectors in the region. It offers in-depth expertise in turnkey project management and budget development in mechanical structural engineering and installation.

Entities under our Offshore & Engineering segment are recognised as engineering specialist in the design, procurement, fabrication and installation of structural and precision engineering systems and plants. We also have in-house capability to fabricate complex skids, filtration membrane, pressure vessels and storage tanks. Within this segment, we also provide a full range of topside (rope access) services for the Offshore and Inshore industry.

MARINE SEGMENT

Marine segment includes sterngear manufacturing and refurbishment, ship inspection, repair & maintenance services, engineering & fabrication, and marine project management works. Through our waterfront facilities and subsea expertise, we are able to deploy bespoke marine solutions that include customised manufacturing, mobile reclaiming and reconditioning of hull parts, repairing, refurbishing and modification of propellers. For offsite works, we carry out inspection, repair and maintenance at shipyards, anchorages, ports, wharves and jetties, and onboard vessels, such as FPSOs, barges, container shipping vessels and oil tankers. Under this segment, we also provide full range of subsea (diving) services for the Marine industry, particularly in inspection, repair and maintenance.

ENERGY SERVICES SEGMENT

Our Energy Services segment includes custom-designed environmental and energy solutions with the use of high technology and mobile decontaminating plants. Services provided under this segment include semi-robotic oil tank de-sludging, air-fin cooler cleaning, ultra high pressure hydro cleaning, furnace decoking and pigging, and heat exchange re-tubing. In addition, we also design and launch carbon footprint initiatives for our clients to manage their carbon output.

YEAR IN REVIEW



AWARDS IN 2014

Mencast Executive Chairman and CEO, Glenndle Sim honoured with Best Chief Executive Officer (Companies with less than \$300 million in market capitalisation) in the Singapore Corporate Awards 2014.

Mencast awarded the "Top Company to Work for in Asia" at the Asia Corporate Sustainability Award 2014.

CAPACITY EXPANSION

From 6,698 sqm of floor space at our IPO in 2008, our floor space grew to 67,451 sqm at the end of 2014 and will reach 104,901 sqm by the end of 2015 with the completion of our ramp-up facility and workshop at 42A Penjurong Road.

ACQUISITIONS

The Group has completed 8 acquisitions since IPO. In FY2014, the two largest contributors to revenue and revenue growth were from Offshore & Engineering and Energy services, both of which originated from business acquired after our IPO. Today, the Group is intensely focused on transforming the inorganic growth from these past acquisitions into sustainable sources of future growth.

NEW REVENUE STREAMS

Global growth and prosperity relies on efficient, reliable and sustainable energy sourcing and delivery. As seen in FY2014, our Group's decision to serve the entire Energy Cycle, from Exploration to Production, Distribution, Maintenance and Remediation has increased both the growth potential as well as the resilience to a downturn in our business.

Our successful Trade Mark registration for "Mencast Oil Recovery System" with Intellectual Property Office of Singapore will greatly support our service in the Energy Cycle.



“Triple Play’s” three core areas of focus – capacity expansion, acquisitions and new revenue streams helped drive another record year despite challenging market conditions.

“Triple Play” successfully transformed Mencast into the region’s leading MRO service provider to the Marine and Oil & Gas industry and helped drive yet another record year of revenue and profit in FY2014.

Building Mencast into a leading MRO business has aligned our business with oil output, which has been significantly more stable than oil price in the past year. Coupled with our “Triple Play” strategy, our business weathered the turbulence in the markets comparatively well in FY2014.

VISION

Most admired MRO partner
and employer in the world

MISSION & STRATEGY

GOALS

\$1 BILLION MARKET CAP.

\$50+ MILLION NET PROFIT

“BHAG 2020”
Big Hairy
Audacious Goal

STRATEGY

REVENUE

Organic M&A
into adjacent
niches
Cross Selling

MARGINS

High
utilisation
Productivity
and processes
Right
structure &
lean costs

CAPITAL SPREAD

High ROCE &
ROE
Low WACC
Fund growth
business

ENABLERS

“PARTNER PERFECT”

Culture of
adding value
Long-term
relationships
Expert
solutions

TALENT

Passion for
performance
Leverage
teamwork
Ownership
culture

FOCUS

Excellence
of execution
Speed
Invest in the
best

SCALE

Cost
efficiency
Market
presence
Able to invest
in R&D

CHAIRMAN'S MESSAGE

This has been successful and our top-line grew by a healthy 32% in FY2014 despite challenging market conditions.



A Decade of Continuous Growth

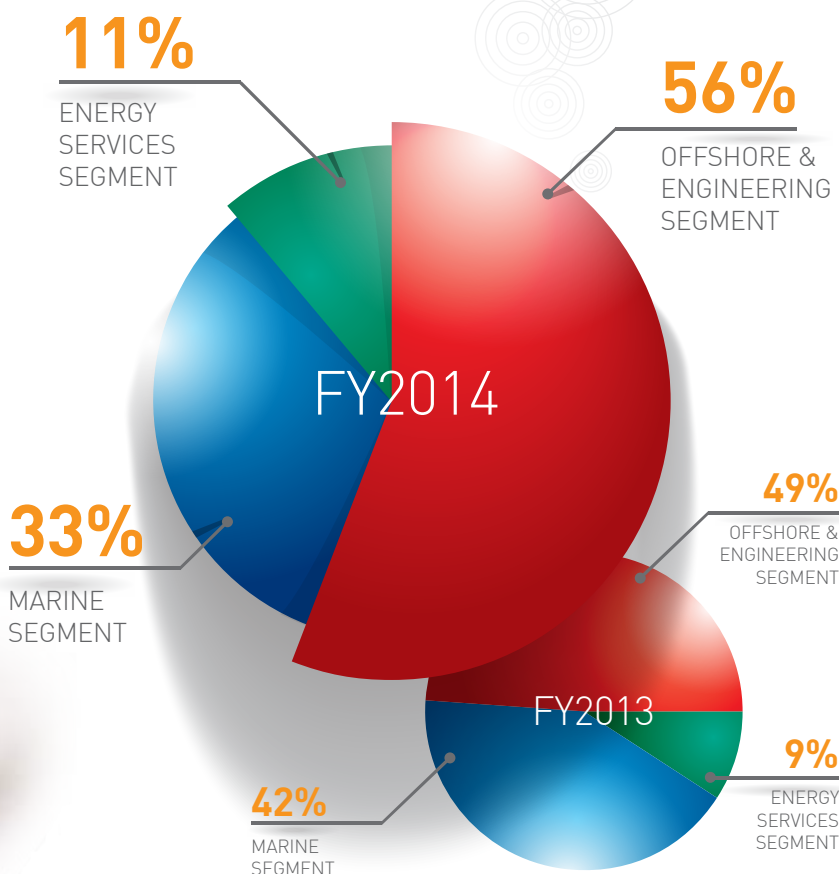
Despite the challenges brought about by low oil prices, 2014 was a satisfactory year for Mencast. Revenue and net profit grew 32% and 13% to record highs of \$130.6 million and \$18.2 million respectively. This marks a decade of consecutive double digit growth in these key earnings metrics.

Turning Acquisitions into Sustainable Growth Drivers

The 8 acquisitions made since our IPO in 2008 have been the primary driver of the 5.2 times increase in Group revenue since that date. To build Mencast into a diversified Group with multiple sources of growth, we are intensely focussed on transforming the inorganic growth from past acquisitions into sustainable sources of future growth.

This transformation is progressing well. The 32% top-line growth achieved during the year was principally driven by acquisitions outside of our traditional marine services segment with revenue from our Offshore & Engineering and Energy Services segments growing by 49% and 64% respectively during the year.

REVENUE



Acquisitions allow our Group to leverage significant economies of scale and improve our cost efficiency. Our core systems and infrastructure are already deployed and the costs related to management and administration are being spread over a much larger earnings base. As part of the continuous process to optimise capital and operational efficiency, during the year 39 Tuas Avenue 13 Singapore was sold for \$6.5 million, and operations relocated to our other properties.

The Impact of Low Oil Price

The price of a barrel of Brent tumbled from US\$110 in mid-2014 to around US\$50 at the current time. This decline shocked the oil industry and has driven significant spending cutbacks amongst national (NOCs), international (IOCs) oil companies and other market participants.

Fortunately, the impact of low oil prices on our business has been limited so far. Our strategy to build Mencast into a leading MRO business aligns our business with oil output. As such, the amount of oil produced and moved is as important as oil price in determining the demand for our MRO services.

Nonetheless, oil price is unquestionably the greatest uncertainty in the year ahead. A severe or protracted decline in oil price leads to an environment of cost cutting and would inevitably affect our business.

Appreciation and Thanks

It's been a challenging year, and I thank our customers, management, staff, investors and directors for their support and spirit of teamwork.

In light of market conditions, as in most years, we are not proposing a special dividend in 2014. Nonetheless, to recognise our progress and thank our shareholders, I have recommended a final dividend of 1.0 cent per share. Adjusted for the 1:5 rights share issue in July 2014, this represents a 25% increase in ordinary dividend from prior year.

The outlook for FY2015 will be challenging. Until oil prices find a new equilibrium, it is difficult to reliably estimate how this will affect our "Big Hairy Audacious Goal" of \$1 billion market capitalisation and \$50 million net profit by 2020.

Nonetheless, we have been gratified by the resilience of the Mencast team to the market challenges. In the year ahead, we will focus on factors within our control such as strengthening our business, generating cost efficiency and prudent risk management.

With your support I am confident we will move even closer to achieving our goal and vision of becoming the most admired MRO partner and employer in the world.

Sim Soon Ngee Glenndle

Executive Chairman
and Chief Executive Officer



主席致词

尊敬的股东们：

10年的持续增长

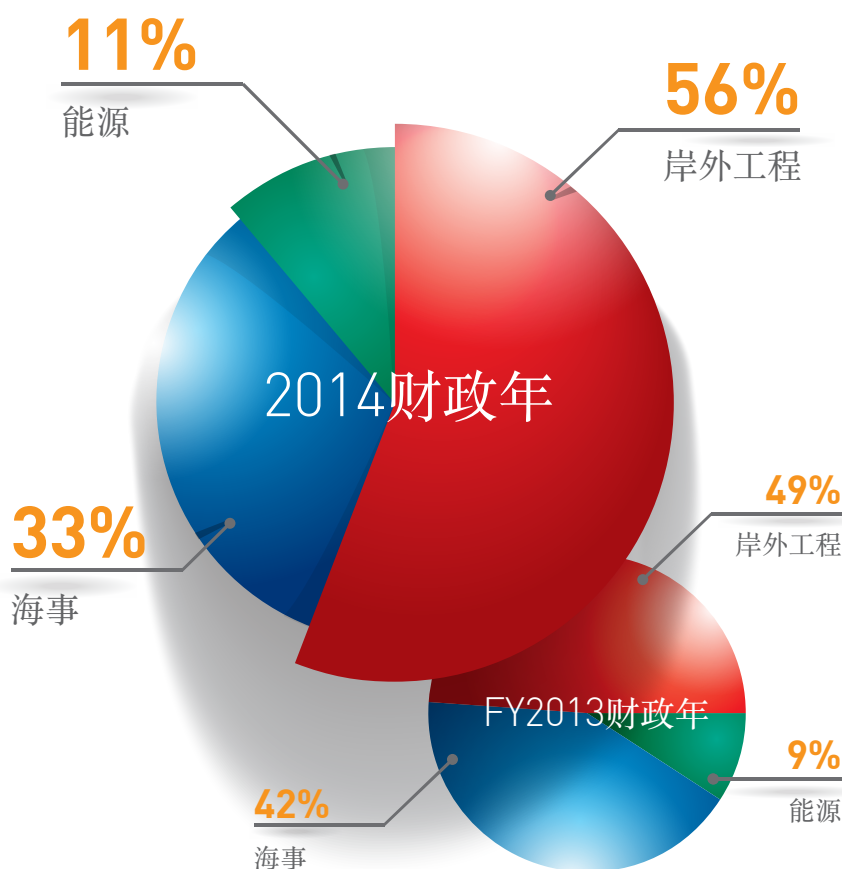
尽管面对低油价所带来的挑战，2014年对明铸造来说，仍然是个令人满意的一年。我们的营业收入和净利润同比增长为32%和13%，分别达到1亿3,060万元及1,820万元的历史高点。这些数据意味着我们至今已在这些主要盈利指标上创下连续第十年的双位数增长纪录。

将收购项目变成可持续发展的驱动契机

我们自2008年首次公开募股以来的八次收购是推动集团获得高达5.2倍收入的主要契机。为了将明铸造打造成一个拥有多增长来源的多元化集团，我们尽心专注于将过去收购项目下的无机增长转换为可持续发展的未来经济增长来源。

至今，这项转换进行得非常顺利。过去一年来所达到的32%的顶线增长主要由我们在传统海事部门以外的收购项目所促成。我们的岸外工程部门及能源部门在该年内也分别达到49%和64%的收入增长。

收入来源表



这些收购项目让我们能更好地利用规模经济来获得更高的成本效益。我们的核心系统和基础设施也都已经部署妥当，而管理和行政的相关费用也在更大的盈利基础中获得抵消。作为持续优化资本和营运效率的过程的一部分，我们位于大士13巷39号的产业也于该年内以650万元出售，而其中的营运部门也迁移到我们其他的产业。

低油价所带来的冲击

布伦特原油的价格由2014年中旬的每桶110美元骤跌到现今的每桶50美元。油价的下滑不仅震惊了石油工业也促使了国家石油公司、跨国石油公司及其他市场参与者纷纷采取显著的支出削减政策。

所幸，油价下滑对我们业务的冲击仍然不大。我们将明铸造塑造成维修业的领导企业的战略使我们的业务与石油产量看齐。因此，石油的生产量与运输量对我们的维修业务需求的影响同油价一样重要。

不论如何，油价在这新的一年里将依然是市场最大的不确定因素。油价一旦严重或长期下跌就会促使业者削减成本，从而不可避免地影响我们的业务。

感谢

过去一年是个充满挑战的一年，我想在这里感谢我们的客户、管理层、员工、投资者和董事们的支持和团队合作。

鉴于市场情况，与往年一样，我们将不会派发2014年特别股息。尽管如此，为了肯定我们的发展并感谢我们的股东，我已建议派发每股1.0分的末期股息。在为2014年7月所派发的1:5供股股份进行调整后，这将同上年同期的普通股息相比有25%的增长。

2015财政年度的前景将极具挑战性。直到油价取得一个新的平衡点前，我们将无法准确地估计这会如何影响我们所立下的，于2020年达到10亿元市场值及5,000万元净利润的伟大目标。

尽管如此，我们为明铸造团队在面对市场挑战时所表现出的韧性与坚毅感甚感欣慰。在未来的一年内，我们将专注于我们可控制范围内的因素，如增强我们的业务表现、提高成本效益和采取审慎风险管理。

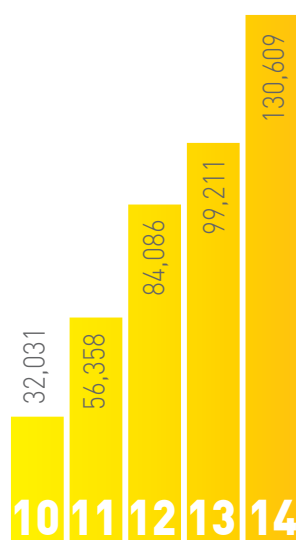
有了你们的支持，我坚信我们将能够朝向我们的目标和愿景迈进一大步，成为全球最令人向往的维修服务伙伴及雇主。

沈询益

执行主席兼行政总裁

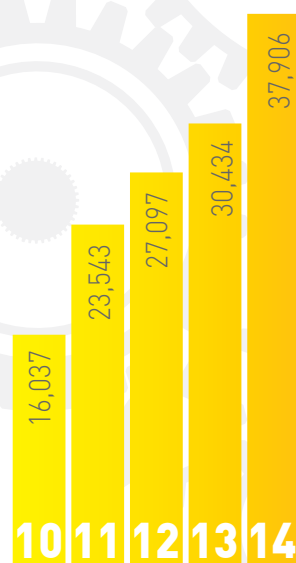
... will make every effort to move closer to this goal and achieve our vision of becoming the most admired MRO partner and employer in the world.



FINANCIAL
HIGHLIGHTS

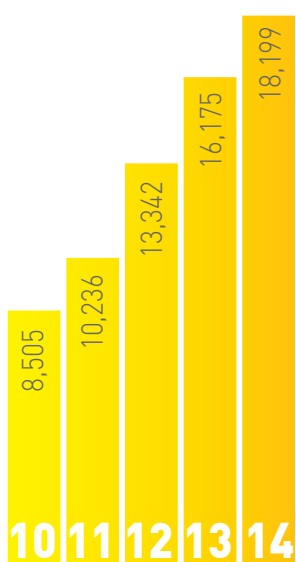
+32%

REVENUE (\$'000)



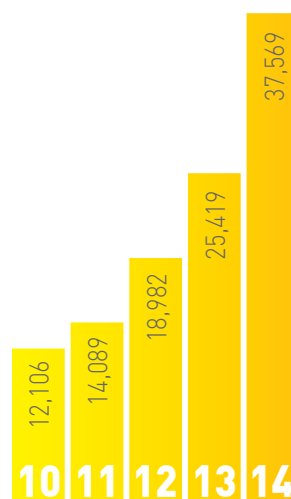
+25%

GROSS PROFIT (\$'000)



+13%

NET PROFIT (\$'000)



+48%

Earnings before interest, tax, depreciation
and amortisation (\$'000)

REVENUE BY SEGMENT

FY2014

OFFSHORE & ENGINEERING

56%

MARINE

33%

ENERGY SERVICES

11%

FY2013

OFFSHORE & ENGINEERING

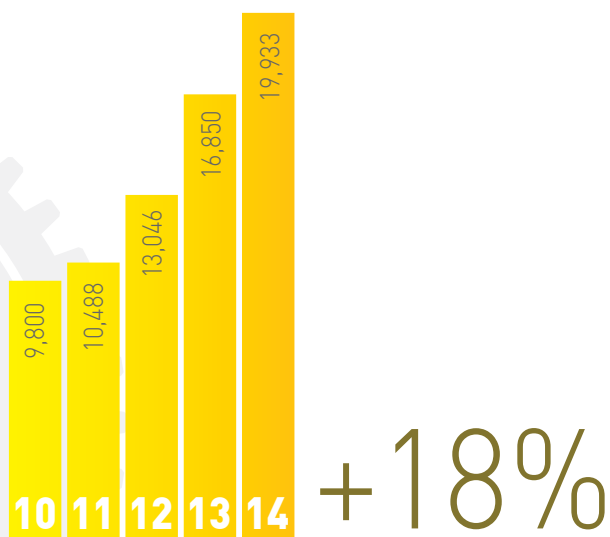
49%

MARINE

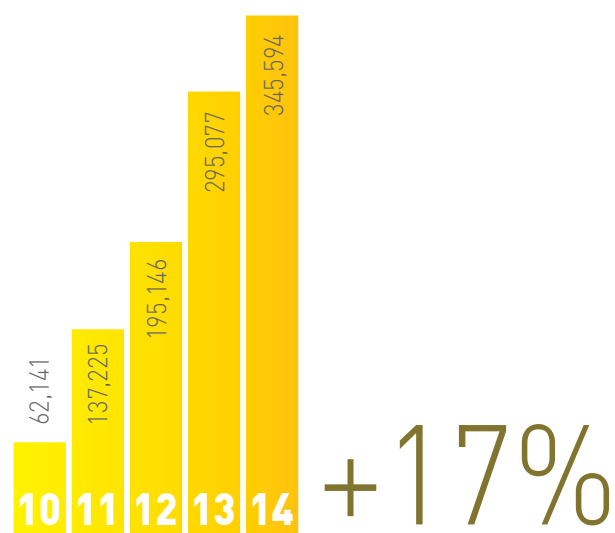
42%

ENERGY SERVICES

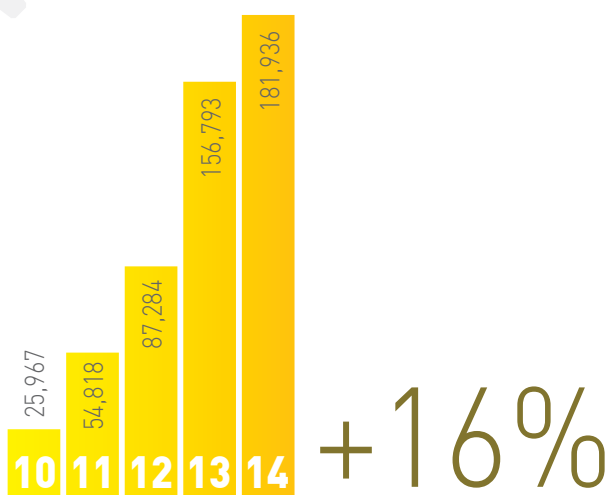
9%



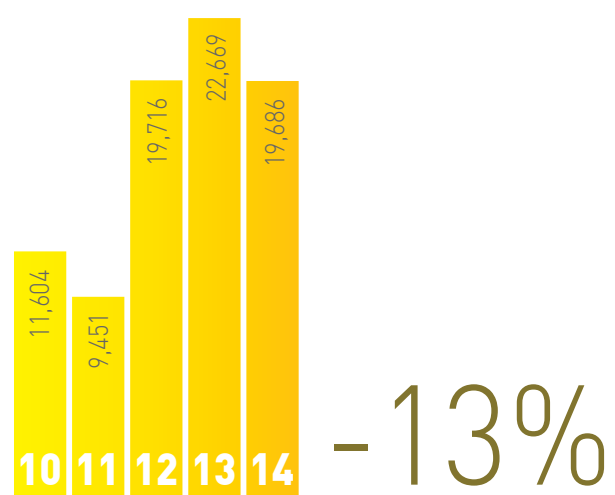
Profit before income tax (\$'000)



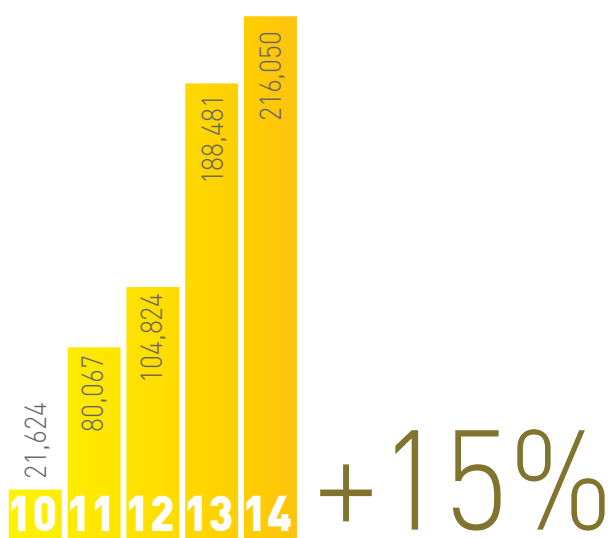
Total Assets (\$'000)



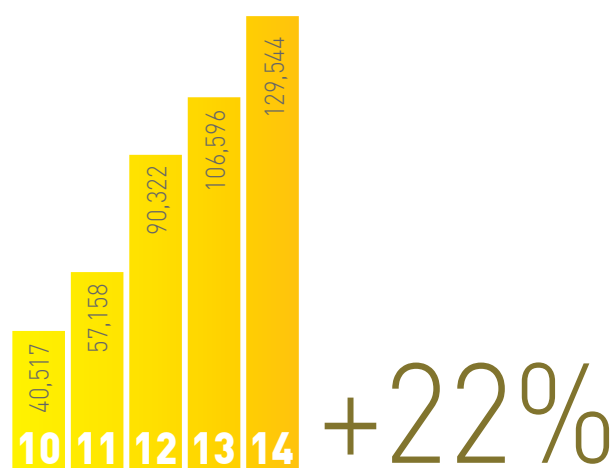
Property, plant and equipment (\$'000)



Cash and cash equivalents (\$'000)



Total Liabilities (\$'000)



Total Equity (\$'000)



OPERATIONS REVIEW

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The increase in revenue was driven by growth from all three segments of our business especially in the Offshore & Engineering segment and Energy Services segment.



FINANCIAL REVIEW

32%

REVENUE INCREASED

Gross profit margin slightly decreased from 31% in FY13 to 29% in FY14



Revenue and Gross Profit

As a result of the success of our Triple Play strategy, 2014 was another good year for Mencast, our Group reported revenue of \$130.6 million for the year ended 31 December 2014, a 32% jump from \$99.2 million for the year ended 31 December 2013. The increase in revenue was driven by growth from all three segments of our business especially in the Offshore & Engineering segment and Energy Services segment.

Revenue from Offshore & Engineering segment increased by \$23.9 million or 49% as we continue to broaden our customer base with the award of multiple projects in FY2014 from both new and existing customers and revenue contributions of \$18.8 million from the two newly acquired subsidiaries. In FY2013, Chinyee and S & W only contributed one month operations which accounted for \$860,000 and \$1.1 million of revenue respectively.

Revenue from Energy Services grew by \$5.6 million or 64% after securing long-term contracts with major Oil & Gas customers and new services provided to refineries.

Gross profit margin slightly decreased from 31% in FY2013 to 29% in FY2014 mainly due to lower margin for Offshore & Engineering segment due to materials and subcontractors' cost.

The Group's administrative expenses

The Group's net profit

+14%

+13%

+49%

+64%

Revenue from Offshore & Engineering segment

Revenue from Energy Services

Operating Expenses

The Group's administrative expenses increased by \$2.5 million or 14% due to full year effect of the two newly acquired subsidiaries of \$4.5 million.

Such increase was offset by the savings arising from lower staff cost at managerial level as a result of the Group's integration exercise; and decrease in professional fees and office repairs and maintenance.

The Group's finance expenses increased by \$2.7 million or 110% as a result of higher bank borrowings and issuance of Series 1 Notes in September 2013.

Other income

Other income increased by \$868,000 mainly due to gain on sales of property, plant and equipment, increase in government grants, rental income, sales of scrap, net foreign exchange gain and write back of long-outstanding payables.

Income tax

The Group's effective income tax rate of 9% is lower than the statutory income tax rate of 17% mainly due to tax incentives under the Productivity Innovation Credit ("PIC") and utilisation of carry forward tax losses. The effective income tax rate in FY2014 of 9% is higher than the effective income tax rate in FY2013 of 4% due to higher PIC allowance claimed in FY2013.

Net Profit

The Group's profit from operations (excluding non-recurring income) increased from \$10.9 million in FY2013 to \$14.6 million in FY2014 as a result of increase in revenue of 32% offset by the increase in cost of sales of 35% and administrative expenses of 14% arising from capacity expansions and consolidation of recent acquisitions.

The Group's net profit increased by \$2.0 million or 13% from \$16.2 million for the year ended 31 December 2013 to \$18.2 million for the year ended 31 December 2014 as a result of the above. The net profit attributable to equity holders of the Company also increased by \$1.7 million or 11% in FY2014.

Cashflow

The Group had a net cash outflow from operating activities of \$337,000 mainly due to increase in trade and other receivables of \$26.6 million, increase in inventories of \$1.3 million and decrease in trade and other payables of \$5.5 million offset by the cash operating profit of \$33.2 million.

The Group had a net cash outflow from investing activities of \$11.5 million due mainly to purchases of property, plant and equipment of \$10.9 million and payments of deferred consideration relating to prior financial years' acquisitions of \$10.0 million offset by the proceeds from the sales of property, plant and equipment of \$7.5 million.

The Group's financing activities provided net cash inflow of \$11.5 million due mainly to the proceeds from rights issue of \$11.8 million and borrowings of \$57.8 million offset by repayments of borrowings and finance lease liabilities, and payments of dividends and interest of \$58.0 million.





BOARD OF DIRECTORS

1 SIM SOON NGEEN GLENN DLE

Executive Chairman & Chief Executive Officer

Mr Glenn Dle Sim is the Executive Chairman and Chief Executive Officer of the Mencast Group. He is responsible for the strategic vision, overall management, operations and growth of the Mencast Group of Companies. As well as serving as Chairman of the Board, Glenn Dle is a member of the Nominating Committee and Corporate Strategy & Communications Committee.

Glenn Dle graduated from the National University of Singapore with a Bachelor in Business Administration and later obtained a Master of Business Administration from the University of Delaware in the USA. Glenn Dle also attended the Cast Metal Institute Inc. (USA) in 1996 and completed the certification curriculum in General Foundry Technology and Non-Ferrous Metals Technology. In 2013 & 2014, he attended Harvard Business School's Owner/President Management Program.

Glenn Dle was named EY Entrepreneur of the Year 2013 in the Marine and Offshore Engineering Services category and bestowed with the award of "Best CEO" in year 2014, for the category of companies with less than S\$300 million in market capitalization, at the Singapore Corporate Awards. He was appointed to our Board on 30 January 2008 and was appointed as the Executive Chairman of the Board on 9 October 2009.

2 WONG BOON HUAT

Executive Director

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

Boon Huat founded Top Great Engineering & Marine Pte Ltd, and has been involved in various vocations within the marine industry. Armed with 31 years of experience in the industry, Boon Huat has contributed significantly to the development and growth of Mencast Group. He was appointed to our Board on Aug 04, 2011.

3 SUNNY WONG FOOK CHOY

Lead Independent Director

Mr Sunny Wong is the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. A practising advocate and solicitor of the Singapore Supreme Court, Sunny is currently the Managing Director of Wong Tan & Molly Lim LLC.

Sunny graduated from the National University of Singapore with a Bachelor of Laws (Honours) and is currently also a Non-Executive Director of Albedo Limited, Cvmec Limited, Excelpoint Technology Ltd, KTL Global Limited and InnoTek Limited. He joined the Board on 29 May 2008.

4 HO CHEW THIM, RAYMOND

Independent Director

Mr Ho Chew Thim is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. Raymond is an accountant by vocation and has over 36 years experience in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte Ltd (an associate of SGX-listed CNA Group Ltd), CNA Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co. Ltd, Deutsche Bank (Singapore Branch), L & M Group Investments Ltd, United Industrial Corporation Limited and United Overseas Bank Limited.

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

5 NG CHEE KEONG

Independent Director

Mr Ng is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr Ng joined PSA Corp in 1971 and has since then, held various positions including Group President & CEO, President & CEO (Singapore region) and Global Head of Technical and Operations Development. He retired in January 2005 from his position as President & CEO of PSA Corp.

Chee Keong received a Bachelor of Social Science (Economics, Upper Honours) from the then University of Singapore. He was awarded the Public Administration Medal (Gold) by the Singapore Government in 1997 and is currently director of Jurong Port Pte Ltd, a Board Member of the Centre of Maritime Studies (National University of Singapore) and an Independent Director of Jasper Investment Limited and Samudera Shipping Line Ltd. He joined our Board on 9 October 2009.

6 LEOW DAVID IVAN

Independent Director

Mr David Leow is the Chairman of the Corporate Strategy & Communications Committee and a member of the Audit & Remuneration Committees. He is Managing Director of Thaler Global Pte Ltd, a consultancy and investment firm in Singapore.

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

David is a Fellow of the Institute of Chartered Accountants (Australia), charter holder with the Chartered Financial Analysts Institute (USA) and graduated with a Bachelor of Commerce from the University of Western Australia. In 2013 & 2014, he attended Harvard Business School's Owner/President Management Program. He joined the Board on 10 June 2013.

KEY MANAGEMENT



RODOLFO S ALVIEDO JR, JOJO

Chief Financial Officer

Mr. Jojo Alviedo joined our Group in October 2012 and is responsible for the accounting and finance functions of the Group. Jojo has amassed 20 years of international audit and advisory experience across Singapore, Philippines and Vietnam. Prior to joining our Group, Jojo held the post of Corporate Advisory Principal in Nexia TS Public Accounting Corporation, Singapore, as well as Assurance Senior Manager in PricewaterhouseCoopers, Singapore. During this time, he has garnered in depth experience in International Financial Reporting Standards, group audit, SOX 404 audit as well as initial public offering and reverse takeover projects. He has wide industry experience, including marine, engineering and construction, trading and manufacturing, technology and information, and freight and logistics. Jojo qualified as Certified Public Accountant in Philippines in 1992.

SIM WEI WEI

Head of Corporate Services

Ms Sim Wei Wei is in charge of corporate services and strategic planning for our Group, overseeing the coordination and allocation of Group resources for the achievement of Mencast's strategic objectives. She joined Mencast in May 2005 as Admin & HR Executive for implementing human resource policies and procedures, as well as handling general administrative duties. Her responsibilities include various human resource functions such as career development, compensation and benefits, payroll, screening and recruitment of staff. Wei Wei graduated from the Singapore Management University with a Bachelor's degree in Business Management in 2003. Wei Wei is the sister of the Group's Executive Chairman and Chief Executive Officer, Mr Sim Soon Ngee Glenndle.

HO GIM HAI, SAM

Managing Director, Vac-Tech Engineering Pte Ltd

Mr Ho Gim Hai is the Managing Director of Vac-Tech Engineering Pte Ltd, and has held the position since 1995. He is in charge of developing and executing Vac-Tech's strategic plans within the Energy Services segment to penetrate the Oil & Gas hazardous waste management sector, and is accountable for the performance and day-to-day management of the business. Mr. Ho is responsible in acquiring new technologies and equipment, and in managing resources efficiently to drive growth and profitability. In addition, Mr. Ho will provide stewardship to Vac-Tech to ensure their strategic fit with the Mencast Group's goals and objectives. Mr. Ho graduated with a diploma in Mechanical Engineering.

PHUA POH CHENG, JACK

Vice President, Mencast Marine Division
Director, Sterngear Services

Mr Jack Phua is the Vice President of the Marine Division, overseeing the development of Marine activities that include sterngear and propulsion manufacturing and services. He also holds the position of Director of Sterngear Services after he was appointed in July 2009. Jack is the co-founder of Recon Propeller & Engineering Pte. Ltd. ("Recon"). He is responsible for business development and customer relations, as well as managing the day to day operations of Sterngear business. Recon has been providing propeller repair and modification services to the worldwide Offshore Marine and Oil & Gas industries since 1986. Jack has more than 23 years of technical and management experience in the shipbuilding, ship repair and ship maintenance industry and has been instrumental in the growth and development of Recon.

CHENG SHAO RONG

Senior Manager, Operations of Mencast Engineering Pte Ltd

Mr. Cheng Shao Rong has held the role of Senior Manager in charge of operations at Mencast Engineering Pte Ltd since his appointment in December 2011. His scope of responsibilities includes the planning, supervision of projects and staff to ensure smooth execution and timely delivery of upstream precision engineering tools and equipment for the customers. He has more than 26 years of experience in the field of precision engineering, including more than 9 years of recent experience with Team Precision Engineering. Shao Rong has an in-depth knowledge of CNC machines and workshop production techniques, having risen up through the rank and file from a machine operator.



SUN NAI JIANG

Senior Manager, Upstream Operations of Mencast Engineering Pte Ltd

Mr Sun Nai Jiang ("NJ") is Senior Operations Manager, Upstream of Mencast Engineering Pte Ltd. NJ has more than 18 years of experience in manufacturing of which 7 years have been in the Oil & Gas industry at a managerial level. At Mencast, he is responsible for business development and the operations of the precision machining workshop which provides integrated turnkey manufacturing service to the Oil & Gas industry. NJ holds a Bachelor's degree from Nanjing University of Aeronautics and Astronautics as well as a diploma from the University of Ottawa. He joined the Group in May 2013.

CHONG YEW CHEE, ROY

Senior Manager,
Corporate Sales & Business Development

Mr Roy Chong is Senior Manager, Corporate Sales & Business Development, responsible for business development in the region as well as increasing the profile of the Group and the Mencast brand. Roy has more than 17 years of experience in the marine engine and propulsion system business with German manufacturers and broad experience in the Asian marine and offshore industry. He has also served for 6 years with the Republic of Singapore Navy as a Naval Engineering System Specialist. He holds a Diploma in Marine Engineering from the Singapore Maritime Academy and a Diploma in Sales & Marketing from National Productivity Board. He joined our Group in July 2013.

MUHAMMAD FIROZ BIN MOHD AMIN

Head, Offshore Division of Mencast Offshore & Marine Pte Ltd

Mr Muhammad Firoz Bin Mohd Amin is Head of Offshore Division and responsible for the planning and operations of the workshop. He is also responsible for the planning and development of the operations, production and yard team to support the company's growth plan and managing, planning and execution of projects delivery to meet customer requirements, product assurance and quality.

Prior to joining Mencast, he served 8 years in Project Management with Keppel. He holds a Bachelor of Science in Facilities Management from Heriot Watt University, Edinburg, UK and Diploma In Building Management from Asia Pacific International University. He joined the Group in February 2013.

WONG BOON HWEE

Head, Marine Division of Mencast Offshore & Marine Pte Ltd

Mr Wong Boon Hwee is the Head of the Marine division in Mencast Offshore & Marine Pte Ltd. His responsibilities include the planning of project processes and procedures, optimizing resource management of project activities, overseeing the day-to-day operations of projects and leading a cross-functional team in the timely manner while maintaining a high quality in execution of projects. Mr Wong has more than 15 years of experience in the marine industry and is essential to the functionality of Mencast Offshore & Marine Pte Ltd. Mr Wong Boon Hwee is the brother of our Executive Director, Mr Wong Boon Huat.

AUNG WUNNA, EDWARD

Head, Environmental Division of Mencast Offshore & Marine Pte Ltd

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

CHRISTOPHER WOO TUCK WAI

Senior Manager of Mencast Subsea Pte Ltd

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

INVESTOR RELATIONS

Mencast also took part in selected investor conferences such as “Sector Connect” and “Asean and Hongkong Corporate Day” organised by the SGX and OSK-DMG respectively.

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

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

To give weight to the importance of stakeholder communications outlined in the “Code of Corporate Governance” issued by the Monetary Authority of Singapore, Mencast formed the “Corporate Strategy and Communication Committee” chaired by one of our Independent Directors and is overseen by the Board or Directors. Our corporate governance and corporate communications initiatives were recognised at the 2013 Singapore Corporate Awards with our Board being conferred the prestigious Gold Medal for “Best Managed Board” in our category of companies below \$300 million in market capitalisation.

In 2014, Mencast met over 150 fund managers and analysts at one on one and group briefings. The Company provides access to senior management such as our CEO and CFO at these meetings as well as site tours to shareholders deep insight into our business and strategy. Mencast also took part in selected investor conferences such as “Sector Connect” and “Asean and Hongkong Corporate Day” organised by the SGX and OSK-DMG respectively.

We do not practise selective dissemination to selected groups. All information to be presented to fund managers/analysts are uploaded on SGX Net / our website (www.mencast.com.sg) simultaneously.

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

Total Shareholder returns

28.7%
ANNUAL TSR

Mencast has continued to deliver good returns to shareholders. Total Shareholder Return (TSR) since listing in 2008 is 172% equivalent to an annual TSR of 28.7%. This is significantly higher than STI's average rise of 6% over the same period.

**GROSS DIVIDEND
YIELD**

To reward shareholders, the Board has recommended an ordinary dividend of 1 cent. This is equivalent to a gross yield of 2.6% based on the Company's last transacted price of \$0.39 as at 31 December 2014.

FINANCIAL CALENDAR

4 FEB
2014

ACQUISITION OF
S & W PTE LTD AND
S & W PROCESS EQUIPMENT
(CHANGSHU) CO. LTD

14 FEB
2014

ACQUISITION OF
CHINYEE ENGINEERING &
MACHINERY PTE LTD

21 FEB
2014

FULL YEAR 2013 RESULTS

25 APR
2014

ANNUAL GENERAL
MEETING

21 MAY
2014

1ST QUARTER RESULTS
FY2014

15 JUL
2015

1:5 RIGHTS ISSUE

31 JUL
2014

2ND QUARTER RESULTS
FY2014

10 NOV
2014

3RD QUARTER RESULTS
FY2014

25 FEB
2015

FULL YEAR 2014
RESULTS

CORPORATE SOCIAL RESPONSIBILITY

Mencast's Corporate Social Responsibility model comprises two integrated but overlapping components where we engage in activities that both reflect our fundamental obligation to society and enter value-creating activities that have synergy with our growth strategy.

This allows us to contribute in meaningful ways to local communities and organise community project that encourage our colleagues to get involved with causes they care about.

As part of our CSR strategy and our continuing commitment to, Mencast focused on 2 areas in 2014. These were Children & Development and Environmental Sustainability.

"Mencast Lends A Hand"

Volunteers visited Sunlove Home, a charitable home for the intellectually disabled in July 2014 and distributed meals and spent quality time with residents.

Children's Cancer Foundation

Mencast continued to support Children's Cancer Foundation with a sum of \$20,000 donation during our 3rd Friendly Golf Tournament on 23 September 2014 at Singapore Island Country Club which involved 340 of our customers, business partners and staff.





BUILDING FIT, CREATING ALIGNMENT

The essence of who we are starts with our values. In a person, this is called character and in a company this is called culture.

For an individual, the most important thing is to have a good character. For a company the most important thing is to have a positive and strong culture. For this reason, Mencast believes that developing staff with good character and building a firm with strong culture are the most important factors in our long term success. Once we have these, nothing can stand in the way of attaining our goals. For character and culture drives behaviour, productivity and ultimately performance.

Mencast's culture stresses to staff the importance of both "doing the right things" (Behaviour) as well as "doing things right" (Skills). Of these, we place a premium on Behaviour, as our three decades of experience tells us that it's easier to train for skills than behaviour.

Fit is a measure of how an individual behaviour aligns with Mencast's culture. Fit is paramount to our staff success at work as well as Mencast's success. As fit is about choices, it also guides us as to who belongs to the Mencast Family and who doesn't.

The key role of HR is to employ staff with the right character and train skills that fit. This year, our Centre of Excellence organised the following skills training for management and staff:

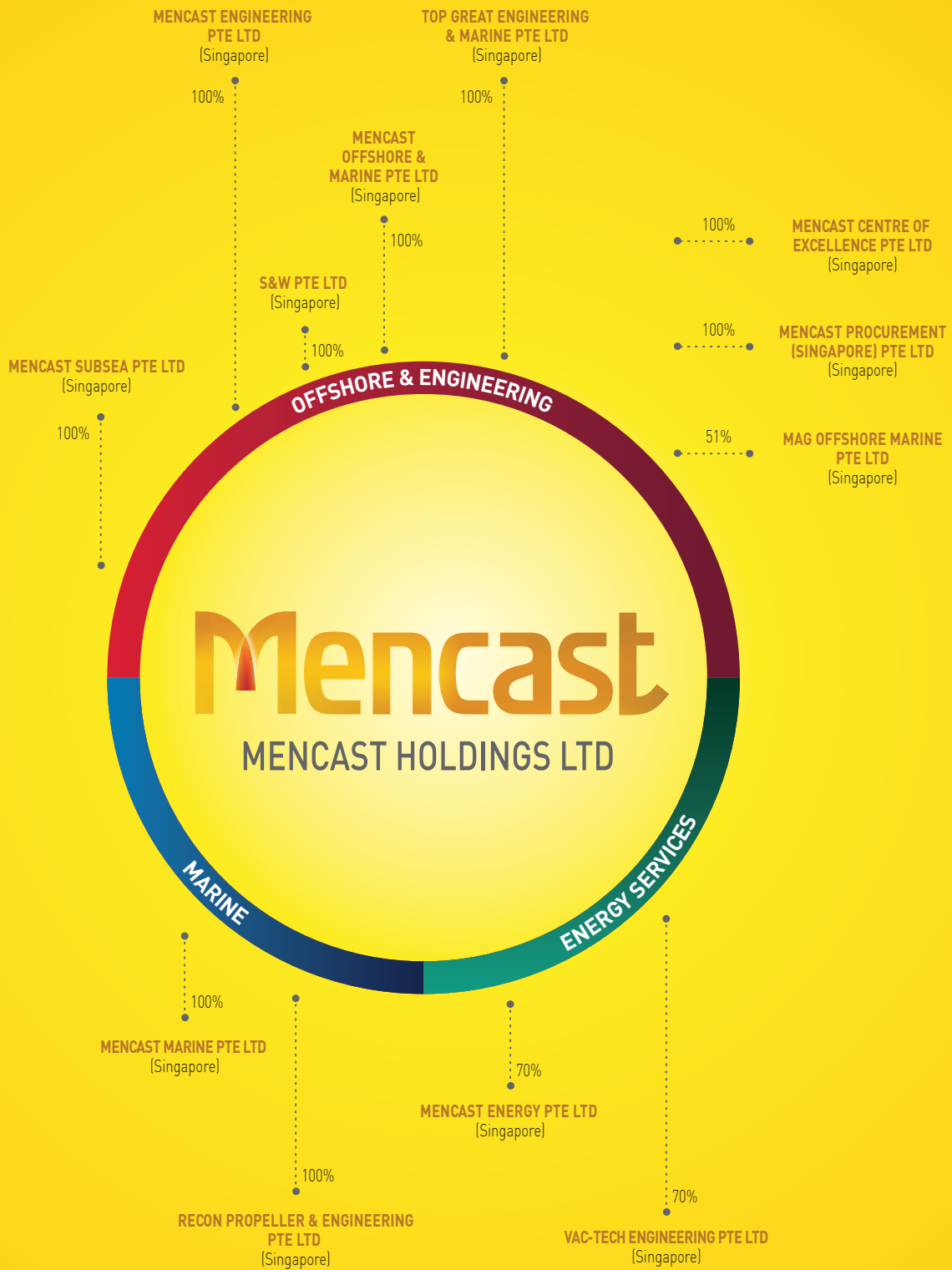
TRAINING PEOPLE DEVELOPMENT AND SKILL UPGRADING

1. Analytical & Creative Thinking Skills
2. Email Communication Skills
3. Essential Negotiation Skills
4. Practical Marketing & Selling Skills
5. Time Management Skills
6. Working In High Performance Teams
7. WSQ Present Information
8. WSQ Write Reports

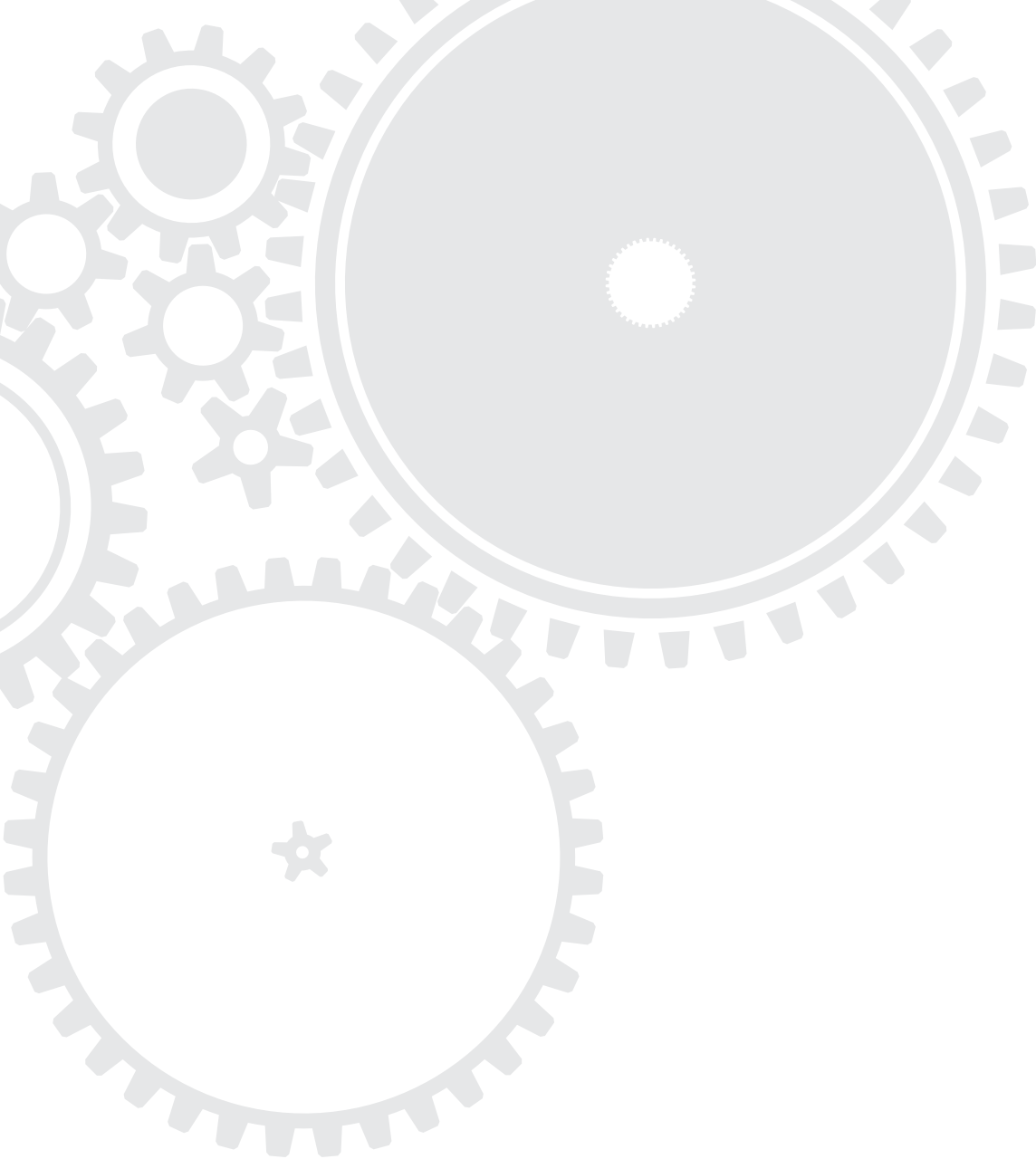
ACES AWARD: TOP COMPANIES TO WORK FOR IN ASIA

Mencast was honoured at the Asia Corporate Excellence & Sustainability Awards 2014 ("ACES Awards 2014") as one of the "Top Companies to Work for in Asia". This award recognises leadership excellence in Corporate Social Responsibility in the areas of Human Resources, Sustainability and Community Care.





GROUP
STRUCTURE



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PROXY FORM

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) of Mencast Holdings Ltd. (the “**Company**”) is committed to achieving a high standard of corporate governance within the Company and its subsidiaries (the “**Group**”) and to putting in place effective self-regulatory corporate practices to protect the interests of the Company’s shareholders (“**Shareholders**”) and enhance long-term Shareholders’ value. The Company adopts practices based on the Code of Corporate Governance 2012 (the “**Code**”). The Board is pleased to report on the compliance of the Company with the Code except where otherwise stated and such compliance is regularly reviewed to ensure transparency and accountability.

Principle 1: The Board’s Conduct of Its Affairs

The Board is collectively responsible for the long term success of the Company and works with Management to achieve this objective and Management remains accountable to the Board.

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

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

To facilitate effective management, certain functions have been delegated by the Board to the following committees:

- Audit Committee [“**AC**”]
- Nominating Committee [“**NC**”]
- Remuneration Committee [“**RC**”]
- Corporate Strategy and Communications Committee [“**CSCC**”]

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

The Board meets formally at least four times in a year. Besides the scheduled Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. To assist the Board in fulfilling its responsibilities, the Board will be provided with management reports containing complete, adequate and timely information and papers containing relevant background or explanatory information required to support the decision making process.

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

CORPORATE GOVERNANCE STATEMENT

The number of formal Board and other committee meetings held during the financial year ended 31 December 2014 ("FY2014") and the attendance of each director of the Company ("Director") where relevant, is set out as follows:

	Board	AC	NC	RC	CSCC
No. of meetings held	5	5	1	2	1
	No. of meetings attended				
Sim Soon Ngee Glenndle	5	5 ¹	1	2 ¹	1
Wong Boon Huat	5	5 ¹	1 ¹	2 ¹	1
Sunny Wong Fook Choy	5	5	1	2	1 ¹
Ho Chew Thim, Raymond	5	5	1	2	1 ¹
Leow David Ivan	5	5	1 ¹	2	1
Ng Chee Keong	5	5	1	2	1 ¹

1 By Invitation

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

Principle 2: Board Composition and Guidance

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

As recommended by the Code, the Independent Directors meet without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors. Such meetings are arranged by the Lead Independent Director as warranted by particular circumstances.

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

Principle 3: Chairman and CEO

Sim Soon Ngee Glenndle is both the Chairman of the Board and the CEO of the Company. As the Executive Chairman and the CEO, he gives guidance on the corporate direction of the Group, which includes the scheduling and chairing of Board meetings and controlling the quality, quantity and timeliness of information supplied to the Board. As the CEO, he sets the business strategies and directions for the Group and manages the business operations of the Group.

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

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

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

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

Nominating Committee

Principle 4: Board Membership

Principle 5: Board Performance

The NC of the Company comprises the following members, the majority of the members, including the Chairman of the NC, are Independent Non-executive Directors:

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

The principal functions of the NC include:

- making recommendations to the Board on the appointment and re-appointment of Directors;
- making plans for succession, in particular for the Chairman and CEO;
- assessing the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board;
- reviewing the training and professional development programs for the Board;
- evaluating the independence of the Directors; and
- regularly reviewing the Board structure, size and composition having regard to the scope and nature of the operations of the Group and the core competencies of the Directors as a group.

CORPORATE GOVERNANCE STATEMENT

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangements will be made for the new director to attend various briefings with the management team.

Board renewal must be an ongoing process to ensure good governance and to maintain relevance to the changing needs of the Group. Pursuant to the Company's Articles of Association, one-third of directors, including the CEO who also serves on the board (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. This results in all directors having to retire at least once in three years. All newly appointed directors by the Board shall only hold office until the next annual general meeting ("**AGM**"), and be eligible for re-election at the AGM.

At the upcoming AGM, Messrs Sim Soon Ngee Glenndle and Wong Boon Huat shall retire and being eligible, have agreed to stand for re-election.

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

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

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

Further Information on Board of Directors

Sim Soon Ngee Glenndle

Executive Chairman & Chief Executive Officer

Date of first appointment as a director: 30 January 2008

Date of last re-election as a director: 26 April 2013

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
NC and CCCC	MIS Investment Pte Ltd Mencast Energy Pte Ltd*	Mencast Marine Pte Ltd* Mencast Offshore & Marine Pte Ltd* Mencast Engineering Pte Ltd * Mencast Centre of Excellence Pte Ltd* Mencast Procurement (Singapore) Pte Ltd* Mencast Subsea Pte Ltd* Recon Propeller & Engineering Pte Ltd* Top Great Engineering & Marine Pte Ltd*

* Subsidiaries of Mencast Holdings Ltd

CORPORATE GOVERNANCE STATEMENT

Wong Boon Huat

Executive Director

Date of first appointment as a director: 4 August 2011

Date of last re-election as a director: 24 April 2012

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
CSCC	Chinyee Engineering & Machinery Pte Ltd* Mencast Procurement (Singapore) Pte Ltd* Mencast Energieers Pte Ltd* Mencast Offshore & Marine Pte Ltd* Mencast Centre of Excellence Pte Ltd* Mencast Energy Pte Ltd* Mencast Engineering Pte Ltd* Mencast Marine Pte Ltd* Mencast Subsea Pte Ltd* S&W Pte Ltd* Top Great group of Companies* Vac-Tech Engineering Pte Ltd*	Eastern Rise Engineering Pte. Ltd. (Struck off)

* Subsidiaries of Mencast Holdings Ltd

Sunny Wong Fook Choy

Lead Independent Director

Date of first appointment as a director: 29 May 2008

Date of last re-election as a director: 26 April 2013

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

Ho Chew Thim, Raymond

Independent Director

Date of first appointment as a director: 29 May 2008

Date of last re-election as a director: 25 April 2014

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
AC (Chairman), NC and RC	China Kunda Technology Holdings Limited DeClout Limited Hengyang Petrochemical Logistics Limited Yongmao Holdings Limited	R H Energy Ltd

CORPORATE GOVERNANCE STATEMENT

Leow David Ivan

Independent Director

Date of first appointment as a director: 7 June 2013

Date of last re-election as a director: 25 April 2014

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
CSCC (Chairman), AC and RC	MEC Asian Fund Thaler Global Pte Ltd	Nil

Ng Chee Keong

Independent Director

Date of first appointment as a director: 9 October 2009

Date of last re-election as a director: 25 April 2014

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
RC (Chairman), AC and NC	Centre of Maritime Studies, NUS Jasper Investments Ltd Jurong Port Ltd Jurong Port Jakarta Holding Pte Ltd Jurong Port Marunda Holding Pte Ltd PT Pelabuhan Tegar Indonesia Samudera Shipping Line Ltd	Mermaid Maritime Public Company Otto Marine Pte Ltd PSA International Pte Ltd

Principle 6: Access to Information

The management of the Company provides Board members with quarterly management accounts and other financial information to enable the Board to fulfil its responsibilities. Board members have full and independent access to senior management and the Company Secretary at all times. In performing their duties, the Board or an individual Board member may seek independent professional advice, if necessary, at the Company's expense.

The Company Secretary attend all of the Board and most of the committee meetings and is responsible for ensuring that Board procedures are being followed and the Company complies with the requirement of the Singapore Companies Act (the "Act"), and other rules and regulations, which are applicable to the Company.

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

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure of Remuneration

The RC of the Company comprises the following members, all of whom are Independent Non-executive Directors:

Ng Chee Keong
Ho Chew Thim, Raymond
Leow David Ivan
Sunny Wong Fook Choy

Chairman, Independent Director
Member, Independent Director
Member, Independent Director
Member, Lead Independent Director

CORPORATE GOVERNANCE STATEMENT

The functions of the RC include:

- Recommending to the Board a framework of remuneration for the Board and the Key Executives of the Group, covering all aspects of remuneration such as Directors' fees, salaries, allowances, bonuses, options and benefit-in-kind;
- Proposing to the Board, appropriate and meaningful measures for assessing Executive Directors' performance;
- Determining the specific remuneration package for our CEO; and
- Considering and recommending to the Board the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration and details of the specific remuneration packages of the Directors and Key Executives of the Group to those required by law or by the Code.

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

The Company advocates a performance based remuneration system for Executive Directors and Key Executives that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus and participation in an employee share option scheme or performance share award scheme based on the Group's performance and linking it to the individual's performance.

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

The RC also administers the Company's share-based remuneration incentive plans, namely, the Mencast Employee Share Option Scheme ("**ESOS**") and Mencast Performance Share Award Scheme ("**PSAS**").

The purpose of the ESOS is to provide an opportunity for full time employees and Directors of the Group to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services.

The rationale of PSAS is to complement the ESOS and to increase the Company's flexibility and effectiveness in its continuing efforts to reward, retain and motivate the Group's Non-executive Directors when and after pre-determined performance target(s) are achieved. Performance targets set under the PSAS are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The PSAS is to provide the Company with a more comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining superior talent.

Both ESOS and PSAS are structured to link rewards to corporate and individual performance and they are aligned with the interests of shareholders and promote the long term success of the Company.

To date, the Company has granted 143,975 shares under the PSAS. No options were granted under the ESOS.

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

No Directors participate in decisions on their own remuneration.

CORPORATE GOVERNANCE STATEMENT

The Company has entered into Service Agreements with Sim Soon Ngee Glenndle, the Executive Chairman and CEO for a fixed period of three years commencing from 25 June 2008 and Wong Boon Huat, the Executive Director for a fixed period of three years commencing from 4 August 2011, and thereafter each renewable for a fixed period of three years. The Service Agreements of Sim Soon Ngee Glenndle and Wong Boon Huat were renewed on 18 November 2014.

The following table shows a breakdown of the annual remuneration of the Directors of the Group for FY2014.

Name of Director	Salary and Other Benefits	Performance Bonus ⁽¹⁾	Directors' Fees ⁽²⁾	Total
	%	%	%	%
\$750,001 to \$1,000,000				
Sim Soon Ngee Glenndle	44	56	-	100
\$250,001 to \$500,000				
Wong Boon Huat	58	42	-	100
\$250,000 and below				
Sunny Wong Fook Choy	-	-	100	100
Ho Chew Thim, Raymond	-	-	100	100
Leow David Ivan	-	-	100	100
Ng Chee Keong	-	-	100	100

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

The remuneration of the 11 Key Executives of the Group (excluding the Executive Directors in the above table), also shown in bands of \$250,000, is set out below:

Name of Key Executive	Salary and Other Benefits	Performance Bonus ⁽¹⁾	Total
	%	%	%
Below \$250,000			
Jojo Alviedo	85	15	100
Phua Poh Cheng, Jack	87	13	100
Sim Wei Wei ⁽³⁾	100	-	100
Ho Gim Hai, Sam	100	-	100
Cheng Shao Rong	96	4	100
Sun Nai Jiang	97	3	100
Chong Yew Chee, Roy	100	-	100
Muhammad Firoz Bin Mohd Amin	95	5	100
Wong Boon Hwee ⁽⁴⁾	91	9	100
Aung Wunna, Edward	94	6	100
Christopher Woo Tuck Wai	100	-	100

CORPORATE GOVERNANCE STATEMENT

- (1) Performance bonus is determined in accordance with the respective Service Agreement
- (2) Directors' fees are subject to Shareholders' approval at the AGM to be held on 27 April 2015.
- (3) Sim Wei Wei is the daughter of substantial shareholder, Chua Kim Choo and sister of CEO, Sim Soon Ngee Glenndle.
- (4) Wong Boon Hwee is the brother of the Executive Director, Wong Boon Huat.
- (5) The total remuneration paid to the ten key executives in FY2014 amounted to \$1,825,000.

The breakdown of the total remuneration of employees who are immediate family members of the Executive Directors for the year ended 31 December 2014 is set out below:

Name of Employee	Salary and Other Benefits	Performance Bonus ⁽¹⁾	Total
	%	%	%
\$200,001 to \$250,000			
Wong Boon Hwee	91	9	100
\$50,001 to \$100,000			
Sim Wei Wei	100	-	100
Wong Boon Tian	95	5	100
Wong Boon Chit	95	5	100

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

Other than as specified above, there are no immediate family members of a Director or substantial shareholder whose remuneration exceeds \$50,000 for FY2014.

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

Principle 10: Accountability

The Board is accountable to the Shareholders while the management is accountable to the Board. The management provides all Board members with management reports and accounts which represent balanced, understandable assessment of the Group's performance, position and prospects on a regular basis. In presenting the annual financial statements, quarterly and other announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects. Financial reports and other price sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

Principle 11: Risk Management and Internal Controls

Enterprise Risk Management Committee ("ERMC")

The Board and AC are assisted by the ERMC to evaluate the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The ERMC was formed in FY2012 as part of the Group's efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.

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

CORPORATE GOVERNANCE STATEMENT

The ERM C comprises the following members:

Name	Department	Designation	ERM Role
Sim Soon Ngee Glenndle	Corporate	Executive Chairman/CEO	ERM Sponsor
Jojo Alviedo	Corporate	CFO	ERM Champion
Sim Wei Wei	Corporate	Head of Corporate Services	Member
Chong Yew Chee, Roy	Corporate	Senior Manager– CSBD	Member
Ellyn Kusumo	Finance	Financial Controller	Member
Janis Mojica	Finance	Finance Manager	Member
Nan Khin Thein Yi (Hui Hui)	Finance	Finance Manager	Member
Phua Keow Wee	Marine	General Manager – Technical	Member
Christopher Woo Tuck Wai	Marine	Senior Manager – Mecast Subsea	Member
Aung Wunna, Edward	Offshore & Engineering	Head of Environmental	Member
Sun Nai Jiang	Offshore & Engineering	Senior Manager, Upstream Operations	Member
Ho Gim Hai, Sam	Energy Services	Managing Director – Vac-Tech	Member

The Company had engaged Mazars LLP as an independent consultant to assist in setting up the Enterprise Risk Management ('ERM') and to document the framework that enables Management to address the financial, operational, information technology and compliance risks of the key operating units. The process involved the identification of major risks through workshops conducted for the Group's various business units whereby the business units key risks of financial, operational, information technology and compliance nature, as well as the countermeasures in place or required to mitigate these risks were summarized for review by the AC. The documentation provided an overview of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type in the business units and the various assurance mechanisms in place.

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

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

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

Based on the internal controls established and maintained by the Group, work performed by the Independent and Internal auditors, and reviews performed by the Management and AC, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2014 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

Principle 12: Audit Committee

Principle 13: Internal Audit

The AC of the Company comprises four members, all of whom are Independent Non-executive Directors. The AC Chairman and members have the relevant accounting and financial management expertise or experience to discharge their responsibilities:

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

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

- Reviewed the scope and results of internal audit procedures with the Internal Auditor and the effectiveness of the Company's internal audit function;
- Reviewed the adequacy of the Group's internal controls, including financial, operational compliance and information technology controls and risk management policies and systems;
- Reviewed with the Independent Auditor the audit plan and its report on the weaknesses of internal accounting controls, if any, arising from the statutory audit;
- Reviewed the assistance given by management to the Independent Auditor, and discusses problems and concerns, if any, arising from the statutory audit, with the management;
- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year before their submission to the Board of Directors, as well as the Independent Auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- Reviewed the quarterly and annual financial statements of the Group before submission to the Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- Reviewed and discussed with the Independent Auditor any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management response;
- Reviewed non-audit services performed by the Independent Auditor to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the Independent Auditor before recommending to the Board;
- Reviewed the independence and objectivity of the Independent Auditor;
- Evaluated quality of work carried out by Independent Auditor;
- Considered the appointment and re-appointment of the Independent Auditor and approve the remuneration and terms of engagement of the Independent Auditor; and
- Reviewed transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

CORPORATE GOVERNANCE STATEMENT

The AC also undertook:

- Such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- Such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

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

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

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

During the year under review, the aggregate amount of fees paid to the Independent Auditor for the audit services amounted to \$222,000. There was no non-audit services fees being paid to the Independent Auditors for the financial year ended 31 December 2014. Being satisfied with the independence of the Independent Auditor, the AC, with the concurrence of the Board, has recommended the re-appointment of Nexia TS Public Accounting Corporation ("**Nexia**") at the upcoming AGM.

Save for two foreign-incorporated subsidiaries which are not principal subsidiaries, all the Company's subsidiaries are audited by Nexia and its member firms. The Board and AC are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. The Group is in compliance with Rule 712 and Rule 716 of the Listing Manual of SGX-ST in relation to its Independent Auditor.

The Group has put in place a Whistle Blowing Policy (the "**Policy**"), which provides a channel for employees of the Group to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy is to assist the AC in managing allegations of fraud or other misconduct; disciplinary and civil actions that are initiated following the completion of the investigations are appropriate and fair; and actions taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

The internal audit function has been outsourced to a professional firm, Mazars LLP ("the **Internal Auditor**") in order to satisfy and comply with the requirements of best practices set out in the Code. The Internal Auditor reports directly to the AC on audit related matters and reports to the CFO of the Company on administrative-related matters. The Internal Auditor plans its audit schedules in consultation with, but independent of, the management. The audit schedules are approved by the AC.

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

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

The AC and Board reviews the adequacy and effectiveness of the internal audit function annually and they are satisfied that the Internal Auditor has adequate resources and appropriate standing within the Group and the Company.

CORPORATE GOVERNANCE STATEMENT

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

Corporate Strategy and Communications Committee

The CSCC of the Company comprise the following members:

Leow David Ivan	Chairman, Independent Director
Sim Soon Ngee Glenndle	Member, Executive Chairman and Chief Executive Officer
Wong Boon Huat	Member, Executive Director

The primary role of the CSCC is to assist the Board in discharging its responsibilities to shareholders through:

- a) The development and oversight of the Group's corporate strategy by reviewing the strategic plans and initiatives that management shall be responsible for, including the setting of annual and multi-year goals and proposed major corporate and business initiatives of the Group, including financial and capital market activities and;
- b) The communication as appropriate of the Group's corporate strategy and initiatives to external stakeholders, including current and potential investors, business partners, financial institutions and intermediaries, media and the public.

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

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

The Board also endeavours to maintain regular, timely and effective communication with Shareholders and investors. Full year and quarterly results and information on material matters required by the Listing Rules are promptly disseminated to Shareholders through announcements made via the SGXNET followed by a news release. Such releases are also made available for future viewing on the Company's website at www.mencast.com.sg.

The Board welcomes the view of Shareholders on matters affecting the Group. Shareholders are informed of meetings through notices published in the newspapers and reports or circulars sent to all Shareholders.

The Company takes steps to engage investors or shareholders and solicit and understand the views of the shareholder through various corporate presentations where the Company briefs shareholders and other relevant stakeholders on its financial performance and business. Time is set aside for a Question & Answer session at every briefing.

At general meetings, Shareholders are given the opportunity to pose any questions to the Directors or management relating to the Group's business or performance. The general meeting is the principal forum for any dialogue the shareholders may have with the Directors and management of the Company. It is the Company's policy that all Directors, including the Chairman of the AC, NC, RC and CSCC as well as the Independent Auditor are present at the general meetings to receive shareholder feedback and address shareholders' queries.

CORPORATE GOVERNANCE STATEMENT

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

Each item of special business in the notices of the shareholders' general meetings is accompanied as appropriate, by an explanation for the proposed resolution. Except for resolutions that are interdependent and linked so as to form one significant proposal, separate resolutions are presented for voting for each substantially separate issue.

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

Interested Person Transactions

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

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

Material Contracts

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling Shareholder either still subsisting as at the financial year under review or if not subsisting, were entered into at the end of the financial year ended 31 December 2014.

Securities Transactions

The Company has adopted internal regulations with respect to dealings in securities by Directors and officers of the Group which complies with Rule 1207(19) of the SGX-ST Listing Manual. The Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are not permitted to deal in the Shares during the periods commencing two weeks before the announcement of the Group's financial results for the first three quarter or one month before the announcement of the Group's full year financial results, and ending on the date of announcement of such result, or when they are in possession of unpublished price-sensitive information of the Group. In addition, the officers of the Company are advised not to deal with the Shares for short-term considerations and are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

Use of Proceeds

IPO

Pursuant to the Company's initial public offering ("IPO"), the Company issued 22,500,000 new Shares at \$0.28 each on 25 June 2008. As at 31 March 2014, the total net proceeds of \$5.0 million raised from the IPO had been fully utilised. The use of proceeds is in accordance with the stated use and the announcement of the Company.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

The directors of the Company in office at the date of this report are as follows:

Sim Soon Ngee Glenndle
Wong Boon Huat
Sunny Wong Fook Choy
Ho Chew Thim, Raymond
Leow David Ivan
Ng Chee Keong

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" and "Performance shares" on pages 41 to 42 of this report.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2014	At 1.1.2014	At 31.12.2014	At 1.1.2014
The Company				
(No. of ordinary shares)				
Sim Soon Ngee Glenndle	75,600,000	63,000,000	70,734,800	59,109,000
Wong Boon Huat	28,005,306	23,337,755	–	–
Sunny Wong Fook Choy	150,000	125,000	–	–
Ho Chew Thim, Raymond	150,000	125,000	–	–
Leow David Ivan	6,012,000	5,010,000	–	–

The directors' interests in the ordinary shares of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

By virtue of Section 7 of the Singapore Companies Act, Sim Soon Ngee Glenndle is deemed to have interests in the shares of all the subsidiaries at the beginning and end of the financial year.

Directors' contractual benefits

Since the end of previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

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

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

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

- (i) at a price equal to the average of the last dealt prices for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant option; or
- (ii) at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price.

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

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

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

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

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

Since the commencement of the ESOS till the end of the financial year, no option has been granted under the ESOS.

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 subsidiaries.

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

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Performance shares

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

Controlling shareholders or associates of a controlling shareholder who meet the eligibility criteria are also eligible to participate in the Scheme provided that the participation of and the terms of each grant and the actual number of awards granted under the Scheme to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in separate resolutions for each such person.

The Scheme is a share incentive scheme which will allow the Company, *inter alia*, to target specific performance objectives and to provide an incentive for Participants to achieve these targets. The directors believe that the Scheme will help to achieve the following positive objectives:

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

The Scheme is administered by directors which comprises one independent director at all times.

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

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

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

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

The adoption of the Scheme is to complement the existing Mencast Employee Share Option Scheme (the "ESOS").

On 22 August 2014, the Company, pursuant to the Mencast Performance Share Award Scheme, granted \$168,000 worth of Share Awards to eligible employees of the Company over two (2) to three (3) tranches. The Tranche 1 was awarded on 11 September 2014 (Note 24 (a)) and the tranches 2 and 3 will be vested over 12 months and 24 months respectively from date of the grant.

Audit committee

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

Ho Chew Thim, Raymond (Chairman)
Leow David Ivan
Ng Chee Keong
Sunny Wong Fook Choy

All members of the Audit Committee are independent and non-executive directors.

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

- Reviewed the scope and results of internal audit procedures with the internal auditor;
- Reviewed the adequacy of the Group's internal financial controls, operational and compliance controls and risk management policies and systems;
- Reviewed with the independent auditor the audit plan and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- Reviewed the assistance given by management to the independent auditor, and discusses problems and concerns, if any, arising from the statutory audit, with the management;
- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- Reviewed the quarterly and annual financial statements of the Group before submission to the Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- Reviewed and discussed with the independent auditor any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management response;
- Reviewed non-audit services performed by the independent auditor to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor before recommending to the Board;
- Reviewed the independence and objectivity of the independent auditor;
- Considered the appointment and re-appointment of the independent auditor and approve the remuneration and terms of engagement of the independent auditor; and
- Reviewed transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

The Audit Committee has recommended to the board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting ("AGM") of the Company.

DIRECTORS' REPORT

For the financial year ended 31 December 2014

Independent auditor

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

On behalf of the directors

Sim Soon Ngee Glenndle

Director

Wong Boon Huat

Director

31 March 2015

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2014

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 48 to 108 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, 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.

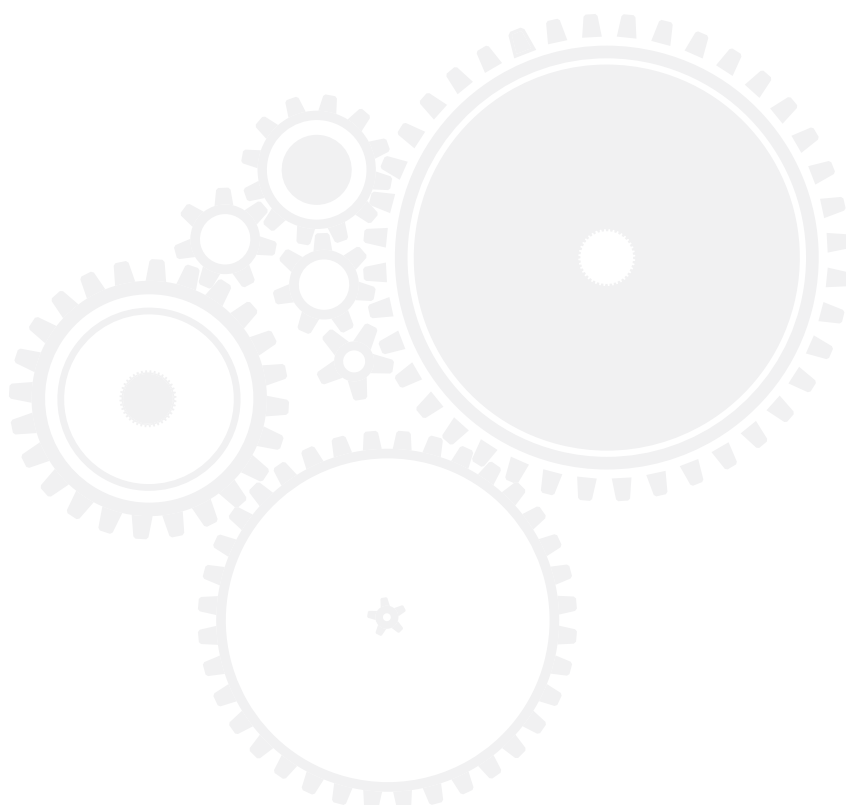
The board of directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Sim Soon Ngee Glenndle
Director

Wong Boon Huat
Director

31 March 2015



INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Report on the Financial Statements

We have audited the accompanying financial statements of Mencast Holdings Ltd (the "Company") and its subsidiaries (the "Group") as set out on pages 48 to 108, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on other Legal and Regulatory Requirements

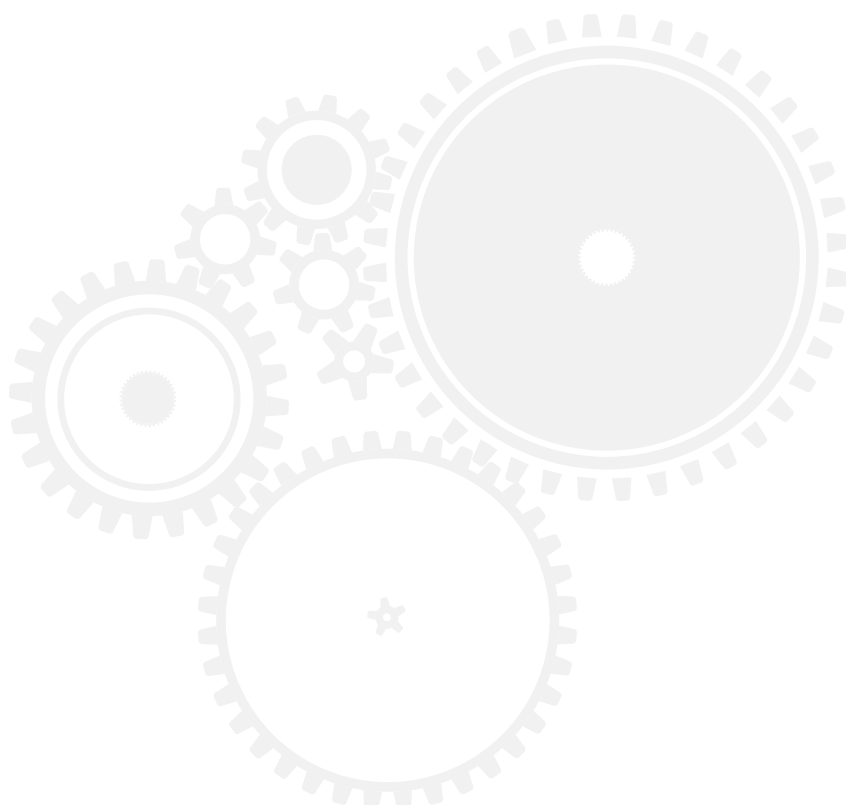
In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore, of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

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Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Director-in-charge: Loh Ji Kin
Appointed since financial year ended 31 December 2010

Singapore
31 March 2015



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	2014 \$'000	2013 \$'000
Revenue	4	130,609	99,211
Cost of sales		(92,703)	(68,777)
Gross profit		37,906	30,434
Other gains – net	5	8,126	7,258
Expenses			
- Administrative		(20,904)	(18,372)
- Finance	8	(5,195)	(2,470)
Profit before income tax		19,933	16,850
Income tax expense	9	(1,734)	(675)
Net profit for the financial year		18,199	16,175
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss:			
Fair value (loss)/gain on available-for-sale financial assets		(3)	48
Currency translation differences arising from consolidation		43	(1,771)
Total comprehensive income		18,239	14,452
Net profit attributable to:			
Equity holders of the Company		17,460	15,721
Non-controlling interests		739	454
		18,199	16,175
Total comprehensive income attributable to:			
Equity holders of the Company		17,500	13,998
Non-controlling interests		739	454
		18,239	14,452
Earnings per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted	10	5.06	4.76

BALANCE SHEETS

As at 31 December 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	19,686	22,669	259	12,968
Trade and other receivables	12	85,479	58,879	85,476	29,272
Inventories	13	10,328	9,043	-	-
		115,493	90,591	85,735	42,240
Non-current assets					
Available-for-sale financial assets	15	172	175	-	-
Investments in subsidiaries	16	-	-	94,251	94,251
Investment in joint venture	17	881	881	-	-
Property, plant and equipment	18	181,936	156,793	63	46
Deposits for purchase of property, plant and equipment		1,872	1,397	-	-
Intangible assets	19	45,180	45,180	-	-
Club memberships		60	60	-	-
Deferred income tax assets	23	-	-	524	524
		230,101	204,486	94,838	94,821
Total assets		345,594	295,077	180,573	137,061
LIABILITIES					
Current liabilities					
Trade and other payables	20	34,902	49,513	57,194	20,179
Borrowings	21	70,013	28,407	-	-
Current income tax liabilities		869	557	-	-
		105,784	78,477	57,194	20,179
Non-current liabilities					
Other payables	20	5,100	7,850	5,100	7,850
Borrowings	21	100,713	99,016	49,617	49,391
Deferred income tax liabilities	23	4,453	3,138	-	-
		110,266	110,004	54,717	57,241
Total liabilities		216,050	188,481	111,911	77,420
NET ASSETS		129,544	106,596	68,662	59,641
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	72,027	58,441	72,027	58,441
Fair value reserve		92	95	-	-
Translation reserve		(1,981)	(2,024)	-	-
Retained profits/ (accumulated losses)		56,153	47,570	(3,365)	1,200
		126,291	104,082	68,662	59,641
Non-controlling interests		3,253	2,514	-	-
Total equity		129,544	106,596	68,662	59,641

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2014

	Note	Attributable to equity holders of the Company					Non-controlling interests \$'000	Total equity \$'000
		Share capital	Fair value reserve*	Translation reserve*	Retained profits**	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000		
Group								
2014								
Beginning of financial year		58,441	95	(2,024)	47,570	104,082	2,514	106,596
Issue of new shares for acquisitions in prior financial years	24	1,850	–	–	–	1,850	–	1,850
Purchase of treasury shares	24	(136)	–	–	–	(136)	–	(136)
Award of performance shares to employees	24	72	–	–	–	72	–	72
Issue of new shares pursuant to rights issue	24	11,800	–	–	–	11,800	–	11,800
Dividends paid relating to 2013	25	–	–	–	(8,877)	(8,877)	–	(8,877)
Total comprehensive (loss)/income for the financial year		–	(3)	43	17,460	17,500	739	18,239
End of financial year		72,027	92	(1,981)	56,153	126,291	3,253	129,544
2013								
Beginning of financial year		53,976	47	(253)	34,582	88,352	1,970	90,322
Issue of new shares for acquisitions in prior financial years	24	4,600	–	–	–	4,600	–	4,600
Purchase of treasury shares	24	(135)	–	–	–	(135)	–	(135)
Dividends paid relating to 2012	25	–	–	–	(2,733)	(2,733)	–	(2,733)
Issue of subsidiary's shares to non-controlling interests		–	–	–	–	–	90	90
Total comprehensive income/(loss) for the financial year		–	48	(1,771)	15,721	13,998	454	14,452
End of financial year		58,441	95	(2,024)	47,570	104,082	2,514	106,596

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

** The retained profits of the Group and the Company are distributable.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Net profit		18,199	16,175
Adjustments for:			
- Income tax		1,734	675
- Depreciation of property, plant and equipment		12,441	6,099
- Gain from bargain purchase	31	-	(4,711)
- Gain on disposal of property, plant and equipment		(4,540)	(878)
- Loss on disposal of club membership		-	8
- Dividend income on available-for-sale financial assets		(7)	(7)
- Award of performance shares		72	-
- Interest income		(14)	(25)
- Interest expense		5,195	2,470
- Currency translation differences		87	(1,503)
		33,167	18,303
Change in working capital, net of effects from acquisitions of subsidiaries:			
- Trade and other receivables		(26,600)	(13,079)
- Inventories		(1,285)	205
- Trade and other payables		(5,526)	403
Cash generated from operations		(244)	5,832
Interest received		14	25
Income tax (paid)/refunded		(107)	50
Net cash (used in)/provided by operating activities		(337)	5,907
Cash flows from investing activities			
Acquisitions of subsidiaries, net of cash acquired	31	-	(2,637)
Dividend received on available-for-sale financial assets		7	7
Proceeds from disposal of property, plant and equipment		7,460	2,182
Proceeds from disposal of club membership		-	20
Payments of other payables relating to prior financial years' acquisitions		(9,985)	(4,468)
Purchase of property, plant and equipment		(10,903)	(29,056)
Release of short-term bank deposits pledged		1,909	1,174
Net cash used in investing activities		(11,512)	(32,778)
Cash flows from financing activities			
Dividends paid		(8,877)	(2,733)
Interest paid		(4,968)	(2,470)
Repayment of bank borrowings		(36,502)	(40,365)
Repayment of finance lease liabilities		(7,621)	(4,375)
Proceeds from bank borrowings		57,801	28,614
Proceeds from issuance of Series 1 Notes		-	49,335
Proceeds from rights issue		11,800	-
Purchase of treasury shares		(136)	(135)
Net cash provided by financing activities		11,497	27,871
Net (decrease)/increase in cash and cash equivalents		(352)	1,000
Cash and cash equivalents at beginning of financial year		14,522	13,522
Cash and cash equivalents at end of financial year	11	14,170	14,522

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

The financial statements of the Group and the Company for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of directors on 31 March 2015.

1. General information

Mencast Holdings Ltd (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 42E Penjuru Road, Mencast Central, Singapore 609161.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 112 Disclosures of Interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) *Sale of goods*

Revenue from sale of goods is recognised when the Group has delivered the products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

(ii) *Rendering of services*

Repair and overhaul services

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

Maintenance service

Revenue from maintenance service is recognised over the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service to be performed. Advances from customers are deferred and classified as "deferred revenue" under "trade and other payables". Labour and overhead costs incurred relating to maintenance services are deferred and classified as "deferred cost" under "inventories" until the revenue is recognised. Unbilled revenue on completed services is recognised as "accrued revenue" under "trade and other receivables".

(iii) *Construction contracts*

Please refer to the paragraph 2.9 "Construction contracts" for the accounting policy for revenue from construction contracts.

(iv) *Interest income*

Interest income is recognised using the effective interest method.

(v) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(vi) *Rental income*

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other gains-net.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.4 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net result of operations and its net assets, which is attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously held equity interest in the acquiree over (b) the fair values of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph 2.7 "Intangible assets - Goodwill" for the subsequent accounting policy on goodwill.

If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

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

(b) Transactions with non-controlling interests

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

(c) Joint venture

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

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

(i) Acquisitions

Investment in joint venture is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on joint venture represents the excess of the cost of acquisition of the joint venture over the Group's share of the fair value of the identifiable net assets of the joint venture and is included in the carrying amount of the investment.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its joint venture's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the joint venture is adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) Joint venture (continued)

(ii) Equity method of accounting (continued)

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

(iii) Disposal

Investment in joint venture is derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

2.5 Property, plant and equipment

(a) Measurement

(i) Buildings on leasehold land

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

(ii) Other property, plant and equipment

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

(iii) Components of costs

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.8 on borrowing costs).

(b) Depreciation

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

	<u>Useful lives</u>
Buildings on leasehold land	Over the lease periods of 28 to 60 years
Machinery and equipment	10 to 15 years
Furniture and fittings	5 years
Office equipment	5 years
Motor vehicles	5 to 10 years
Vessels	15 years
Computers	1 to 3 years
Renovation	5 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation (continued)

No depreciation is provided on construction-in-progress.

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 Club memberships

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

2.7 Intangible assets

Goodwill on acquisitions

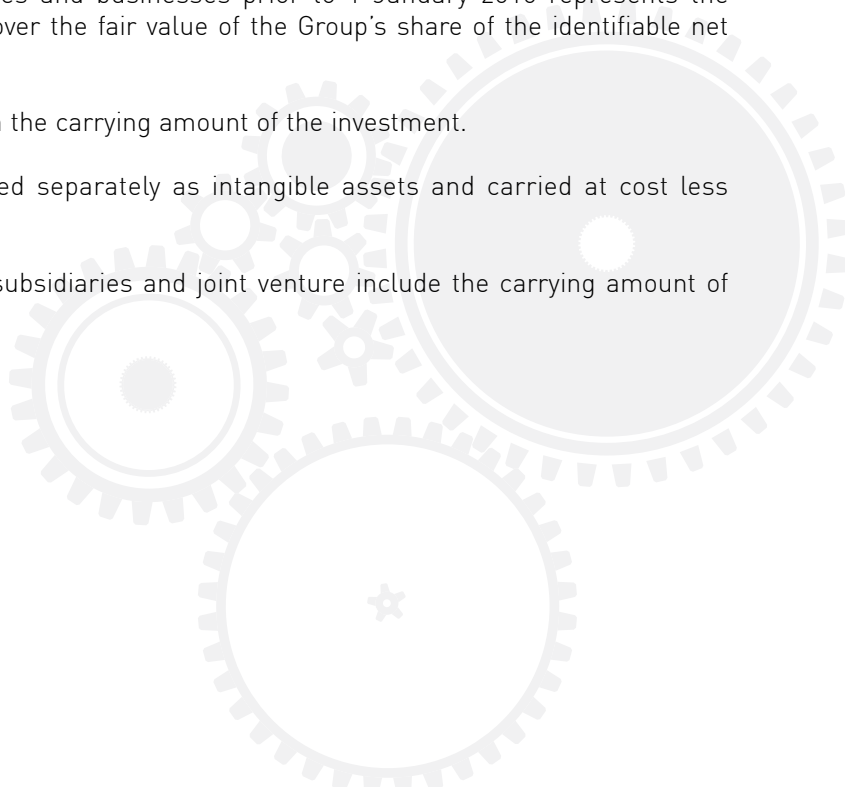
Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (a) the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on joint venture is included in the carrying amount of the investment.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.8 Borrowing costs

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

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings.

2.9 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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 balance sheet 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 balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.10 Investments in subsidiaries

Investments in subsidiaries and joint venture are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.11 Impairment of non-financial assets

(a) Goodwill

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

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

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

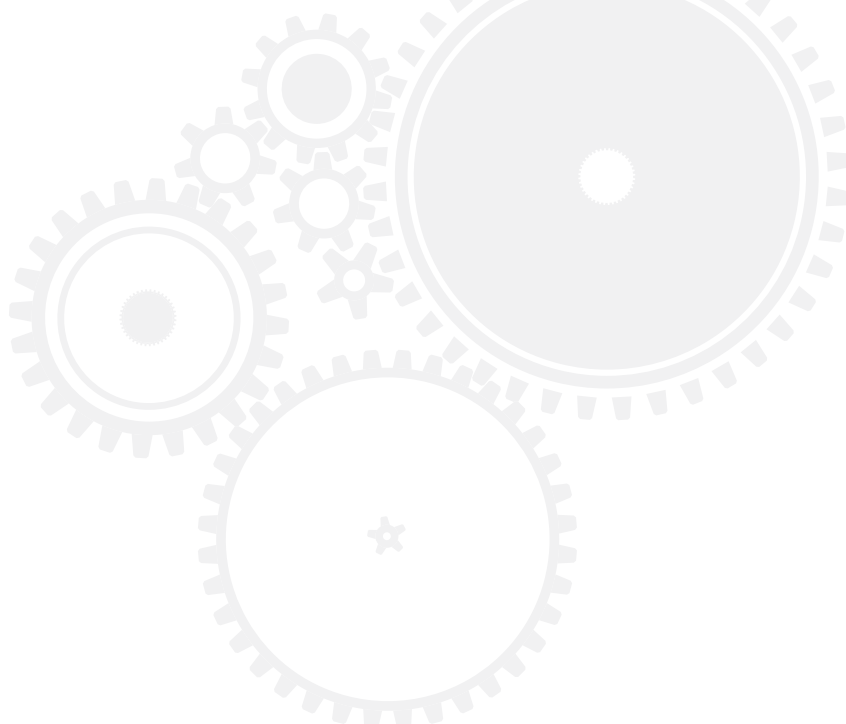
The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

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

(b) Property, plant and equipment Investments in subsidiaries and joint venture

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

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets (continued)

- (b) *Property, plant and equipment*
Investments in subsidiaries and joint venture (continued)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.12 Financial assets

- (a) *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity, and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition, and in the case of assets classified as held-to-maturity, re-evaluates this designation at each balance sheet date. There are no financial assets categorised as fair value through profit or loss and held-to-maturity.

- (i) *Loans and receivables*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(b) Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) Initial and subsequent measurement

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

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

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(d) Impairment

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

(i) Loans and receivables

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(d) Impairment (continued)

(ii) Available-for-sale financial assets

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

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.13 Offsetting financial instruments

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

2.14 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.15 Borrowings

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.16 Trade and other payables

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

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

2.17 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

2.18 Leases

(a) When the Group is the lessee:

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

(i) Lessee – Finance leases

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

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

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

(ii) Lessee – Operating leases

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.18 Leases (continued)

(b) When the Group is the lessor:

The Group leases office and workshop space under operating leases.

Lessor – Operating leases

Leases of office and workshop space where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.19 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and applicable variable selling expenses.

2.20 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and joint venture, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.20 Income taxes (continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.21 Provisions

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

2.22 Employee compensation

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

(a) Defined contribution plans

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

(b) Performance shares

Benefits to employees including the directors are provided in the form of share-based payment transactions, whereby employees render services in exchange for the shares or right over shares ("equity-settled transactions"). The fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or granted, excluding the impact of any non-market vesting conditions. The amount is determined by reference to the fair value of the performance shares on the grant date. This fair value is recognised in profit or loss over the vesting period of the share-based payment scheme with the corresponding increase in equity. The value of charge is adjusted in profit or loss over the remaining vesting period to reflect expected and actual levels of shares vesting with the adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave as a result of services rendered by employees up to balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.23 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

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

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

(c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.24 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. Significant accounting policies (continued)

2.25 Cash and cash equivalents

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

2.26 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued, pursuant to an employee share options or performance shares scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

2.27 Dividends to Company's shareholders

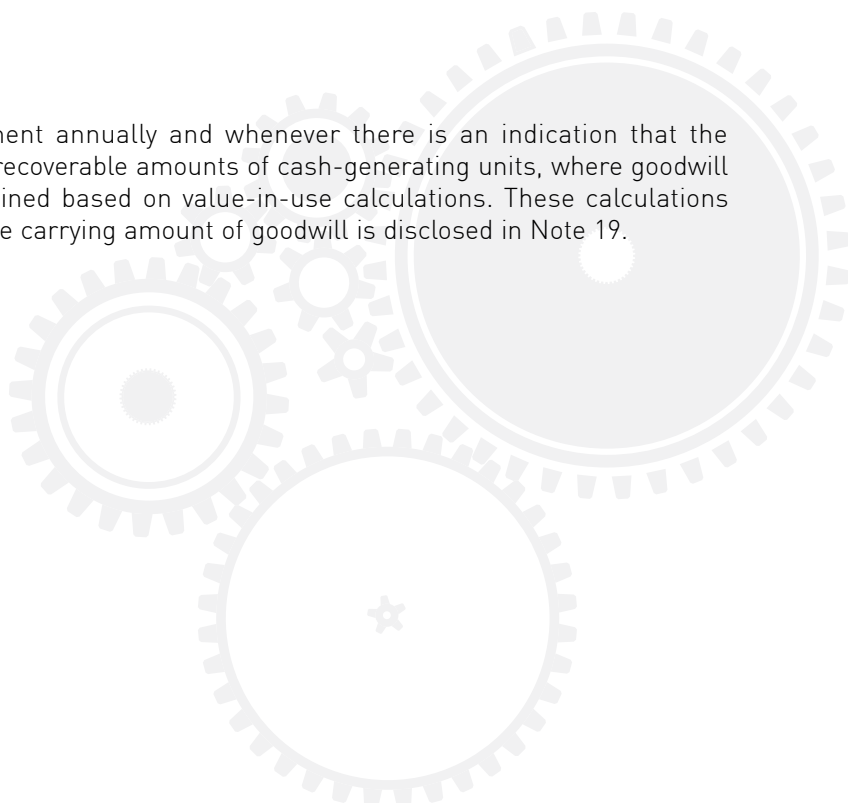
Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Impairment test for goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. The recoverable amounts of cash-generating units, where goodwill is allocated, have been determined based on value-in-use calculations. These calculations require the use of estimates. The carrying amount of goodwill is disclosed in Note 19.



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

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

(b) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists. Details of construction contracts are disclosed in Note 14.

If the revenue on uncompleted contracts at the balance sheet date had been higher/lower by 10% from management's estimates, the Group's profit would have been higher/lower by \$3,051,000 and \$3,358,000 respectively.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher by \$2,976,000 and \$3,350,000 respectively.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 60 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2014 was \$181,936,000 (2013: \$156,793,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(d) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment on a monthly basis. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management has made judgements as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management has made judgements as to whether an impairment loss should be recorded as an expense. In determining this, management has used estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. Details of trade and other receivables and allowance for impairment are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

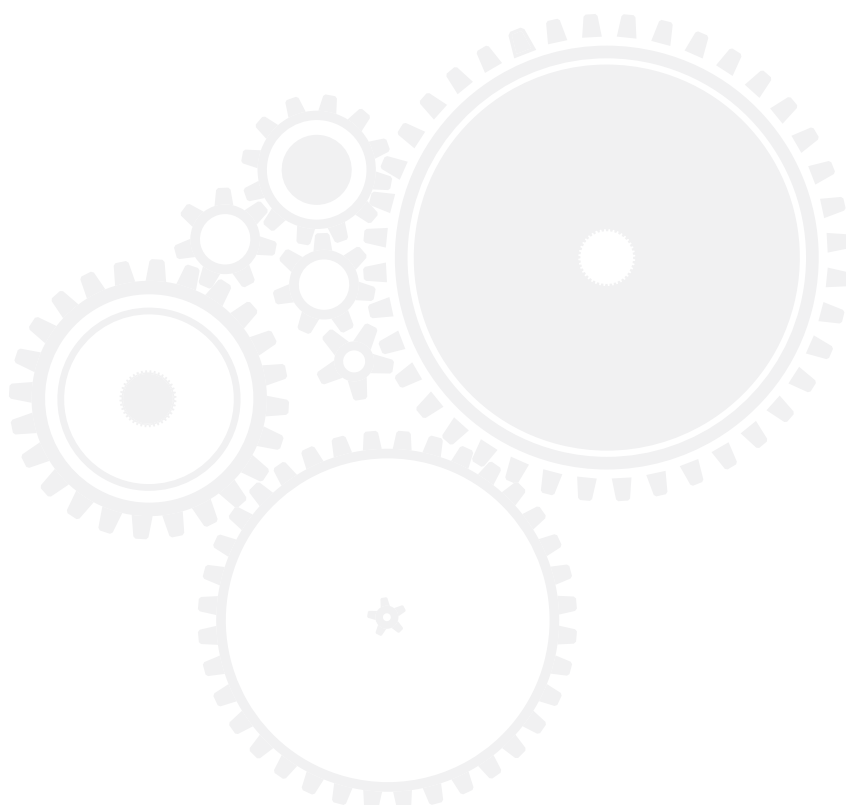
For the financial year ended 31 December 2014

4. Revenue

	Group	
	2014	2013
	\$'000	\$'000
Revenue from construction contracts	31,499	41,262
Service income from maintenance, repair and overhaul	85,659	43,375
Sale of goods	13,451	14,574
	130,609	99,211

5. Other gains – net

	Group	
	2014	2013
	\$'000	\$'000
Dividend income on available-for-sale financial assets	7	7
Foreign currency exchange gain – net	525	397
Gain from bargain purchase (Note 31)	-	4,711
Gain on disposal of property, plant and equipment	4,540	878
Government grants	504	96
Interest income – bank deposits	14	25
Rental income	543	81
Sales of scrap	432	147
Write-back of long-outstanding payables and accruals	820	374
Other income	741	542
	8,126	7,258



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

6. Expenses by nature

	Group	
	2014	2013
	\$'000	\$'000
Purchases of raw materials	17,824	29,532
Advertisement	194	115
Fees on audit services paid/payable to:		
- Auditor of the Company	222	190
- Other auditors*	44	25
Fees on non-audit services paid/payable to:		
- Auditor of the Company	-	40
- Other auditors*	135	119
Allowance for impairment of trade receivables-net (Note 28(b)(iii))	599	94
Commission	111	188
Depreciation of property, plant and equipment (Note 18)	12,441	6,099
Directors' fees	254	220
Donation	220	95
Employee compensation (Note 7)	35,702	26,369
Employee welfare	1,739	1,335
Entertainment and refreshment	367	457
Freight and handling charges	451	600
Insurance	1,487	982
Property tax	1,378	318
Printing and stationery	260	242
Professional fees	1,711	689
Repairs and maintenance	2,509	2,742
Rental expense on operating leases	4,772	2,990
Security fees	373	218
Subcontractors' cost	23,039	7,672
Surveyor and testing fees	1,635	1,021
Telephone	420	291
Transportation	663	382
Travelling	1,122	638
Utilities	2,478	1,318
Other	2,742	1,963
Changes in inventories	(1,285)	205
Total cost of sales and administrative expenses	113,607	87,149

* Includes the network member firms of Nexia International.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

7. Employee compensation

	Group	
	2014	2013
	\$'000	\$'000
Wages and salaries	31,060	22,877
Employers' contribution to defined contribution plans including Central Provident Fund	4,179	3,042
Other short-term benefits	391	450
Performance shares expense	72	–
	35,702	26,369

8. Finance expenses

	Group	
	2014	2013
	\$'000	\$'000
Interest expense on:		
- Bank borrowings	1,970	1,229
- Finance lease liabilities	541	321
- Series 1 Notes (Note 21)	3,101	920
	5,612	2,470
Less: Borrowing costs capitalised in and property plant and equipment	(417)	–
	5,195	2,470

Borrowing costs on general financing were capitalised at a rate of 5.75% per annum (2013: Nil).

9. Income taxes

	Group	
	2014	2013
	\$'000	\$'000
<u>Income tax expenses/(credit)</u>		
Tax expense/(credit) attributable to profit is made up of:		
Profit from current financial year		
- Current income tax – Singapore	279	499
- Deferred income tax (Note 23)	1,776	(1,061)
	2,055	(562)
Under/(over) provision in prior financial years		
- Current income tax – Singapore	124	(276)
- Current income tax – Malaysia	16	–
- Deferred income tax	(461)	1,513
	1,734	675

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9. Income taxes (continued)

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

	Group	
	2014 \$'000	2013 \$'000
Profit before income tax	19,933	16,850
Tax calculated at tax rate of 17% (2013: 17%)	3,389	2,864
Effects of:		
- different tax rates in other countries	24	50
- statutory tax exemption	(130)	(52)
- tax incentive under Productivity and Innovation Credit	(822)	(3,272)
- expenses not deductible for tax purposes	749	817
- income not subject to tax	(723)	(957)
- deferred income tax asset not recognised	(282)	-
- tax rebate	(150)	(39)
- other	-	27
	2,055	(562)

10. Earnings per share

(a) Basic earnings per share

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

	Group	
	2014	2013
Net profit attributable to equity holders of the Company (\$'000)	17,460	15,721
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	345,320	330,029
Basic earnings per share (cents per share)	5.06	4.76

(b) Diluted earnings per share

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

The Company has Performance Share Award as dilutive ordinary shares.

The weighted average number of shares on issue has been adjusted as if all dilutive performance shares were outstanding on the grant date. The number of shares that could have been issued were based on the weighted average of the closing market prices of the Shares over the last 5 market days immediately preceding the grant date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

10. Earnings per share (continued)

(b) Diluted earnings per share (continued)

	Group	
	2014	2013
Net profit attributable to equity holders of the Company (\$'000)	17,460	15,721
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	345,320	330,029
Adjustment for - Performance Share Award	58	-
	345,378	330,029
Diluted earnings per share (cents per share)	5.06	4.76

For comparative purposes, the weighted average number of ordinary shares outstanding have been adjusted for the effect of the bonus element of 39,319,513 shares in relation to the rights issue completed on 16 July 2014 (Note 24).

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11. Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	16,197	17,420	259	8,947
Short-term bank deposits	3,489	5,249	-	4,021
	19,686	22,669	259	12,968

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

	Group	
	2014	2013
	\$'000	\$'000
Cash and bank balances (as above)	19,686	22,669
Less : Short-term bank deposits pledged	(3,035)	(4,944)
Less : Bank overdrafts (Note 21)	(2,481)	(3,203)
Cash and cash equivalents per consolidated statement of cash flows	14,170	14,522

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

Please refer to Note 31 for the effects of acquisitions of subsidiaries on the cash flows of the Group in prior financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

12. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
- Non-related parties	49,741	28,307	-	-
Less: Allowance for impairment of trade receivables - non-related parties	(1,851)	(1,252)	-	-
Trade receivables - net	47,890	27,055	-	-
Construction contracts				
- Due from customers (Note 14)	20,228	11,329	-	-
Non-trade amounts due from subsidiaries	-	-	83,727	28,866
Accrued revenue	12,033	15,095	1,528	-
Advances to suppliers	674	388	-	108
Advances to staff	23	70	-	-
Deposits	1,080	951	5	11
Prepayments	950	1,214	70	56
Other receivables	2,601	2,777	146	231
	85,479	58,879	85,476	29,272

The non-trade amounts due from subsidiaries are unsecured, repayable on demand and interest-free, except for certain advances to subsidiaries amounting to \$29,629,000 (2013: \$14,200,000) which bear interest at 5.75% per annum.

13. Inventories

	Group	
	2014	2013
	\$'000	\$'000
Raw materials	5,910	6,976
Work-in-progress	3,185	1,598
Finished goods	988	189
Deferred costs	245	280
	10,328	9,043

The cost of inventories recognised as an expense and included in "cost of sales" amounted to \$16,539,000 (2013: \$29,737,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

14. Construction contracts

	Group	
	2014 \$'000	2013 \$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	52,501	14,907
Less: Progress billings	(37,092)	(5,234)
	15,409	9,673
Presented as:		
Due from customers on construction contracts (Note 12)	20,228	11,329
Due to customers on construction contracts (Note 20)	(4,819)	(1,656)
	15,409	9,673

15. Available-for-sale financial assets

	Group	
	2014 \$'000	2013 \$'000
Beginning of financial year	175	127
Fair value (loss)/gain recognised in other comprehensive income	(3)	48
End of financial year	172	175

Available-for-sale financial assets are analysed as follows:

	Group	
	2014 \$'000	2013 \$'000
Listed securities:		
- equity securities - Singapore	4	4
- equity securities - Malaysia	168	171
	172	175

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Investments in subsidiaries

	Company	
	2014	2013
	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning of financial year	94,251	78,450
Additions	-	1,210
Acquisitions (Note 31)	-	14,591
End of financial year	94,251	94,251

Details of subsidiaries are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding	
			2014 %	2013 %
<u>Held by the company</u>				
Mencast Marine Pte Ltd ("Marine") ^[a]	Manufacture, supply and refurbishment and reconditioning of sterngear	Singapore	100	100
Mencast Engineering Pte Ltd ("MEPL") ^[a]	Supply of oil & gas equipment and precision engineering services	Singapore	100	100
Mencast Offshore & Marine Pte Ltd ("Offshore") ^[a]	Provision of mechanical engineering works, and repair of ships, tankers and other ocean-going vessels	Singapore	100	100
Mencast Energy Pte Ltd ("Energy") ^[a]	Manufacture of marine parts & equipment	Singapore	70	70
Mencast Centre of Excellence Pte Ltd ^[a]	Provision of training services	Singapore	100	100
Recon Propeller & Engineering Pte Ltd ("Recon") ^[a]	Sterngear services	Singapore	100	100
Mencast Procurement (Singapore) Pte Ltd ^[a]	Trading of materials and equipment for the marine oil & gas	Singapore	100	100
Top Great Engineering & Marine Pte Ltd ("Top Great") ^[a]	Provision of mechanical engineering works, and repair of ships, tankers and other ocean going vessels	Singapore	100	100
Mencast Subsea Pte Ltd ("Subsea") ^[a]	Provision of underwater commercial diving and top side (rope access) services	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Investments in subsidiaries (continued)

Details of subsidiaries are as follows: (continued)

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding	
			2014 %	2013 %
<u>Held by the company</u> (continued)				
Vac-Tech Engineering Pte Ltd ("Vac-Tech") ^(a)	Sludge treatment, catalyst handling, environmental services and industrial cleaning services	Singapore	70	70
Chinyee Engineering & Machinery Pte Ltd ("Chinyee") ^(a)	Supply of oil & gas equipment and precision engineering services	Singapore	100	100
S&W Pte Ltd ("S&W") ^{(a) (g)}	Fabrication of heat exchanger, pressure vessel, air cooler heat exchanger and skid packager	Singapore	100	100
MAG Offshore Marine Pte Ltd ^(e)	Buying and selling of marine equipment, shipbuilding and repair	Singapore	51	–
<u>Held by Marine</u>				
Mencast Marine (HK) Limited ^(e)	Inactive	Hong Kong	100	100
<u>Held by Energy</u>				
Mencast Energieers Pte Ltd ^(a)	Inactive	Singapore	70	70
<u>Held by Top Great</u>				
PT. Top Great Engineering & Marine ^(b)	Fabrication of steel structure, ship building and repairs	Indonesia	100	100
Mencast Engineering Sdn Bhd ("MESB") ^(c)	Engineering construction and development work	Malaysia	100	100
Top Great Holdings Pte Ltd ^(a)	Investment holding	Singapore	100	100
<u>Held by Top Great Holdings Pte Ltd</u>				
Top Great Engineering Services LLC ^(d)	Provision of marine services	Sultanate of Oman	100	100
<u>Held by MESB</u>				
Mencast Offshore Sdn Bhd ^(c)	Inactive	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Investments in subsidiaries (continued)

Details of subsidiaries are as follows: (continued)

Name of companies	Principal activities	Country of business/ incorporation	Effective equity holding 2014 %	2013 %
<u>Held by Subsea</u>				
Unidive Offshore Pte Ltd ^(e)	Inactive	Singapore	100	100
Unidive Marine Services (Malaysia) Sdn Bhd ^(c)	Underwater commercial diving services provider	Malaysia	100	100
Industrial Rope Access Pte Ltd ^(e)	In the process of strike off	Singapore	100	100
<u>Held by S&W</u>				
Changshu Honghua Equipment Co., Ltd ^{(f) (g) (h)}	Inactive	China	100	100
S&W Process Equipment (Changshu) Co Ltd ^{(f) (g) (h)}	Fabrication of heat exchanger, pressure vessel, air cooler heat exchanger and skid packager	China	100	100

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

(b) Audited by Riyanto, SE, AK, Indonesia.

(c) Audited by SSY Partners, Malaysia, a member firm of Nexia International.

(d) Audited by MHMY Auditors, Sultanate of Oman.

(e) Not required to be audited under the laws of the country of incorporation. Audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes.

(f) Audited by Shanghai Nexia TS CPAS, China, a member firm of Nexia International

(g) Deemed to be a subsidiary as the Group has control over the entity.

(h) Audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purpose

(i) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

Significant restrictions

Cash in bank of \$821,000 are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on remitting capital from the country, other than through normal dividends.

Carrying value of non-controlling interests

	2014 \$'000	2013 \$'000
Vac-Tech Engineering Pte Ltd (representing 30% non-controlling interests)	3,024	2,285
Other subsidiary with immaterial non-controlling interests	229	229
Total	3,253	2,514

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

16. Investments in subsidiaries (continued)

Summarised financial information of subsidiary with material non-controlling interests

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

There were no transaction with non-controlling interests for the financial years ended 31 December 2014 and 2013.

Summarised Balance Sheet

	Vac-Tech	
	2014	2013
	\$'000	\$'000
Current		
Assets	9,448	5,268
Liabilities	(7,926)	(4,697)
Total current net assets	1,522	571
Non-current		
Assets	11,739	9,078
Liabilities	(3,683)	(2,536)
Total non-current net assets	8,056	6,542
Net assets	9,578	7,113

Summarised Income Statement

	Vac-Tech	
	2014	2013
	\$'000	\$'000
Revenue	14,486	8,843
Profit before income tax	2,744	1,137
Income tax expense	(279)	(49)
Total comprehensive income, representing net profit	2,465	1,088
Total comprehensive income allocated to non-controlling interests	739	315

Summarised Cash Flows

	Vac-Tech	
	2014	2013
	\$'000	\$'000
Cash flows from operating activities		
Cash generated from operations	2,917	2,543
Income tax refunded	-	101
Net cash generated from operating activities	2,917	2,644
Net cash used in investing activities	(1,114)	(1,785)
Net cash used in financing activities	(1,150)	(830)
Net increase in cash and cash equivalents	653	29
Cash and cash equivalents at beginning of year	1,776	1,747
Cash and cash equivalents at end of year	2,429	1,776

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

17. Investment in joint venture

	2014 \$'000	Group 2013 \$'000
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Equity investment at cost

Beginning and end of financial year

881 881

Name of company	Principal activities	Country of business/ incorporation	Effective equity holding 2014 %	2013 %
Towell Top Great Engineering Services LLC ^(a)	Inactive	Sultanate of Oman	50	50

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment

	Buildings on leasehold land \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Vessels \$'000	Computers \$'000	Renovation \$'000	Construction in progress \$'000	Total \$'000
Group										
2014										
<i>Cost</i>										
Beginning of financial year	94,806	65,847	1,432	790	4,756	5,352	1,456	739	3,572	178,750
Currency translation differences	(87)	(3)	(1)	(1)	(3)	(5)	(2)	-	-	(102)
Additions	9,937	5,472	370	68	843	771	504	811	21,815	40,591
Reclassification	(6,450)	9,814	(31)	(74)	(515)	-	-	-	(2,744)	-
Disposals	(2,267)	(1,648)	(62)	(50)	(628)	-	(111)	(53)	(30)	(4,849)
End of financial year	95,939	79,482	1,708	733	4,453	6,118	1,847	1,497	22,613	214,390
<i>Accumulated depreciation</i>										
Beginning of financial year	4,658	11,547	515	413	2,449	1,100	822	453	-	21,957
Currency translation differences	(4)	(8)	(1)	-	(1)	-	(1)	-	-	(15)
Depreciation charge (Note 6)	4,436	6,415	263	131	475	244	327	150	-	12,441
Reclassification	(77)	48	-	(6)	(42)	-	-	77	-	-
Disposals	(405)	(861)	(62)	(44)	(450)	-	(55)	(52)	-	(1,929)
End of financial year	8,608	17,141	715	494	2,431	1,344	1,093	628	-	32,454
Net book value										
End of financial year	87,331	62,341	993	239	2,022	4,774	754	869	22,613	181,936

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

	Buildings on leasehold land \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Office equipment \$'000	Motor vehicles \$'000	Vessels \$'000	Computers \$'000	Renovation \$'000	Construction in progress \$'000	Total \$'000
Group										
2013										
<i>Cost</i>										
Beginning of financial year	38,173	33,532	739	531	3,781	3,643	749	665	21,865	103,678
Currency translation differences	(228)	(79)	(8)	4	(16)	-	(5)	(3)	-	(335)
Additions	9,929	16,376	467	154	300	2,115	589	77	7,453	37,460
Acquisition of subsidiaries (Note 31)	23,313	15,077	234	101	877	-	125	-	-	39,727
Reclassification	24,138	1,608	-	-	-	-	-	-	(25,746)	-
Disposals	(519)	(667)	-	-	(186)	(406)	(2)	-	-	(1,780)
End of financial year	94,806	65,847	1,432	790	4,756	5,352	1,456	739	3,572	178,750
<i>Accumulated depreciation</i>										
Beginning of financial year	3,153	8,318	368	366	2,238	996	589	366	-	16,394
Currency translation differences	(23)	(25)	(1)	(1)	(7)	-	(3)	-	-	(60)
Depreciation charge (Note 6)	1,597	3,371	148	48	387	225	236	87	-	6,099
Disposals	(69)	(117)	-	-	(169)	(121)	-	-	-	(476)
End of financial year	4,658	11,547	515	413	2,449	1,100	822	453	-	21,957
Net book value										
End of financial year	90,148	54,300	917	377	2,307	4,252	634	286	3,572	156,793

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

	Office Equipment \$'000	Computers \$'000	Renovation \$'000	Total \$'000
<i>Company</i>				
2014				
<i>Cost</i>				
Beginning of financial year	1	38	24	63
Additions	1	46	–	47
End of financial year	2	84	24	110
<i>Accumulated depreciation</i>				
Beginning of financial year	–	12	5	17
Depreciation charge	–	25	5	30
End of financial year	–	37	10	47
Net book value				
End of financial year	2	47	14	63
2013				
<i>Cost</i>				
Beginning of financial year	–	26	22	48
Additions	1	12	2	15
End of financial year	1	38	24	63
<i>Accumulated depreciation</i>				
Beginning of financial year	–	2	–	2
Depreciation charge	–	10	5	15
End of financial year	–	12	5	17
Net book value				
End of financial year	1	26	19	46

Additions during the financial year included machinery and equipment and motor vehicles acquired under finance leases amounting to \$2,888,000 (2013: \$12,947,000).

Building on leasehold land and construction in progress under construction loan amounting to \$27,232,000 (2013: \$7,762,000)

The carrying amounts of machinery and equipment and motor vehicles held under finance leases are \$26,522,000 (2013: \$26,678,000) at the balance sheet date.

Certain bank borrowings are secured by buildings on leasehold land of the Group with carrying amounts of \$66,685,000 (2013: \$76,272,000) (Note 21).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. Property, plant and equipment (continued)

Included in the Group's property, plant and equipment are eight leasehold properties which are carried at cost less accumulated depreciation. In fourth quarter of the prior financial year and February 2014, the Group engaged independent professional valuers, to carry out valuation of the Group's eight properties. Set out below are the fair values of the eight properties:

Locations	Descriptions	Land Area sqm	Net book values \$'000	Fair values \$'000
7 Tuas View Circuit Singapore 637642	Office building, dormitory & workshop	8,501	7,158	14,700
12 Kwong Min Road Singapore 628714	Office building, dormitory & workshop	4,623	3,123	7,300
6 Tech Park Crescent Singapore 638126	Office building, dormitory & workshop	1,718	1,841	5,700
42E Penjuru Road Singapore 609161	Waterfront, office building & workshop	19,266	20,890	33,000
42B Penjuru Road Singapore 609163	Office building & workshop	16,200	20,182	28,000
107 Gul Circle Singapore 629593	Office building & workshop	12,618	5,869	6,500
11 Tuas Basin Close Singapore 638806	Waterfront, office building & workshop	14,730	7,622	8,500
No.6 Xinghua Gangqu Dadao, Changshu Economic Development Zone, Changshu, Jiangshu, China 215513	Office building & workshop	34,433	8,118	8,313
Total		112,089	74,803	112,013

The basis of valuation to determine the fair values of the properties was based on the properties' highest-and-best-use using the Direct Market Comparison Method. The fair values are presented for information purposes only and are not recognised in the Group's financial statements as at 31 December 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. Intangible assets

	Group	
	2014	2013
	\$'000	\$'000
Goodwill arising on acquisition of business	3,488	3,488
Goodwill arising on consolidation	41,692	41,692
	45,180	45,180

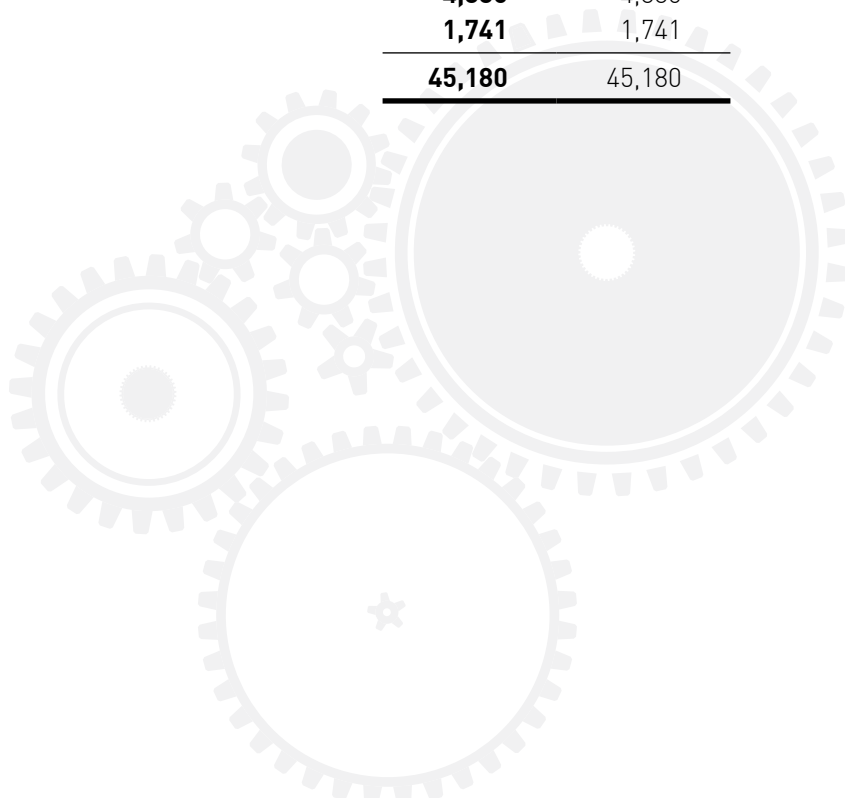
Goodwill arising on consolidation

	Group	
	2014	2013
	\$'000	\$'000
Beginning of financial year	41,692	39,951
Acquisitions of subsidiaries (Note 31)	-	1,741
End of financial year	41,692	41,692

Impairment tests for goodwill

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

	Group	
	2014	2013
	\$'000	\$'000
Recon	4,781	4,781
Top Great/Offshore	17,513	17,513
Subsea	12,777	12,777
MEPL	3,488	3,488
Vac-Tech	4,880	4,880
Chinyee (Note 31)	1,741	1,741
	45,180	45,180



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

19. Intangible assets (continued)

Impairment tests for goodwill (continued)

The recoverable amount of a CGU was determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a three-year period. There was no impairment of goodwill allocated to Recon, Top Great/Offshore, Subsea, MEPL, Vac-Tech and Chinyee as at the balance sheet date.

Key assumptions used for value-in-use calculations:

	2014			2013		
	Gross margin ¹	Growth rate ²	Discount rate ³	Gross margin ¹	Growth rate ²	Discount rate ³
Recon	43%	3%	11%	49%	3%	11%
Top Great/Offshore	22%	3%	13%	23%	3%	13%
Subsea	38%	3%	11%	30%	3%	11%
MEPL	23%	3%	13%	35%	3%	13%
Vac-Tech	39%	3%	11%	37%	3%	11%
Chinyee	23%	3%	13%	22%	3%	13%

1 Budgeted gross margin

2 Weighted average growth rate used to extrapolate cash flows beyond the budget period

3 Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

20. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade payables				
- non-related parties	14,540	14,663	-	-
Construction contracts				
- Due to customers (Note 14)	4,819	1,656	-	-
Advances from customers	394	346	-	-
Deferred revenue	652	360	-	-
Amount due to subsidiaries (non-trade)	-	-	48,571	1,466
Amount due to former shareholders of Top Great (non-trade)	-	1,332	-	1,332
Amount due to former shareholders of Subsea (non-trade)	-	1,712	-	1,712
Amount due to former owners of Team (non-trade)	-	1,200	-	1,200
Amount due to non-controlling interests of Vac-Tech (non-trade)	2,100	4,200	2,100	4,200
Amount due to former shareholder of Chinyee (non-trade)	5,500	9,491	5,500	9,491
Amount due to former shareholder of S&W (non-trade)	3,600	5,100	3,600	5,100
Accruals for operating expenses	5,005	12,931	1,548	3,271
Other payables	3,392	4,372	975	257
	40,002	57,363	62,294	28,029
Less non-current portion of:				
Amount due to former shareholder of Chinyee (non-trade)	2,750	5,500	2,750	5,500
Amount due to former shareholder of S&W (non-trade)	2,350	2,350	2,350	2,350
	5,100	7,850	5,100	7,850
	34,902	49,513	57,194	20,179

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

The amounts due to former shareholders of Top Great, Subsea, Chinyee and S&W, former owners of Team and non-controlling interests of Vac-Tech pertain to the balance of purchase consideration of \$11,200,000 (2013: \$23,035,000), which consist of \$6,350,000 (2013: \$16,335,000) to be settled via cash and \$4,850,000 (2013: \$6,700,000) to be settled by issuance of ordinary shares of the Company. These amounts are to be settled in accordance with the terms and conditions of the sales and purchase agreements and supplemental agreements. These amounts are unsecured and interest-free.

The fair values of non-current portion of amounts due to former shareholder of Chinyee and S&W approximate its carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. Borrowings

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Bank borrowings	60,714	17,930	-	-
Bank overdraft (Note 11)	2,481	3,203	-	-
Finance lease liabilities (Note 22)	6,818	7,274	-	-
	70,013	28,407	-	-
<i>Non-current</i>				
Series 1 Notes	49,617	49,391	49,617	49,391
Bank borrowings	42,724	36,976	-	-
Finance lease liabilities (Note 22)	8,372	12,649	-	-
	100,713	99,016	49,617	49,391
Total borrowings	170,726	127,423	49,617	49,391

In 2013, the Company established a \$200,000,000 Multicurrency Medium Term Note Programme (the "Programme"), under which the Issuer may issue notes (the "Notes") from time to time. Under the Programme, Notes may be issued in series or tranches, in any currency, in various amounts and tenors, and may bear interest at fixed, floating, variable, or hybrid rates or (in the case of Zero Coupon Notes) may not bear any interest, in each case as maybe agreed between the relevant dealer(s) of the Notes and the Company. The Notes and coupons of all series constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Company. The Company issued fixed rate notes denominated in Singapore dollar with a total nominal value of \$50,000,000 ("Series 1 Notes") under the Programme. The Series 1 Notes were issued at an issue price price of 100% of the principal amount in denominations of \$250,000 with interest at a fixed rate of 5.75% per annum payable semi-annually in arrears. The Series 1 Notes are due for repayment on 12 September 2016.

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
6 months or less	57,941	20,037	-	-
6 – 12 months	10,642	7,137	-	-
1 – 5 years	36,592	35,926	-	-
Over 5 years	15,934	14,932	-	-
	121,109	78,032	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. Borrowings (continued)

(a) Security granted

Bank borrowings include secured liabilities of \$100,721,000 (2013: \$69,107,000) for the Group. Bank borrowings of the Group are secured over certain short-term bank deposits (Note 11) and certain buildings on leasehold land (Note 18). Finance lease liabilities of the Group are effectively secured over the leased machinery and equipment, and motor vehicles (Note 18), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

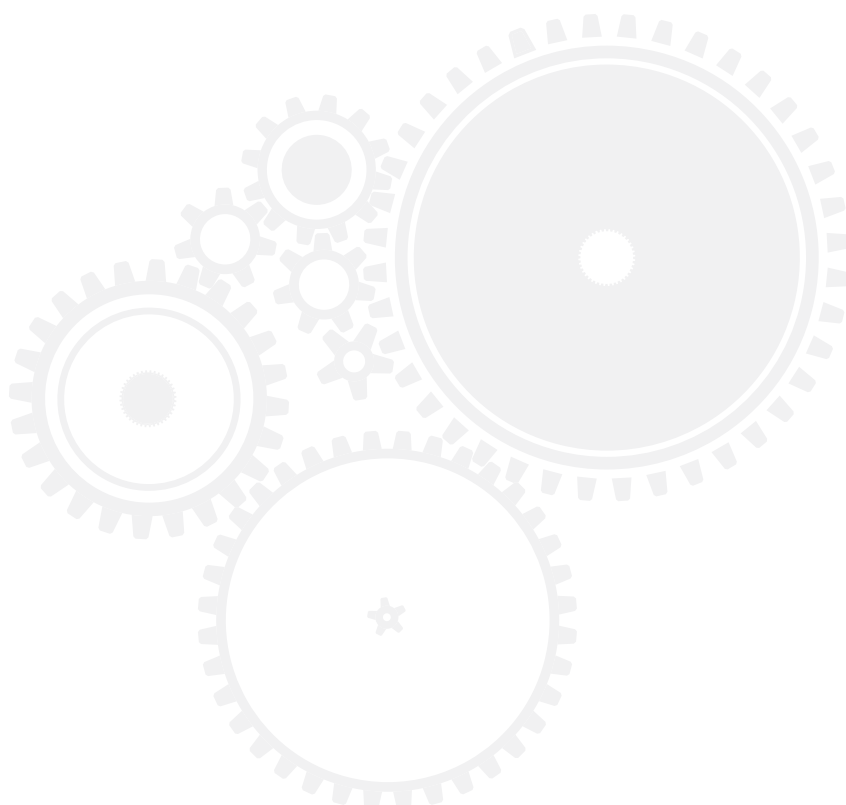
(b) Fair value of non-current borrowings

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Series 1 Notes	46,618	43,393	44,710	43,393
Bank borrowings	39,775	34,086	-	-
Finance lease liabilities (Note 22)	8,372	12,649	-	-

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Series 1 Notes	6.50	5.75	5.75	5.75
Bank borrowings	2.75	1.65	-	-
Finance lease liabilities	3.54	3.18	-	-

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



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

22. Finance lease liabilities

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

	Group	
	2014	2013
	\$'000	\$'000
Minimum lease payments due		
- Not later than one year	7,223	7,249
- Between one and five years	8,877	13,818
	16,100	21,067
Less: Future finance charges	(910)	(1,144)
Present value of finance lease liabilities	15,190	19,923

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

- Not later than one year (Note 21)	6,818	7,274
- Between one and five years (Note 21)	8,372	12,649
	15,190	19,923

23. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Deferred income tax assets to be recovered after one year	(669)	(600)	(524)	(524)
Deferred income tax liabilities to be settled after one year	5,122	3,738	-	-
	4,453	3,138	(524)	(524)

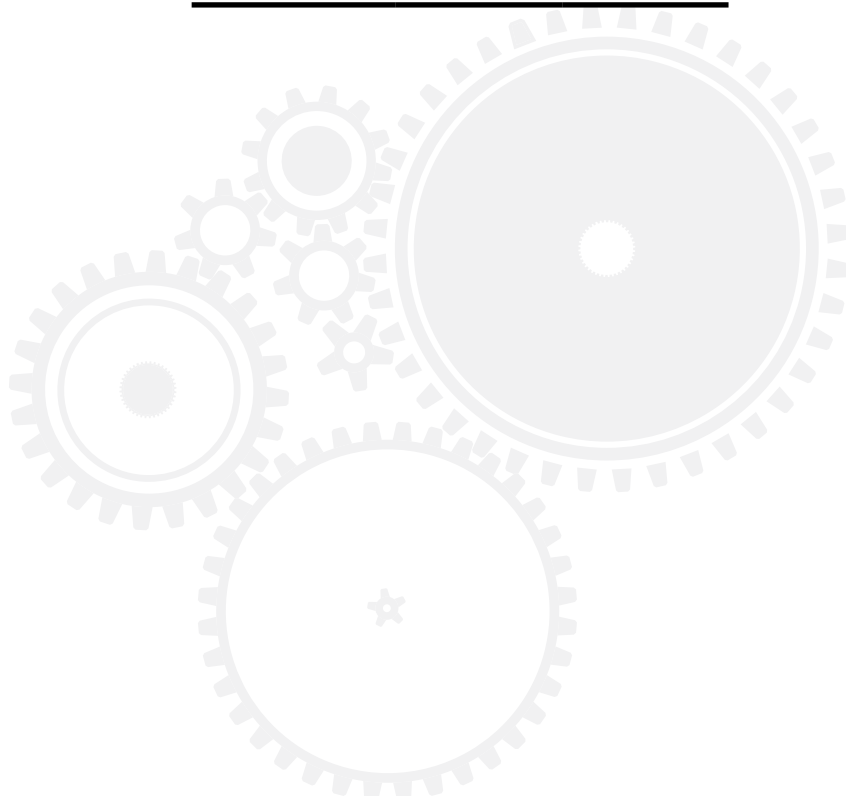
NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. Deferred income taxes (continued)

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

	Accelerated tax depreciation \$'000	Tax losses \$'000	Total \$'000
<u>Group</u>			
2014			
Beginning of financial year	3,738	(600)	3,138
Currency translation difference	(29)	–	(29)
Tax charged to profit or loss (Note 9)	1,776	–	1,776
Over provision in prior financial years	(363)	(69)	(432)
End of financial year	5,122	(669)	4,453
2013			
Beginning of financial year	2,686	–	2,686
Currency translation difference	(7)	–	(7)
Tax credited to profit or loss (Note 9)	(461)	(600)	(1,061)
Under provision in prior financial years	1,520	–	1,520
End of financial year	3,738	(600)	3,138
<u>Company</u>			
2014			
Beginning and end of financial year	(3)	(521)	(524)
2013			
Beginning of financial year	–	–	–
Tax credited to profit or loss	(8)	(521)	(529)
Under provision in prior financial years	5	–	5
End of financial year	(3)	(521)	(524)



NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. Share capital and treasury shares

	← No. of ordinary shares →			← Amount →		
	Issued share capital '000	Treasury shares '000	Total '000	Share capital \$'000	Treasury shares \$'000	Total \$'000
Group and Company						
2014						
Beginning of financial year	293,916	(250)	293,666	58,576	(135)	58,441
Shares issued	3,231	–	3,231	1,850	–	1,850
Bonus shares	808	–	808	–	–	–
Issue of new shares pursuant to rights issue	59,541	–	59,541	11,800	–	11,800
Award of performance shares to employees	–	144	144	(6)	78	72
Purchase of treasury shares	–	(299)	(299)	–	(136)	(136)
End of financial year	357,496	(405)	357,091	72,220	(193)	72,027
2013						
Beginning of financial year	226,025	–	226,025	53,976	–	53,976
Shares issued	10,945	–	10,945	4,600	–	4,600
Bonus shares	56,946	–	56,946	–	–	–
Purchase of treasury shares	–	(250)	(250)	–	(135)	(135)
End of financial year	293,916	(250)	293,666	58,576	(135)	58,441

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company.

On 19 February 2014, the Company issued and allotted 2,200,704 new ordinary shares (as adjusted to take into account the Bonus Issue shares of 440,140) in the capital of the Company for total consideration of \$1,000,000 as 3rd tranche consideration shares pursuant to acquisition of the business of Team.

On 9 May 2014, the Company issued and allotted 1,838,235 new ordinary shares (as adjusted to take into account the Bonus Issue shares of 367,647) in the capital of the Company for total consideration of \$850,000 as 2nd tranche consideration shares pursuant to acquisition of Vac-Tech.

On 17 July 2014, the Company completed its Rights Issue through allotment and issuance of 59,540,977 new ordinary shares at \$0.20 for each rights share for a total consideration of \$11,800,000.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. Share capital and treasury shares (continued)

(a) Treasury shares

The Company acquired 299,000 (2013: 250,000) ordinary shares in the Company in the open market during the financial year. The total amount paid to acquire the ordinary shares was \$136,000 (2013: \$135,000) and this was presented as a component within share capital.

On 11 September 2014, the Company transferred and used 143,975 (2013: Nil) treasury shares to eligible employees of the Company and its Subsidiaries pursuant to the Grant of Share Awards under the Mencast Performance Share Award Scheme (Note 24 (c)).

(b) Share options

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

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

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

- (i) at a price equal to the average of the last dealt prices for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant option; or
- (ii) at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. Share capital and treasury shares (continued)

(b) Share options (continued)

Since the commencement of the ESOS till the end of the financial year, no option has been granted under the ESOS.

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 subsidiaries.

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

(c) Performance shares

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

Controlling shareholders or associates of a controlling shareholder who meet the eligibility criteria are also eligible to participate in the Scheme provided that the participation of and the terms of each grant and the actual number of awards granted under the Scheme to a participant who is a controlling shareholder or an associate of a controlling shareholder shall be approved by the independent shareholders in separate resolutions for each such person.

The Scheme is a share incentive scheme which will allow the Company, *inter alia*, to target specific performance objectives and to provide an incentive for Participants to achieve these targets. The directors believe that the Scheme will help to achieve the following positive objectives:

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

The Scheme is administered by the directors which comprises one independent director at all times.

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

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

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

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

The adoption of the Scheme is to complement the existing Mencast Employee Share Option Scheme (the "ESOS").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

24. Share capital and treasury shares (continued)

(c) Performance shares (continued)

On 22 August 2014, the Company, pursuant to the Mencast Performance Share Award Scheme, granted \$168,000 worth of Share Awards to eligible employees of the Company over two (2) to three (3) tranches. The Tranche 1 was awarded on 11 September 2014 (Note 24 (a)) and the tranches 2 and 3 will be vested over 12 months and 24 months respectively from date of the grant.

25. Dividends

	Group and Company	
	2014	2013
	\$'000	\$'000
<i>Ordinary dividends paid</i>		
First and final exempt dividend paid in respect of the previous financial year of \$0.01 (2013: \$0.01) per share	2,959	2,733
Special one-tier tax exempt dividends paid in respect of previous financial year of \$0.02 (2013: Nil) per share	5,918	–
	8,877	2,733

At the Annual General Meeting on 27 April 2015, a final exempt (one-tier) dividend of \$0.01 per share amounting to a total of approximately \$3,571,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

26. Contingencies

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

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries which are not secured over the assets of the subsidiaries. These bank borrowings amount to \$20,388,000 (2013: \$3,016,000) (Note 28) at the balance sheet date.

27. Commitments

(a) Capital commitments

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

	Group	
	2014	2013
	\$'000	\$'000
Property, plant and equipment	61,806	79,806

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

27. Commitments (continued)

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

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

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

	Group	
	2014	2013
	\$'000	\$'000
Not later than one year	2,548	2,233
Later than one year but not later than five years	10,478	8,956
Later than five years	41,283	41,904
	54,309	53,093

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

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

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

	Group	
	2014	2013
	\$'000	\$'000
Not later than one year	180	330
Later than one year but not later than five years	–	180
	180	480

28. Financial risk management

Financial risk factors

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. This includes establishing policies such as authority levels, oversight responsibilities, risk identification and measurement and exposure limits.

Financial risk management is carried out by the finance department in accordance with the policies set. The finance personnel identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The finance personnel measures actual exposures against the limits set and prepares weekly reports for review by the Chief Financial Officer. Regular reports are also submitted to the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

Financial risk factors (continued)

(a) Market risk

(i) Currency risk

The Group's exposure to currency risk is not significant as it operates mainly in Singapore. Revenue and expenses are predominantly denominated in Singapore Dollar.

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

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

	SGD \$'000	USD \$'000	Other \$'000	Total \$'000
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At 31 December 2014

Financial assets

Cash and cash equivalents and
financial assets,
available-for-sale

17,114 1,338 1,406 19,858

Trade and other receivables

71,596 5,946 6,313 83,855

Intercompany balances

101,857 - 1,389 103,246

190,567 7,284 9,108 206,959

Financial liabilities

Trade and other payables

(17,387) (4,115) (12,635) (34,137)

Intercompany balances

(101,857) - (1,389) (103,246)

Borrowings

(167,944) - (2,782) (170,726)

(287,188) (4,115) (16,806) (308,109)

Net financial (liabilities)/assets

(96,621) 3,169 (7,698) (101,150)

Add: Net non-financial assets

211,574 - 14,269 225,843

Currency profile including non-financial assets

114,953 3,169 6,571 124,693

Currency exposure of financial assets net of those denominated in the respective entities' functional currencies

130 7,069 302 7,501

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD \$'000	USD \$'000	Other \$'000	Total \$'000
At 31 December 2013				
Financial assets				
Cash and cash equivalents and financial assets, available-for-sale	21,023	1,263	558	22,844
Trade and other receivables	51,709	2,023	3,545	57,277
Intercompany balances	43,672	–	23	43,695
	116,404	3,286	4,126	123,816
Financial liabilities				
Trade and other payables	(48,316)	(5,446)	(1,239)	(55,001)
Intercompany balances	(43,672)	–	(23)	(43,695)
Borrowings	(125,708)	(126)	(1,589)	(127,423)
	(217,696)	(5,572)	(2,851)	(226,119)
Net financial (liabilities)/assets	(101,292)	(2,286)	1,275	(102,303)
Add: Net non-financial assets	188,809	–	20,090	208,899
Currency profile including non-financial assets	87,517	(2,286)	21,365	106,596
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	–	(2,286)	125	(2,161)

If the USD change against the SGD by 5% (2013: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Group will not be significant.

The Company is not exposed to currency risk since all its financial assets and liabilities as at 31 December 2014 and 2013 are denominated in Singapore Dollar.

(ii) Price risk

The Group is exposed to equity securities price risk arising from the investments classified as available-for-sale financial assets. These securities are listed in Singapore and Malaysia.

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

Equity price sensitivity

In respect of equity investments classified as available-for-sale financial assets, if equity prices had been 10% higher or lower, with all other variables including tax rate being held constant, the impact to the net profit and equity of the Group will not be significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Cash flow and fair value interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

The Group's exposure to cash flow interest rate risks arises mainly from variable-rate bank borrowings that are mainly denominated in SGD. The Group manages its interest rate risk by keeping bank borrowings to the minimum required to sustain the operations of the Group.

If the SGD variable interest rates had higher/lower by 0.5% (2013: 0.5%), with all other variables including tax rate being held constant, the impact to net profit would have been lower/higher by \$616,000 (2013: \$418,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history, and obtaining deposit where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management at operating entity level based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at operating entity level by the respective management and at the Group level by the Corporate Finance department.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2014	2013
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans (Note 26)	20,388	3,016

The trade receivables of the Group include 1 debtor (2013: 1 debtor) that individually represented 13% of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

(b) Credit risk (continued)

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<u>By types of customers</u>				
Non-related parties				
- Multi-national companies	14,510	11,299	-	-
- Other companies	33,380	15,756	-	-
	47,890	27,055	-	-

(i) Financial assets that are neither past due nor impaired

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

(ii) Financial assets that are past due and/or impaired

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

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Past due <3 months	20,796	11,768	-	-
Past due 3 to 6 months	10,070	4,048	-	-
Past due over 6 months	12,754	2,733	-	-
	43,620	18,549	-	-

The carrying amount of trade receivables individually determined to be impaired and the movements in the related allowance for impairment are as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Gross amount	2,538	1,687	-	-
Less: Allowance for impairment	(1,851)	(1,252)	-	-
	687	435	-	-
Beginning of financial year	1,252	1,158	-	-
Allowance made	986	169	-	-
Write-back of allowance	(387)	(75)	-	-
End of financial year	1,851	1,252	-	-

The impaired trade receivables are mainly from sales to customer which has suffered significant losses in its operations

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term bank deposits as disclosed in Note 11.

Management monitors rolling forecasts of the Group's and Company's liquidity reserve and cash and cash equivalents (Note 11) on the basis of expected cash flow. This is generally carried out at local level in the operating entities of the Group in accordance with the practice and limits set by the Group. These limits vary by operating entity to take into account the working capital requirement of each entity. In addition, the Group's liquidity management policy involves projecting cash flows and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000
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Group

At 31 December 2014

Trade and other payables	(25,562)	(1,375)	(2,350)	-
Borrowings	(70,013)	(71,917)	(16,042)	(18,246)

At 31 December 2013

Trade and other payables	(43,201)	(2,750)	(2,350)	-
Borrowings	(28,407)	(17,243)	(73,161)	(14,979)

Company

At 31 December 2014

Trade and other payables	(53,719)	(1,375)	(2,350)	-
Borrowings	-	(52,009)	-	-
Financial guarantees	(20,388)	-	-	-

At 31 December 2013

Trade and other payables	(16,229)	(2,750)	(2,350)	-
Borrowings	-	(2,875)	(52,009)	-
Financial guarantees	(3,016)	-	-	-

(d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on debt to equity ratio. The Group and the Company are also required by the banks to maintain debt to equity ratio not exceeding 1.50 times. The Group's and the Company's strategies which were unchanged from 2013 are to maintain debt to equity ratio within 1.50 times.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

(d) Capital risk (continued)

Debt to equity ratio is calculated as borrowings divided by total equity. Borrowings comprised bank borrowings, finance lease liabilities and Series 1 Notes.

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Borrowings	170,726	127,423	49,617	49,391
Total equity	129,544	106,596	68,662	59,641
Debt to equity ratio	1.32 times	1.20 times	0.72 times	0.83 times

The Group and the Company have complied with externally imposed capital requirements for the financial years ended 31 December 2014 and 2013.

(e) Fair value measurements

Following are the classification level of fair value measurement hierarchy:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The following table presents assets measured at fair value and its fair value measurement hierarchy:

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

	Group	
	2014	2013
	\$'000	\$'000
Assets		
Available-for-sale financial assets	172	175

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated based on quoted market prices or dealer quotes for similar instruments by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current borrowings approximates their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 15 to the financial statements except for the following:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Loans and receivables	103,541	79,946	85,665	42,076
Financial liabilities at amortised cost	204,863	182,424	111,911	77,420

29. Related party transactions

Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2014	2013
	\$'000	\$'000
Wages and salaries	3,415	3,033
Employer's contribution to defined contribution plans, including Central Provident Fund	148	118
	3,563	3,151

Key management personnel compensation includes directors' remuneration amounting to \$1,475,000 (2013: \$1,477,000).

30. Segment information

The Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Group's operating segments are its strategic business units which offer different services and are managed separately. The reportable segment presentation is based on the Group's management and internal reporting structure used for its strategic decision-making purposes.

The Board of Directors assesses the performance of the operating segments based on revenue and gross profit. Administrative and finance expenses, and other gains are not allocated to segments. Segmental assets and liabilities are not monitored as majority of the assets and liabilities can be utilised or discharged by different operating segments across the Group.

The Group's activities comprise the following segments:

- (a) Marine – Includes sterngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.
- (b) Offshore & Engineering – Includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
- (c) Energy – Includes oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior for landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Segment information (continued)

The segment information are as follows:

	The Group			
	Offshore & Engineering \$'000	Marine \$'000	Energy Services \$'000	Total \$'000
FY2014				
Revenue				
Revenue from external parties	72,661	43,462	14,486	130,609
Gross profit	14,193	18,752	4,961	37,906
Other gains - net				8,126
Expenses				
- Administrative				(20,904)
- Finance				(5,195)
Profit before income tax				19,933
Income tax				(1,734)
Net profit for the financial year				18,199
FY2013				
Revenue				
Revenue from external parties	48,746	41,613	8,852	99,211
Gross profit	12,640	15,513	2,281	30,434
Other gains - net				7,258
Expenses				
- Administrative				(18,372)
- Finance				(2,470)
Profit before income tax				16,850
Income tax				(675)
Net profit for the financial year				16,175

The following table provides an analysis of the Group's revenue by geographical market which is analysed based on the country of domicile of the customers:

	Group	
	2014 \$'000	2013 \$'000
Singapore	97,749	83,134
Asia ⁽¹⁾	20,362	10,536
Rest of the world ⁽²⁾	12,498	5,541
Total	130,609	99,211

(1) Asia refers to customers from Malaysia, Brunei, China, Indonesia, Philippines, Thailand, Vietnam, Hong Kong, India, Sri Lanka, Maldives and Australia.

(2) Rest of the world refers to customers from Europe, the Middle East and United States of America.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. Segment information (continued)

Revenue of \$16,812,000 (2013: \$16,364,000) is derived from one (2013: one) external customer. This revenue is attributable to Singapore offshore & engineering and marine segments.

The following table provides an analysis of the Group's non-current assets by geography which is analysed based on the location of the non-current assets:

	Group	
	2014	2013
	\$'000	\$'000
Singapore	201,893	182,953
Asia ⁽¹⁾	27,312	20,630
Middle East	896	903
Total	230,101	204,486

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

31. Business combinations

In previous financial year, the Company acquired the entire issued and paid-up share capital of Chinyee and S&W for purchase considerations of \$9,491,000 and \$5,100,000 respectively. The Company took effective control of Chinyee and S&W on 1 December 2013. The principal activities of Chinyee are to provide precision manufactured components and assemblies. The principal activities of S&W are to manufacture, repair, supply and design heat exchangers, pressure vessels, air cooler heat exchangers and skid packager.

Details of the consideration to be paid, the assets acquired and liabilities assumed and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	Chinyee \$'000	S&W \$'000	Total \$'000
<u>2013</u>			
(a) Purchase consideration:			
Cash to be paid	6,741	3,850	10,591
Consideration to be settled via issuance of ordinary shares	2,750	1,250	4,000
	<u>9,491</u>	<u>5,100</u>	<u>14,591</u>
(b) Effect on cash flows of the Group:			
Cash paid	-	-	-
Less: cash and cash equivalents in subsidiaries acquired (net of bank overdraft)	(678)	(1,959)	(2,637)
Cash outflow on acquisitions	<u>(678)</u>	<u>(1,959)</u>	<u>(2,637)</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. Business combinations (continued)

	Chinyee \$'000	At Fair Value S&W \$'000	Total \$'000
(c) The fair values of identifiable assets acquired and liabilities assumed			
2013			
Cash and cash equivalents	81	692	773
Trade and other receivables	1,728	8,275	10,003
Inventories	182	2,966	3,148
Property, plant and equipment	13,677	26,050	39,727
Club membership	-	60	60
Total assets	15,668	38,043	53,711
Trade and other payables	(3,335)	(10,714)	(14,049)
Borrowings	(4,583)	(17,518)	(22,101)
Total liabilities	(7,918)	(28,232)	(36,150)
Total identifiable net assets	7,750	9,811	17,561
Add/(deduct):			
- Goodwill (Note 19)	1,741	-	1,741
- Gain from bargain purchase (Note 5)	-	(4,711)	(4,711)
Consideration to be transferred for the acquisitions	9,491	5,100	14,591

(d) Acquisition-related costs

Acquisition-related costs of \$12,000 and \$15,000 for Chinyee and S&W respectively, are included in administrative expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows of previous financial year.

(e) Goodwill

The goodwill of \$1,741,000 arising from the acquisition of Chinyee is attributable to new earning streams, leveraging on the established client base, industry reputation and the positive synergies expected to arise from the economies of scale in combining the operations of the Group with those of Chinyee.

(f) Gain from bargain purchase

The gain on bargain purchase of \$4,711,000 arising from the acquisition of S&W is due to lower purchase consideration as compared to fair value of the net identifiable assets as the target company, S&W, faces financial difficulties prior to the acquisition.

(g) Revenue and profit contribution

The acquisition of Chinyee and S&W contributed revenue of \$860,000 and \$1,057,000 respectively, and net profit of \$343,000 and \$557,000 respectively, to the Group for the financial period from 1 to 31 December 2013.

Had Chinyee and S&W been acquired from 1 January 2013, consolidated revenue and loss for the financial year ended 31 December 2013 would have been \$27,686,000 and \$10,127,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. Events occurring after balance sheet date

On 15 January 2015, as part of an internal exercise, the Company proposed to transfer 2,100,000 ordinary shares or its entire 70% equity interest in Vac-Tech for a total consideration of \$8,400,000 to Mecast Energy, a company jointly owned by the Company and MIS Investment Pte Ltd.

Mecast Energy is a 70% - held subsidiary of the Company. Accordingly, the Company in effect disposed 21% equity interests in Vac-Tech under the said transfer, pursuant to which Vac-Tech become an indirectly owned subsidiary of the company.

As at the date of audit report, the proposed transfer of shares is not yet completed.

33. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

- FRS 102 Share-based Payment (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies the definition of vesting condition and separately defines "performance condition" and "service condition". The Group will apply this amendment from 1 January 2015, but this is not expected to have any significant impact on the financial statements of the Group.

- FRS 103 Business Combinations (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32 Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The Group will apply this amendment for business combinations taking place on/after 1 January 2015.

- FRS 108 Operating Segments (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported. This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

33. New or revised accounting standards and interpretations (continued)

- FRS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'). The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 Fair value Measurement (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

This amendment is not expected to have any significant impact on the financial statement of the Group.

- FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 July 2017)

FRS 115 is the new standard on revenue recognition. It will replace with the previous standards on revenue - FRS 18 *Revenue* and FRS 11 *Construction Contracts* and related interpretations on revenue recognition such as INT FRS 115 *Agreements for the Construction of Real Estate*. This new standard introduces a 5-step model when to recognise revenue and how much revenue to recognise and may affect the company's recognition, measurement, timing and disclosure of revenue.

The management anticipates this amendment will not have any significant impact on the financial statements of the Group.

STATISTICS OF SHAREHOLDINGS

As at 20 March 2015

SHARE CAPITAL

Number of ordinary shares (excluding treasury shares)	:	357,090,838
Number of treasury shares held	:	405,025
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	13	1.89	121	0.00
100 - 1,000	39	5.68	36,335	0.01
1,001 - 10,000	196	28.53	1,010,881	0.28
10,001 - 1,000,000	406	59.10	40,098,834	11.23
1,000,001 AND ABOVE	33	4.80	315,944,667	88.48
TOTAL	687	100.00	357,090,838	100.00

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TWENTY LARGEST SHAREHOLDERS

	NAME	NO. OF SHARES	%
1	RAFFLES NOMINEES (PTE) LIMITED	81,210,800	22.74
2	CHUA KIM CHOO	41,716,800	11.68
3	BANK OF SINGAPORE NOMINEES PTE. LTD.	35,540,902	9.95
4	SIM SOON NGEE GLENN DLE	29,100,000	8.15
5	SIM WEI WEI (SHEN WEIWEI)	14,664,000	4.11
6	SIM SOON YING (SHEN SHUNYING)	14,354,000	4.02
7	UOB KAY HIAN PRIVATE LIMITED	12,246,000	3.43
8	WONG CHEE HERNG	10,447,500	2.93
9	DBS NOMINEES (PRIVATE) LIMITED	6,846,500	1.92
10	VENSTAR INVESTMENTS LTD	5,712,000	1.60
11	TAT LEE HOLDINGS PTE LTD	5,268,000	1.48
12	HUANG ZHIYONG	5,179,000	1.45
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,903,500	1.37
14	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,846,000	1.08
15	SONG BONG JOO	3,837,632	1.07
16	GAY CHEE CHEONG	3,708,000	1.04
17	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,667,795	1.03
18	ANG KIAN HUI LARRY (WANG JIANHUI)	3,222,000	0.90
19	NG KENG TEONG	3,120,000	0.87
20	ONG YONG CHYE (WANG YONGCAI)	3,057,000	0.86
	TOTAL	291,647,429	81.68

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sim Soon Ngee Glenndle ⁽¹⁾	75,600,000	21.17	70,734,800	19.81
Chua Kim Choo ⁽¹⁾	41,716,800	11.68	104,618,000	29.30
Sim Wei Wei ⁽¹⁾	14,664,000	4.11	131,670,800	36.87
Sim Soon Ying ⁽¹⁾	14,354,000	4.02	131,980,800	36.96
Gay Chee Cheong ⁽²⁾	23,373,000	6.55	9,175,000	2.57
Chua Siok Lan ⁽²⁾	9,000,000	2.52	23,548,000	6.60
Ni Weiming ⁽²⁾	175,000	0.05	32,373,000	9.07
Wong Boon Huat ⁽³⁾	28,005,306	7.84	-	-

Notes:

- (1) 46,500,000 shares registered in the name of Raffles Nominees (Pte) Limited. Sim Soon Ngee Glenndle is deemed interested in the shares of Chua Kim Choo, Sim Wei Wei and Sim Soon Ying. Sim Soon Ngee Glenndle is the son of Chua Kim Choo and the brother of Sim Wei Wei and Sim Soon Ying. Each is deemed to have an interest in the shares held by each other.
- (2) Gay Chee Cheong is deemed interested in the shares of Chua Siok Lan and Ni Weiming. Gay Chee Cheong is the husband of Chua Siok Lan and father of Ni Weiming. Each is deemed to have an interest in the shares held by each other.
- (3) 28,005,306 shares registered in the name of Bank of Singapore Nominees Pte. Ltd.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company, as at 20 March 2015, approximately 40.3% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Company has 405,025 treasury shares as at 20 March 2015.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mencast Holdings Ltd. (the "**Company**") will be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Monday, 27 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the financial year ended 31 December 2014 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare a first and final 1-tier tax exempt dividend of 1 cent per ordinary share in the capital of the Company for the financial year ended 31 December 2014 (previous year: 1 cent per ordinary share). **(Resolution 2)**
3. To re-elect the following directors of the Company ("**Directors**") retiring pursuant to Article 89 of the Articles of Association of the Company:

Mr Sim Soon Ngee Glenndle **(Resolution 3)**
Mr Wong Boon Huat **(Resolution 4)**
4. To approve the payment of Directors' fees of S\$225,920 for the financial year ended 31 December 2014 (previous year: S\$219,967). **(Resolution 5)**
5. To re-appoint Nexia TS Public Accounting Corporation as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. **Authority to issue shares in the capital of the Company ("Shares")**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

- (a)
 - (i) issue shares whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (**excluding treasury shares**) shall be based on the total number of issued shares (**excluding treasury shares**) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 7)

8. Authority to issue shares under the Mecast Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, the Directors be authorised and empowered to offer and grant options ("**Options**") under the prevailing Mecast Employee Share Option Scheme (the "**ESOS**") and to issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the exercise of Options, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOS, when added to the number of Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 8)

NOTICE OF ANNUAL GENERAL MEETING

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

That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Mencast Performance Share Award Scheme (the "**Scheme**") and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the Awards under the Scheme, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme, when added to the number of Shares issued and issuable in respect of all Awards, and all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total issued Shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 9)

10. Renewal of Share Buy-Back Mandate

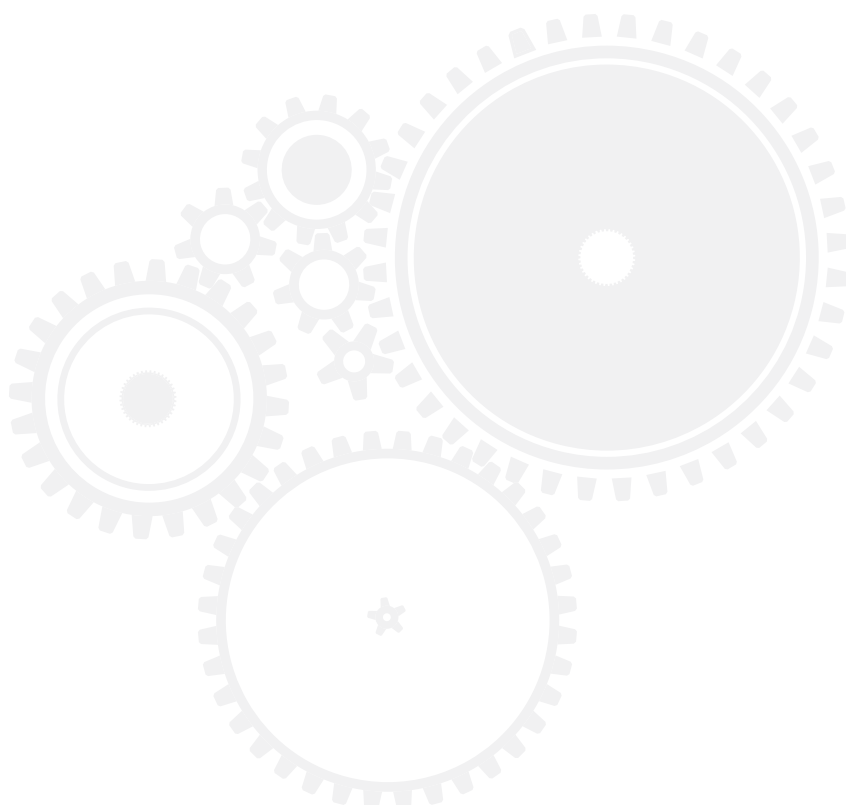
That for the purposes of Sections 76C and 76E of the Companies Act, the Directors be and are hereby authorised to make purchases or otherwise acquire issued Shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares) (as ascertained as at the date of AGM) at the price of up to but not exceeding the Maximum Price as defined in the Appendix attached, and this authority shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM is held or required by law to be held; the date on which the purchase(s) of Share(s) by the Company is carried out to the full extent mandated; or the date on which the authority contained in the Share Buy-Back Mandate is revoked or varied by shareholders of the Company in a general meeting.

[See Explanatory Note (iv)]

(Resolution 10)

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 10 April 2015



NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- i. The Ordinary Resolution 7, if passed, will empower the Directors, to issue Shares, make or grant Instruments up to a number not exceeding 50% of the total number of issued Shares (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders of the Company.
- ii. The Ordinary Resolution 8, if passed, will empower the Directors, to issue Shares pursuant to the exercise of Options granted or to be granted under the ESOS. The aggregate number of Shares which may be issued pursuant to the ESOS and any other share-based schemes (if applicable) shall not exceed in aggregate (for the entire duration of the ESOS) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) from time to time.
- iii. The Ordinary Resolution 9, if passed, will empower the Directors to offer and grant Awards under the Scheme in accordance with the provisions of the Scheme and to issue from time to time such number of fully paid Shares as may be required to be issued pursuant to the vesting of the Awards subject to the maximum number of Shares prescribed under the terms and conditions of the Scheme. The aggregate number of Shares which may be issued pursuant to the Scheme and any other share-based schemes (if applicable) shall not exceed in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) from time to time.
- iv. The Ordinary Resolution 10 is to renew the Share Buy-Back Mandate and to permit the Company to purchase or acquire Shares at the Maximum Price as defined in the Appendix attached. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2014 are set out in greater detail in the Appendix attached.

Notes:

1. A Member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161, not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal data privacy:

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

PROXY FORM

MENCAST HOLDINGS LTD.

Company Registration No. 200802235C

(Incorporated In The Republic of Singapore)

(Please see notes overleaf before completing this Form)

IMPORTANT:

- For investors who have used their CPF monies to buy Mencast Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Monday, 27 April 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Payment of proposed first and final 1-tier tax exempt dividend of 1 cent per ordinary share in the capital of the Company		
3	Re-election of Mr Sim Soon Ngee Glenndle as a Director of the Company		
4	Re-election of Mr Wong Boon Huat as a Director of the Company		
5	Approval of Directors' fees amounting to S\$225,920		
6	Re-appointment of Nexia TS Public Accounting Corporation as Independent Auditor of the Company		
7	Authority to issue shares in the capital of the Company		
8	Authority to issue shares under the Mencast Employee Share Option Scheme		
9	Authority to issue shares under the Mencast Performance Share Award Scheme		
10	Renewal of Share Buy-Back Mandate		

Dated this _____ day of _____ 2015

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 April 2015.



Notes:

1. Please insert the total number of shares in the capital of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 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. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 not less than forty-eight (48) hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Sim Soon Ngee Glenndle
Executive Chairman &
Chief Executive Officer

Wong Boon Huat
Executive Director

Non-Executive Directors:

Sunny Wong Fook Choy
Lead Independent Director

Ho Chew Thim, Raymond
Independent Director

Leow David Ivan
Independent Director

Ng Chee Keong
Independent Director

AUDIT COMMITTEE

Ho Chew Thim, Raymond
Chairman

Leow David Ivan

Ng Chee Keong

Sunny Wong Fook Choy

NOMINATING COMMITTEE

Sunny Wong Fook Choy
Chairman

Ho Chew Thim, Raymond

Ng Chee Keong

Sim Soon Ngee Glenndle

REMUNERATION COMMITTEE

Ng Chee Keong
Chairman

Ho Chew Thim, Raymond

Leow David Ivan

Sunny Wong Fook Choy

CORPORATE STRATEGY & COMMUNICATIONS COMMITTEE

Leow David Ivan
Chairman

Sim Soon Ngee Glenndle

Wong Boon Huat

SECRETARY

Cho Form Po

REGISTERED OFFICE

42E Penjuru Road,
Mencast Central,
Singapore 609161

SHARE REGISTRAR

**Boardroom Corporate &
Advisory Services Pte Ltd**

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

AUDITOR

**Nexia TS Public Accounting
Corporation
Public Accountants and
Chartered Accountants**

100 Beach Road
Shaw Tower #30-00
Singapore 189702
Director-In-Charge
Loh Ji Kin
Appointed since financial year ended
31 December 2010

PRINCIPAL BANKERS

**DBS Bank Ltd
United Overseas Bank Limited**

MENCAST HOLDINGS LTD

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