Annual Report

2017

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this annual report.

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

The contact person for the Sponsor is Ms Alicia Sun at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone (65) 6532 3829.

CHAIRMAN'S MESSAGE

Dear Valued Shareholders,

On behalf of the board of directors (the "**Board**" or the "**Directors**") of NauticAWT Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), I am pleased to present to you our annual report for the financial year ended 31 December 2017 ("**FY2017**").

Four years ago, we set out to become a listed integrated service provider in the subsurface, subsea and topside oil and gas market. To this end, as you may recall, in November 2014, we acquired 60.25 percent of the equity interest in AWT International Pty Ltd ("**AWTI**") and in October 2015, we acquired 100 percent of the equity interest in Marine Engineering Services Pte Ltd (now known as NauticAWT Engineering Pte Ltd). In conjunction with this expansion of our technical capabilities, we listed the Company on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 23 July 2015.

We delivered on our promise to our shareholders by establishing a SGX-ST listed integrated service provider for the oil and gas upstream segment.

Unfortunately, six months after the listing, the oil price dropped to less than US$35 per barrel, significantly affected investment in upstream development and redevelopment activities globally. The market for many of our newly acquired services was no longer available.

In response to this unexpected and significant change in market dynamics, the pursuit of integrated projects with our expanded capability was instead replaced with restructuring and rightsizing of the business.

We decided to take the difficult but prudent decision to shut down non-profitable businesses and restructure the organisation. These same market dynamics has also led to the decision to dispose of the production enhancement asset in Georgia.

With the difficult decisions now behind us, the focus of our Group going forward will be based largely on Ultra High-Performance Concrete and Composites ("**UHPC**") and their engineered applications in multiple markets. This is a market that we know well, and we hold a strong and competitive position in the UHPC sector.

We will continue to develop and produce UHPC products and offer UHPC based solutions and engineering services for multiple industries.

We entered the onshore or land based Renewable wind turbine market with our UHPC products in 2016 and have enjoyed strong growth in this market. In addition, we have now obtained certification of our materials for offshore wind turbine foundations. We are confident that we shall see a strong and stable renewable business unfold in the coming years.

CHAIRMAN'S MESSAGE

Concrete, the single most used construction material in the world, is used in all types of civil structures including buildings, roads, bridges and towers. It is environmental friendly in all stages of its life span and this makes it the preferred choice for sustainable construction. UHPC structures, which is our core strength, are even more environmental friendly than the conventional concrete structures as the high strength and ductility allow for construction of exceptionally slim and less material consuming structures. UHPC structures have only recently started gaining a foothold in the civil construction market. Although very much in the formative years this is a very interesting and exciting market for us to participate.

Our ongoing and highly valued relationship with SPRING Singapore has enabled us to progress new technologies which have the potential to develop new product and create revenue streams for the Group. This is a clear demonstration of the positive impact an enterprising government body can have on a company and we are very fortunate to have been supported by SPRING Singapore over the past years.

We could not have done this without the very talented and committed management and staff, and the support from our stakeholders through this period. I look forward to providing you with further updates as we progress down this exciting path.

We are pleased to be supported by loyal stakeholders

We look back on 2017 as a difficult year with difficult but prudent decisions being taken to protect our business and position the Company for recovery.

I would like to take this opportunity to thank my fellow board members for their valuable contribution and insights to the Group. In addition, I would like to express, on behalf of the Board, our gratitude to our dedicated management team and staff for their commitment and hard work. We are also grateful for our partners, suppliers, customers and business associates for their trust in us and we look forward to enjoying many more years of strong partnerships with them.

Last but not least, NauticAWT would not be where it is today without the support of our shareholders.

MR LIM HOW TECK
Chairman

BOARD OF DIRECTORS

MR LIM HOW TECK
Chairman and Independent Director

Mr Lim How Teck is the Chairman of our Board and an Independent Director of our Company. He was appointed to our Board on 29 June 2015.

From 1976 to 1979, Mr Lim was a management accountant with Plessey Singapore, a multinational trading and manufacturing company. From 1979 to 2005, Mr Lim held various positions in Neptune Orient Lines Ltd and its group of companies, including group deputy chief executive officer, chief operating officer, and chief financial officer and executive director. His past chairmanships include being Chairman of Certis Cisco Security Pte Ltd, Tuas Power Ltd, PSA Marine (Pte) Ltd, Singapore Commodity Exchange Limited, Neptune Ship Management (Pte) Ltd and Swissco Holdings Limited. His past directorship includes being the Independent Director of ARA Asset Management Limited.

Mr Lim is currently the Chairman and Independent Director of ARA-CWT Trust Management (Cache) Limited, the manager of Cache Logistics Trust, a real estate investment trust listed on the Main Board of the SGX-ST. He is also the Chairman of Heliconia Capital Management Pte. Ltd., Redwood International Pte. Ltd. and 33 Ventures Pte Ltd. In addition, Mr Lim is a Board member of Mizuho Securities (Singapore) Pte. Ltd., Greenship Offshore Manager Pte. Ltd., Heliconia Holdings Pte. Ltd., Yang Kee Logistics (Singapore) Pte. Ltd., Singapore DTT Corporation Pte. Ltd., Raffles Education Corporation Limited and the PNG Sustainable Development Program Limited. He is also a Governor of the Foundation for Development Cooperation.

Mr Lim holds a Bachelor of Accountancy degree from the University of Singapore. He also completed the Corporate Financial Management Course and Advanced Management Programme at the Harvard Graduate School of Business in 1983 and 1989 respectively. In addition, he is a fellow of the Institute of Cost and Management Accountants, a fellow of the Institute of Singapore Chartered Accountants and a fellow of the Singapore Institute of Directors. Mr Lim was awarded the Eminent Business Alumni Award (Senior Alumni Category) by the NUS Business School in 2012 and Public Service Star (BBM) in 2014.

MR JOHN GRØNBECH
*Founder, Executive Director and Chief Executive Officer ("**CEO**")*

Mr John Grønbech founded NauticAWT Limited in 2011, building on his vast experience within the upstream segment of the offshore oil and gas business.

He holds a Master Degree in Civil Engineering from Aalborg University in Denmark. Through research and consultancy work during his employment at Danish Hydraulic Institute (Denmark), he has achieved a thorough understanding of hydrodynamic loads on structures and pipelines, wave statistics and wave kinematics, fluid, seabed and pipe interactions as well as the structural behaviour of offshore structures.

His experience includes setting up and managing Densit Asia Pacific Sdn Bhd ("**Densit**") from 2005 to 2011. Under his management, the company expanded its product oriented business to include fully engineered structural subsea and well integrity solutions and at the same time expanding the company's geographical reach to include Middle East, Africa, India, China and Australia.

Mr Grønbech has extensive experience with highly engineered solutions for the offshore and marine industries and a thorough understanding of critical business drivers in multiple cultural markets. He has established a strong relationship with the academic engineering society of Singapore through research and development activities with the National University of Singapore.

Mr Grønbech has authored 14 publications appearing in international journals as well as oil and gas conferences, workshops and seminars.

MR TEO LEK HONG
Independent Director

Mr Teo Lek Hong is an Independent Director. He was appointed to our Board on 14 March 2017.

Mr Teo has a Bachelor of Engineering (Mechanical) with first class honours from the University of Singapore and has extensive mid-stream and downstream experience following an extensive career with Exxon Mobil where he held numerous senior management roles.

MR TAY KEE LIAT
Independent Director

Mr Tay Kee Liat is an Independent Director. He was appointed to our Board on 14 March 2017.

Mr Tay has a Bachelor of Engineering (Mechanical) from the University of Singapore and has extensive heavy manufacturing experience following a long career with Kobe Steel Limited where he served as Deputy Managing Director for Singapore Kobe Private Limited for fourteen years.

EXECUTIVE OFFICERS

CHERYL CHONG
*Chief Financial Officer ("**CFO**")*

Cheryl Chong is our CFO. She joined our Group as finance manager when it was founded in September 2011 and was promoted to Financial Controller in January 2014, where she assisted our Chief Financial Officer of that time with the finance related matters of our Group. On 29 August 2017, she was promoted to CFO and is responsible for overseeing the accounting, finance and commercial matters of the Group.

From 2002 to 2010, Ms Chong was an assistant manager with Esco Audio Visual Pte Ltd, where she assisted the CFO in various accounting and financial reporting matters. From 2010 to 2011, she was a finance manager with Densit.

Ms Chong graduated from the Oxford Brookes University with a Bachelor of Science (Honours) Applied Accounting degree in 2006. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

ELO YDE
*Chief Operating Officer ("**COO**")*

Elo Yde is our COO. He joined our Group as general manager in January 2014 and was promoted to COO in January 2015. He is responsible for the overall operations, production, and research and development of our cementitious products.

Mr Yde began his career as a technical consultant with Aalborg Portland Cement Company Denmark in 1985 and was a laboratory manager from 1987 to 1992. From 1992 to 1997, he was a deputy head with PC Laboratory A/S Denmark, where he led European Union funded projects and was responsible for the testing of building materials and the budget. From 1997 to 2013, he held the following positions with BASF A/S, head of research and development laboratory (1997 to 1998), technical and quality manager (1998 to 2000), sales director (2000 to 2002), director for Construction Systems, Denmark (2002 to 2006) and director, Construction Systems Nordic, Denmark, Norway and Sweden (2006 to 2013). From 2007 to 2013, he was also a technical assessor with DANAK, the national accreditation body in Denmark, where his responsibilities included technical evaluation and approval of accredited laboratories.

Mr Yde graduated from the Aarhus University, Denmark with a Master of Science, Geology degree in 1983.

FINANCIAL HIGHLIGHTS

Key Financial Indicators	**FY2017** **US$ million**	FY2016 US$ million
Continuing operations		
Revenue	**9.0**	15.1
Gross Profit	**3.9**	7.2
(Loss) Profit for the year	**(4.6)**	1.6

The Group's revenue for FY2017 decreased by 40.7% or US$6.2 million to US$9.0 million, from US$15.1 million for FY2016. This was mainly due to the significant decrease in revenue contribution by the Ports and Offshore segment of US$8.0 million. Oil price volatility continued to impact this segment in FY2017. However, the significant decrease was partially offset by the increase in revenue contribution by the Renewables segment of US$1.8 million which represents an increase of approximately 353% as compared to FY2016.

The Group's gross profit for FY2017 decreased by 46.5% or US$3.4 million to US$3.9 million, from US$7.2 million for FY2016. The significant decrease was mainly due to decrease in gross profit from the Ports and Offshore segment of US$4.1 million. The decrease was partially offset by increase in gross profit generated from the Renewables segment of US$0.7 million. The movements in gross profit was consistent with the movements in revenue as explained earlier.

The Group's gross profit margin for FY2017 decreased by 4.7 percentage points, from 48.0% for FY2016 to 43.3% for FY2017.

The Group's distribution expenses increased by US$0.2 million or 44.1%, from US$0.3 million in FY2016 to US$0.5 million in FY2017. The increase was mainly due to a one-off reversal of sales commission of US$0.2 million in relation to a Ports and Offshore project in FY2016.

The Group's administrative expenses increased by US$2.6 million or 51.5%, from US$5.0 million in FY2016 to US$7.6 million in FY2017 primarily due to the provision for doubtful debts of US$2.9 million in FY2017 as compared to US$0.4 million in FY2016. The provision for doubtful debts were made for those long outstanding arrears due from the customers. The increase was partially offset by the decrease in office related costs, such as office rental.

Other income decreased by US$0.3 million or 80.4%, from US$0.4 million in FY2016 to US$0.1 million in FY2017. In FY2016, the other income comprised primarily the one-off insurance claim of US$0.1 million and one-off income arising from the forfeiture of Goodwill Commitment in relation to lapse of the Proposed Placement of US$0.1 million.

The Group's finance costs increased by US$0.1 million or 41.0%, from US$0.3 million in FY2016 to US$0.4 million in FY2017. The increase is mainly due to higher interest expenses arising from other trade banking facilities.

The Group suffered income tax expense of US$0.1 million and US$0.3 million in FY2017 and FY2016 respectively, mainly due to the write-off of withholding tax.

As a result of the above, the Group suffered a loss for the year from continuing operations of US$4.6 million in FY2017 as compared to a profit for the year of US$1.6 million in FY2016.

FINANCIAL HIGHLIGHTS

Balance Sheet	**31 December 2017 US$ million**	31 December 2016 US$ million
Current assets	**6.5**	15.7
Non-current assets	**8.9**	10.3
Current liabilities	**9.4**	15.3
Non-current liabilities	**5.1**	3.6
Equity attributable to owners of the Company	**0.8**	7.8
Non-controlling interests	**-**	(0.6)

The Group's non-current assets decreased by US$1.4 million, from US$10.3 million as at 31 December 2016 to US$8.9 million as at 31 December 2017. The decrease was mainly due to the following:

i. the goodwill and deferred tax asset impairment of US$0.3 million and US$0.6 million respectively as a result of the liquidation of a subsidiary; and
ii. the decrease in property, plant and equipment of US$0.8 million mainly due to the depreciation charge.

The decrease in non-current assets was partially offset by the increase in intangibles of US$0.3 million in relation to the Company's Materials Development Project.

The Group's current assets decreased by US$9.2 million, from US$15.7 million as at 31 December 2016 to US$6.5 million as at 31 December 2017. The significant decrease was mainly due to the following:

i. a decrease in trade and other receivables of US$11.5 million mainly due to the provision for doubtful debts and the disposal of subsidiaries following the administration and liquidation during the year; and
ii. a decrease in cash and bank balances of US$0.3 million.

The decrease in current assets was partially offset by the increase in asset held for sale of US$2.5 million.

The Group's non-current liabilities increased by US$1.5 million, from US$3.6 million as at 31 December 2016 to US$5.1 million as at 31 December 2017. The increase was mainly due to the issuance of US$1.0 million of convertible notes during FY2017 and the loan from directors of US$0.5 million.

The Group's current liabilities decreased by US$5.7 million, from US$15.3 million as at 31 December 2016 to US$9.5 million as at 31 December 2017. The decrease was mainly due to the following:

i. a decrease in trade and other payables, and tax payable of US$2.9 million and US$0.4 million respectively as a result of the disposal of subsidiaries following the administration and liquidation during the year; and
i. a decrease in liabilities for trade bills discounted with recourse, and bank loan and advances of US$1.9 million and US$0.3 million respectively due to repayments during FY2017.

FINANCIAL HIGHLIGHTS

Statement of Cash Flows	FY2017 US$ million	FY2016 US$ million
Net cash from operating activities	**1.0**	1.6
Net cash used in investing activities	**(1.5)**	(4.7)
Net cash from financing activities	**0.6**	2.7
Cash and cash equivalents at beginning of year	**(0.3)**	0.1
Cash and cash equivalents at end of year	**(0.1)**	(0.3)

Net cash from operating activities in FY2017 amounted to US$1.0 million as compared to US$1.7 million in FY2016. The Group had a net cash outflow of US$2.0 million from its operating activities before changes in working capital. Working capital movement included a decrease in trade and other receivables of US$3.8 million, an increase in trade and other payables of US$1.7 million, partially offset by a decrease in trade bills discounted with recourse of US$1.9 million and increase in inventories of US$0.1 million.

Net cash used in investing activities in FY2017 amounted to US$1.5 million as compared to US$4.7 million in FY2016, mainly due to the investment in joint venture of US$1.2 million.

Net cash from financing activities for FY2017 amounted to US$0.6 million mainly due to proceeds from bank borrowing, issuance of convertible notes and director loans of US$1.4 million, US$0.7 million and US$0.2 million respectively which were partially offset by the repayment of bank borrowings and finance lease payables of US$1.7 million and US$0.1 million respectively.

As a result of the above, the Group's cash and cash equivalents increased by US$0.1 million, from a deficit of US$0.3 million as of 31 December 2016 to a deficit of US$0.2 million as of 31 December 2017, net of fixed deposit pledged and bank overdrafts.

CORPORATE GOVERNANCE REPORT

NauticAWT Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to a high standard of corporate governance to ensure effective self-regulation practices are in place to enhance corporate performance and accountability.

This report sets out the corporate governance practices of the Company during the financial year ended 31 December ("**FY**") 2017 with specific reference to the principles of the Code of Corporate Governance 2012 (the "**Code**"). The board of directors (the "**Board**" or the "**Directors**") of the Company confirms that, for FY2017, the Company has generally adhered to the principles and guidelines set out in the Code, where there are deviations from the Code, appropriate explanations are provided.

The Board is pleased to report compliance of the Company with the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") where applicable except where otherwise stated.

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective board to lead and control the company. The board is collectively responsible for the long-term success of the company. The board works with the management to achieve this objective and the management remains accountable to the board.

As at the date of this report, the Board comprises the following members, all having the appropriate core competencies and diversity of experience to enable them to effectively contribute to the Group:

Mr Lim How Teck	Chairman and Independent Director
Mr John Grønbech	Executive Director and CEO
Mr Teo Lek Hong	Independent Director
Mr Tay Kee Liat	Independent Director

Besides carrying out its statutory responsibilities, the principal functions of the Board are as follows:

- providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;
- reviewing management performance;
- identifying the key stakeholder groups and recognising that their perceptions affect the Company's reputation;
- setting the Company's values and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met; and
- considering sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

The approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, fundraising proposals, major corporate policies on key areas of operations, the release of the Group's half-year and full-year results and interested person transactions.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

For new appointments to the Board, the Company will provide a formal letter to such new director, setting out the director's duties and obligations. Such directors are given appropriate briefings when they are first appointed to the Board. Appropriate induction programmes are conducted for all new directors appointed to the Board to ensure that they are familiar with the Group's business, operations, governance practice and regulatory requirements. The induction programme will allow the new Director to get acquainted with the Company's management ("**Management**") which aims to facilitate interaction and ensures that all Directors have ongoing independent access to the Management.

In FY2017, new directors appointed to the Board have attended the relevant courses.

The Directors are provided with continuing briefings from time to time and are kept updated on changing commercial risks and key changes in the relevant legal and regulatory requirements including directors' duties and responsibilities, corporate governance and developing trends, insider trading and accounting standards so as to enable them to properly discharge their duties as Board members. The Company is responsible for arranging and funding the training of the Directors.

To assist in the execution of its responsibilities, the Board has established three committees comprising the audit committee (the "**AC**"), the nominating committee (the "**NC**") and the remuneration committee (the "**RC**") (collectively, the "**Board Committees**"). These Board Committees function within clearly defined written terms of reference and operating procedures, which are reviewed on a regular basis. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive officer to attend their meetings. The Board Committees report its activities regularly to the Board and minutes of the Board Committees meetings are also regularly provided to the Board. The effectiveness of each Board Committee is also constantly monitored to ensure their continued relevance.

The Board meets regularly and ad-hoc Board meetings are convened when they are deemed necessary. The Company's constitution ("**Constitution**") provides for meetings of the Board to be held by way of video and telephonic conference.

For FY2017, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:

		Board Committees		
	Board	**Audit**	**Nominating**	**Remuneration**
Number of meetings held	3	2	1	1
Number of meetings attended				
Mr Lim How Teck	3	2	1	1
Mr John Grønbech	3	2*	1*	1*
Mr Teo Lek Hong	2	1	-	-
Mr Tay Kee Liat	2	1*	-	-
Mr Tan Fuh Gih (resigned on 10 March 2017)	-	-	-	-
Mr Simon Cunningham (resigned on 14 March 2017)	2	2*	1*	1*
Mr Bjarne Strikert (resigned on 19 October 2017)	3	2	1	1

Note:
* Attendance by invitation

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the board, which is able to exercise objective judgement on corporate affairs independently, in particular, from the management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the board's decision making.

As at the date of this report, the Board comprises four members, as follows:

Mr Lim How Teck	Chairman and Independent Director
Mr John Grønbech	Executive Director and CEO
Mr Teo Lek Hong	Independent Director
Mr Tay Kee Liat	Independent Director

The criterion of independence is based on the definition set out in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company. With three independent directors, there is a strong independent element on the Board and the Board is able to exercise independent judgment on corporate affairs and provide the Management with a diverse and objective perspective on issues. Therefore, there is no individual or small group of individuals who dominates the Board's decision making.

The independence of each director is reviewed annually by the NC in accordance with the Code's definition of independence. The Independent Directors do not have any relationships including immediate family relationships between the Directors, the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be perceived to interfere, with the exercise of their independent business judgement in the best interest of the Company. The NC is satisfied that all Independent Directors of the Company are independent. There are no Directors who are deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. The NC is of the view that the current Board size of four members is appropriate taking into account the nature and scope of the Group's operations.

The Board and the Board Committees have an appropriate balance and diversity of expertise and business experience and collectively possess the necessary core competence to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature. Each director is expected to bring valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.

None of the Independent Directors has been appointed as a director to the Company's principal subsidiaries. The Board and the Management are of the view that the current board structure of the principal subsidiaries of the Company is well organised and constituted. The Board will from time to time make the appropriate corporate decisions to consider the appointment of the Independent Director to the Company's principal subsidiaries.

The Board also confirms that none of the directors has served on the Board beyond nine years from the date of his first appointment. Nonetheless, the independence of any Directors who has served on the Board beyond nine years from the date of his first appointment will be subject to particularly rigorous review.

The Independent Directors communicate without the presence of the Management as and when the need arises. The profiles of the Directors are set out on page 4 of the annual report.

CHAIRMAN AND CEO

Principle 3: There should be a clear division of responsibilities between the leadership of the board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Independent Chairman and the CEO are separate individuals who are not related to each other.

The Chairman is Mr Lim How Teck. The Chairman has the responsibilities of setting the meeting agenda of the Board meetings, leading the other Board members, promoting high standards of corporate governance and maintaining effective communication with shareholders of the Company ("**Shareholders**").

The CEO is Mr John Grønbech. He is responsible for client management, strategic business development and oversees the overall management of the Group.

The Board collectively ensures the following:

- in consultation with Management, the scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Company's operations;

- in consultation with Management, the preparation of the agenda for Board meetings;

- in consultation with Management, the exercise of control over the quantity, and timeliness of information between the Management and the Board; and

- in compliance with corporate governance best practices.

BOARD MEMBERSHIP AND BOARD PERFORMANCE

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the board.

Principle 5: There should be a formal assessment of the effectiveness of the board as a whole and its board committees and the contribution by each director to the effectiveness of the board.

The NC comprises the following members:

Mr Tay Kee Liat	Chairman
Mr Lim How Teck	Member
Mr Teo Lek Hong	Member

The NC is governed by its written terms of reference. In accordance with the Code, all members of the NC, including the chairman, is independent. The NC is responsible for making recommendations on all board appointments and re-nominations having regard to the contribution and performance (such as attendance, participation, preparedness and candours) of the director seeking re-election including the following:

- the review of board succession plans for Directors, in particular the Chairman and the CEO;
- to ensure that all directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- to determine the independence of each director in accordance with the guidelines 2.3 and 2.4 of the Code on an annual basis and as and when circumstances require;
- to evaluate whether a director is able to and has adequately carried out his duties as a director of the Company, in particular, where the director concerned has multiple board representations; and
- to assess the effectiveness of the Board as a whole, its Board Committees and the contribution by each director to the effectiveness of the Board.

The NC has considered and taken the view that it would not be appropriate to set a limit on the number of listed directorships that a Director may hold because directors have different capabilities, the nature of the organisations in which they hold appointments and the committees on which they serve are of different complexities. The NC is satisfied that sufficient time and attention is being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address the competing time commitments.

In assessing and selecting a new suitable director, if required, consideration will be given to the candidate's background, experience, industry knowledge and appropriate skills relevant to the Group's business (so as to enable the Board to make sound and well-considered decisions), and also whether there are any conflicts of interests with the Group. The Company does not have a formal process for the selection and appointment of new directors to the Board. However, if required, the Company has or is able to procure search services, contacts and recommendations for the purposes of identifying suitably qualified and experienced persons for appointments to the Board. The Board and the NC will endeavour to ensure that directors appointed to the Board possess the background, experience, business knowledge, finance and management skills critical to the Group's business. They have also ensured that each director, with his contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Board appointments are made by way of a board resolution after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended such appointments to the Board. Pursuant to the Company's Constitution, each director is required to retire at least once every three years by rotation and all newly appointed directors who are appointed by the Board are required to retire at the next annual general meeting of the Company following their appointment. The retiring directors are eligible to offer themselves for re-election. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance, independence or re-nomination as a Director or any other matters in which he has an interest.

The dates of initial appointment and re-election of the Directors are set out below:

Director	Position	Date of initial appointment	Date of last re-election
Mr Lim How Teck	Chairman and Independent Director	29 June 2015	28 April 2016
Mr John Grønbech	Executive Director and CEO	2 September 2011	28 April 2016
Mr Teo Lek Hong	Independent Director	14 March 2017	27 April 2017
Mr Tay Kee Liat	Independent Director	14 March 2017	27 April 2017

The key information regarding the Directors is set out on page 4 of this annual report.

The NC in determining whether to recommend a director for re-election will take into consideration such director's performance and contribution to the Group which includes qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings, guidance provided to the Management and attendance record.

The NC has reviewed and recommended the re-election of Messrs Lim How Teck and John Grønbech who will be retiring as directors at the forthcoming annual general meeting. Messrs Lim How Teck and John Grønbech will be retiring via rotation pursuant to Article 89 of the Company's Constitution. The two directors have offered themselves for re-election. The Board has accepted the recommendations of the NC. Mr Lim How Teck and Mr John Grønbech do not have any relationship, including immediate family relationship between themselves and the Directors, the Company or its 10% shareholders. Further information regarding the Directors is set out on page 4 of the annual report.

Board performance is linked to the overall performance of the Group. The Board complies with the applicable laws and members of the Board are required to act in good faith, with due diligence and care in the best interests of the Company and its Shareholders.

The NC has adopted a process for an annual evaluation of the Board's performance and effectiveness as a whole, its Board Committees and also individually, based on the contribution by each Director to the effectiveness of the Board. The appraisal process includes a review of a Director's background, experience, industry knowledge and appropriate skills relevant to the Group's business and also whether there are any conflicts of interests with the Group. The appraisal process also focuses on the evaluation of factors such as the size and composition of the Board, the Board's access to information, the Board processes and accountability, communication with the senior Management and the Directors' standard of conduct.

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are furnished with detailed information concerning the Group from time to time to support their decision-making process and to fulfil their responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. In respect of budgets, any material variance between the projections and actual results will be disclosed and explained. Such Board papers are prepared for each Board and Board Committee meetings and are normally circulated in advance of each meeting so that the Directors can be adequately prepared for the Board and Board Committee meetings. The management will supply additional information that the Board requires in a timely manner.

The Board (whether individually or as whole) has separate and independent access to the Management and the Company Secretary at all times. In the furtherance of their duties, the Board may seek independent professional advice from external professionals and such costs are to be borne by the Company.

The Company Secretary attends all Board meetings and ensures that all Board procedures and requirements of regulatory filings are complied with. The appointment and removal of the Company Secretary is a matter for consideration for the Board as a whole.

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES, LEVEL AND MIX OF REMUNERATION AND DISCLOSURE OF REMUNERATION

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The RC comprises the following members:

Mr Teo Lek Hong	Chairman
Mr Lim How Teck	Member
Mr Tay Kee Liat	Member

The RC makes recommendations to the Board on the framework of remuneration, and the remuneration packages for the Executive Director.

The RC is governed by its written terms of reference. All members of the RC, including the chairman, is independent. The duties and powers of the RC are, inter alia, as follows:

- to recommend to the Board a framework of remuneration for the Directors and the Management which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits-in-kind;

- to determine specific remuneration packages for each Executive Director;

- to recommend to the Board the remuneration of non-executive directors, which should be appropriate to the level of their respective contributions, taking into account factors such as effort and time spent, and the responsibilities of our non-executive directors;

- to determine the targets for any performance-related schemes in respect of the Executive Directors, and to review and recommend to the Board the terms of renewal of their service contracts to ensure that such contracts of service, if any, contain fair and reasonable termination clauses; and

- to administer the NauticAWT Employee Share Option Scheme and the NauticAWT Performance Share Plan.

Majority of the members of the RC are familiar with executive compensation matters as they manage their own businesses and/or are holding other directorships. The RC has full authority to engage any external professional to advise on matters regarding executive compensation matters, if required.

The RC's recommendations will be submitted for endorsement by the Board. No director is involved in deciding his own remuneration.

In setting remuneration packages, the Company takes into account the pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of each individual employee.

At the moment, the Company does not use any contractual provisions to reclaim incentive components of remuneration from the Executive Director and key management executives in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group. The RC, will consider, if required, whether there is a requirement to institute such contractual provisions to allow the Company to reclaim the incentive components of the remuneration of the Executive Directors and key management executives paid in prior years in such exceptional circumstances.

Our Independent and Non-Executive Directors receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, which will be subjected to Shareholders' approval at the annual general meeting. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

The remuneration for the Executive Director comprises a basic salary component and a variable component, based on the performance of the Group as a whole and his individual performance. The Executive Director does not receive Directors' fees.

The Board supports and is aware of the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the remuneration of the Directors and the Group's top five key management executives (who are not Directors or CEO) is not in the best interests of the Company. The Board has taken into account, inter alia, the sensitivity of the matter, the highly competitive business environment the Group operates in and the disadvantages that such disclosure may have on the Group.

The RC will also review the Company's obligations arising in the event of a termination of the Executive Director's and management's contracts of service, to ensure that the contracts of service contain fair and reasonable termination clauses which are not overly generous.

The remuneration bands of the Directors for FY2017 are set out below:

Remuneration Band and Name of Directors	**Salary**	**Variable bonus**	**Directors fees**	**Other benefit***	**Total**
	(%)	(%)	(%)	(%)	(%)
Above or equal to S$500,000 to below S$750,000					
Mr John Grønbech	56	-	-	44	100
Below or equal to S$250,000					
Mr Lim How Teck	-	-	100	-	100
Mr Teo Lek Hong	-	-	100	-	100
Mr Tay Kee Liat	-	-	100	-	100
Mr Tan Fuh Gih (resigned on 10 March 2017)	-	-	100	-	100
Mr Simon Cunningham# (resigned on 14 March 2017)	91	-	-	9	100
Mr Bjarne Strikert (resigned on 19 October 2017)	-	-	100	-	100

Notes:

* Includes housing allowance, housing utilities, insurance, school fees, home passage and pension payments.

\# Upon resignation as the Director of the Company, Mr Simon Cunningham remained with the Company as the CFO of the Group and no change to his day to day responsibilities. On 29 August 2017, Mr Simon Cunningham resigned as the CFO of the Group and remained with the Group in an advisory role until 31 December 2017.

The remuneration bands of the top five key management executives of the Group (who are not Directors or CEO) in bands of S$250,000 for FY2017 are set out below:

Remuneration bands	**Number of key executives**
Above S$250,000 to below S$500,000	1
Below or equal to S$250,000(1)	4

(1) Included key management executives who resigned during FY2017.

The total remuneration, in aggregate, paid to the top five key management executives of the Group for FY2017 is S$886,246.

None of the full-time employees are related to the Directors and/or substantial Shareholders. The Company does not have any employee who is an immediate family member of a Director or CEO, and whose remuneration exceeds S$50,000 during FY2017.

The Company has adopted an employee share option scheme known as the "NauticAWT Employee Share Option Scheme" ("**NauticAWT ESOS**") and a performance share plan known as the "NauticAWT Performance Share Plan" ("**NauticAWT PSP**") in conjunction with the Listing, which were approved by its Shareholders at an extraordinary general meeting held on 3 July 2015. Both the NauticAWT PSP and the NauticAWT ESOS will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. They form an integral and important component of the compensation plan and are designed primarily to reward and retain employees whose services are vital to the growth and performance of the Company and the Group.

The RC oversees the administration of the NauticAWT ESOS and the NauticAWT PSP.

Persons eligible to participate in the NauticAWT ESOS and the NauticAWT PSP include present and future employees and directors (both executive and non-executive). The aggregate number of shares to be delivered under both the NauticAWT ESOS and the NauticAWT PSP shall not exceed 15% of total issued share capital of the Company (excluding treasury shares) on the day immediately before the date of grant or award. Exercise price of options granted under the NauticAWT ESOS will be at the discretion of the RC. However, it cannot be at a discount of greater than 20% to the market price (being the average of the last dealt prices for a share for the five consecutive trading days preceding the relevant date of grant). The NauticAWT ESOS and NauticAWT PSP shall continue to be in force at the discretion of the RC, subject to maximum period of 10 years, commencing on the date on which the NauticAWT ESOS and the NauticAWT PSP are adopted by Shareholders in a general meeting.

ACCOUNTABILITY AND AUDIT

Principle 10: The board should present a balanced and understandable assessment of the company's performance, position and prospects.

In presenting the half-year and full year financial statements to Shareholders, the Board aims to provide Shareholders with a detailed and balanced analysis and explanation of the Group's financial position and prospects. Financial results are reviewed by the AC before it is recommended for adoption by the Board. The financial results announcement is reviewed carefully by the Board and the AC before being released. If required, the Group's external auditor's view will be sought.

The Management provides the Board with a continual flow of relevant information such as management accounts on a timely basis in order to assist the Board in understanding the financial status and performance of the Group, for the Board to effectively discharge its duties.

The Board ensures that all relevant regulatory compliances and updates will be highlighted from time to time to ensure adequate compliances with the regulatory requirements.

RISK MANAGEMENT AND INTERNAL CONTROLS, AND AUDIT COMMITTEE

Principle 11: The board is responsible for the governance of risk. The board should ensure that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the board is willing to take in achieving its strategic objectives.

Principle 12: The board should establish an audit committee with written terms of reference which clearly set out its authority and duties.

Risk management forms part of the responsibilities of the AC.

The Board, assisted by the AC, has oversight of the risk management system in the Group. The practice of risk management is undertaken by the Executive Director and the Management under the purview of the AC and the Board. The Group has put in place appropriate risk management processes to evaluate the operating, investment and financial risks of the Group. The Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

The Board reviews the adequacy and effectiveness of the Group's risk management and internal controls framework, including financial, operational, compliance and information technology controls on an annual basis.

For FY2017, the CEO and the CFO have provided their assurance to the Board that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the Group's risk management and internal control systems are effective.

Based on the work carried out by the internal auditor, the review undertaken by the external auditor, the existing internal controls in place and the assurance received from the CEO and the CFO, the Board, with the concurrence of the AC, is of the opinion that, for FY2017, the internal controls in place in the Group to address risks relating to financial, operational, compliance, information technology controls and risk management systems are adequate and effective.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The system of internal controls and risk management established by the Group provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, frauds or other irregularities.

The AC comprises the following members:

Mr Lim How Teck	Chairman
Mr Teo Lek Hong	Member
Mr Tay Kee Liat	Member

The members of the AC are appropriately qualified and possess the relevant accounting or related financial management expertise or experience to discharge their responsibilities.

The AC is governed by its written terms of reference. All members of the AC, including the chairman, is independent. The duties and powers of the AC are, inter alia, as follows:

- assist the Board in the discharge of its responsibilities on financial reporting matters;

- review, with the internal and external auditors, the audit plans, scope of work, their evaluation of the system of internal accounting controls, their management letter and the management's response, and results of the audits compiled by the internal and external auditors;

- review the interim and annual consolidated financial statements and results announcements 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, the going concern statement, compliance with financial reporting standards as well as compliance with the Catalist Rules and any other statutory/regulatory requirements;

- review and report to the Board at least annually the adequacy and effectiveness of the Group's internal control procedures addressing financial, operational, compliance, information technology controls and risk management systems and ensure co-ordination between the internal and external auditors, and the management, reviewing the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the management where necessary);

- review the independence and objectivity of the external auditor;

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

- make recommendations to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;

- review significant financial reporting issues and judgments with the Chief Financial Officer and the external auditor so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance before their submission to the Board;

- review and approve transactions falling within the scope of Chapter 9 and Chapter 10 of the Catalist Rules (if any);

- review any potential conflicts of interest;

- review the suitability of the Chief Financial Officer and the adequacy of the finance team on an on-going basis;

- review and approve all hedging policies and instruments (if any) to be implemented by the Group;

- undertake 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;

- review the financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review to be disclosed in the annual reports or if the findings are material, to be immediately announced via SGXNET;

- review and establish procedures for receipt, retention and treatment of complaints received by the Group, *inter alia*, criminal offences involving the Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Group;

- review the Group's compliance with such functions and duties as may be required by statute or the Catalist Rules, and by such amendments made thereto from time to time;

- review arrangements by which the staff may, in confidence, raise concerns about improprieties in matters of financial reporting or other matters, and to ensure that those arrangements are in place for independent investigations of such matters and for appropriate follow-up; and

- generally to undertake such other functions and duties as may be required by law or the Catalist Rules, and by such amendments made thereto from time to time.

The AC has full authority to investigate any matter within its terms of reference, full access to and co-operation from the Management and full discretion to invite any director, executive officer or other employee of the Group to attend its meetings, and is given reasonable resources to enable it to discharge its functions properly and effectively.

The AC also meets regularly with the Management, the Chief Financial Officer and external auditor to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the AC meets with the external and internal auditors without the presence of the Management, to review any matters that might be raised privately. For FY2017, the AC has met the external and internal auditors without the Management.

The AC reviews the scope and results of the audit work, the cost effectiveness of the audit and the independence and objectivity of the external auditor, Deloitte & Touche LLP and its member firms ("**Deloitte**"). During FY2017, the AC has reviewed independence of the external auditor including the nature of non-audit services provided by Deloitte. The AC has reviewed the nature and amount of non-audit fees paid to Deloitte, as disclosed in Note 32 to the financial statements of the Company, and is of the view that the independence and objectivity of the external auditor and other auditors have not been compromised.

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

The AC has recommended to the Board the re-appointment of Deloitte as the Group's external auditor and the Board has accepted the AC's recommendation and the re-appointment will be tabled in the forthcoming annual general meeting. The Company's external auditor have also briefed the AC on the changes in the financial reporting standards that will take effect in the following years. This ensures that the AC is kept abreast with the changes in financial reporting standards which could have a direct impact on the Group's financial statements.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC are satisfied that the appointment of different auditing firms would not compromise the standard and effectiveness of the audit of the Group. Accordingly, the Company has complied with Rules 712 and 716 of the Catalist Rules.

The Company has put in place a whistle-blowing policy where the staff of the Company and third parties may, in confidence, raise concerns via letter or email about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted. No such whistle-blowing letter or email was received in FY2017.

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Board supports the need for an internal audit function where its primary objective is to maintain a system of internal controls and processes to safeguard Shareholders' investment and the Group's assets. The internal auditor's primary role is to assist the Board and the Management to review the effectiveness of the key internal controls, including financial, operational, compliance, information technology controls, and risk management systems on an ongoing basis and to provide an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes.

For FY2017, the AC has appointed Yang Lee and Associates as the internal auditor. The internal auditor carried out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC is satisfied that the internal auditor is adequately resourced to perform its functions effectively, and is staffed by suitably qualified and experienced professionals with the relevant experience.

The internal auditor's primary line of reporting is to the chairman of the AC and has unfettered access to all the Company's documents, records, properties, and personnel, including access to the AC. Procedures are in place for the internal auditor to report independently their findings and recommendations to the AC. The AC will review the adequacy and effectiveness of the Group's internal audit function on an annual basis.

To ensure the adequacy of the internal audit function, the AC reviews and approves the internal audit plan, scope and findings of internal audit procedures on an annual basis. The AC will also assess the effectiveness of the internal audit, on an annual basis, by examining the scope of the internal audit work and its independence, the internal auditor's report and its relationship with the external auditor. The hiring, evaluation and compensation of the internal auditor are subject to the approval of the AC.

COMMUNICATION WITH SHAREHOLDERS AND CONDUCT OF SHAREHOLDERS' MEETINGS

Principle 14: Companies should treat all Shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of Shareholders' rights and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their Shareholders and put in place an investor relations policy to promote regular, effective and fair communication with Shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of Shareholders and allow Shareholders the opportunity to communicate their views on various matters affecting the company.

The Company does not practice selective disclosure. Price sensitive information is released on SGXNET on a timely basis as required by the Catalist Rules. Financial results and annual reports are announced or issued within the mandatory periods. The release of such timely and relevant information is crucial to good corporate governance and enables Shareholders to make informed decisions in respect of their investments in the Company.

Shareholders are encouraged to attend the annual general meeting to ensure a greater level of Shareholder participation and for them to be kept up-to-date as to the strategies and goals of the Group. The Board believes that general meetings serve as an opportune forum for Shareholders to meet the Board and key management personnel, and to interact with them. All Shareholders will receive the annual report and notice of annual general meeting. To facilitate participation by Shareholders, the Company's Constitution allows Shareholders to attend and vote at general meetings of the Company by proxies. A Shareholder may appoint up to 2 proxies to attend and vote on his behalf at a general meeting through proxy form deposited 48 hours before the meeting. However the Company allows Shareholders who are relevant intermediaries (as defined in Section 181(6) of the Companies Act, Chapter 50 of Singapore) to appoint more than 2 proxies to attend and vote at the same general meeting. Notices of meetings are also advertised in newspapers and available on SGXNET.

Every substantially separate matter requiring Shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. The Directors, including the respective Chairman of the Board Committees, and the external auditor are present to address any queries or concerns from Shareholders on matters relating to the Group and its operations and the conduct of audit and preparation and content of the independent auditor's report.

The Company will put all resolutions to vote by poll and detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced on SGXNET.

The Company Secretary prepares minutes of Shareholders' meetings, which incorporates substantial and relevant comments and responses from the Board and the Management. These minutes are made available to Shareholders upon their requests.

DIVIDEND POLICY

The Company currently does not have a formal dividend policy. The form, frequency and amount of future dividends on our shares will depend on our cash and retained earnings, expected and actual future earnings, working capital requirements, general financing conditions, projected levels of capital expenditure and other investment plans, restrictions on payments of dividends imposed on the Company by the financial arrangements (if any) as well as general business conditions and other factors as the Directors may, in their absolute discretion, deem appropriate. The Company recorded a loss for FY2017, accordingly no dividend was paid for the period.

DEALINGS IN SECURITIES

The Company has adopted a policy which prohibits dealings in the securities of the Company by the Directors and employees of the Group while in possession of price-sensitive information. Under this policy, the Company, the Directors and employees of the Group are not permitted to deal with the securities of the Company during the period commencing one month before the announcement of the Company's half-year and full year results, and ending on the date of the announcement.

In addition, the Directors and employees are also discouraged from dealing in the Company's securities on short-term considerations and are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. The Board is kept informed when a Director trades in the Company's securities.

DISCLOSURE OF MATERIAL CONTRACTS

Except as disclosed in Note 5 and 6 (Related Party Transactions) of the notes to the financial statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the Group CEO or each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

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, on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. All interested person transactions are subject to review by the AC to ensure compliance with established procedures.

No general mandate has been obtained from Shareholders in respect of interested person transactions for FY2017. There were no interested person transactions of S$100,000 or more for FY2017, except the following:

- Mr Lim How Teck had on 29 May 2017, entered into a subscription agreement with the Company to subscribe US$125,000 of convertible notes. Pursuant to which, the aggregate amount of (i) the principal value of the convertible notes of US$125,000, and (ii) the total interest of US$37,500 payable up to maturity date under the convertible notes to Mr Lim How Teck is US$162,500. Details of the convertible notes have been disclosed in Note 24 (Convertible Notes) of the notes to the financial statements.

NON-SPONSORSHIP FEES

There were no non-sponsor fees paid to SAC Capital Private Limited for FY2017.

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DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2017.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 34 to 111 are drawn up so as to give a true and fair view of the financial position of the group and of the company as at December 31, 2017, and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due, subject to satisfying the conditions set out in Note 1 to the financial statements.

1 DIRECTORS

The directors of the company in office at the date of this statement are:

John Grønbech	
Lim How Teck	
Tay Kee Liat	(Appointed on March 14, 2017)
Teo Lek Hong	(Appointed on March 14, 2017)

2 ARRANGEMENTS TO ENABLE THE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate, except for the options mentioned in paragraph 4 of the Directors' statement.

3 DIRECTOR'S INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and its related corporations as recorded in the register of directors' shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

Name of directors and companies in which interests are held	Shareholdings registered in name of director			Shareholdings in which directors are deemed to have an interest		
	At beginning of year	At end of year	At January 21, 2018	At beginning of year	At end of year	At January 21, 2018
NauticAWT Limited (Ordinary shares)						
John Grønbech	82,088,000	82,088,000	82,088,000	-	-	-
Lim How Teck	150,600	150,600	150,600	-	-	-
Nautic Offshore Mexico S.A. de C.V. (Ordinary shares)						
John Grønbech	1 [(1)]	1 [(1)]	1 [(1)]	-	-	-

(1) The share is held in trust for the company.

By virtue of section 7 of the Singapore Companies Act, Mr John Grønbech is deemed to have an interest in all the related corporations of the company.

4 SHARE PLANS AND SHARE OPTIONS

*NauticAWT Performance Share Plan ("**NauticAWT PSP**")*

The NauticAWT PSP was approved pursuant to a resolution passed by the shareholders of the company on July 3, 2015.

The NauticAWT PSP is administered by the Remuneration Committee (the "**RC**") whose members are:

- Teo Lek Hong (Chairman of the RC and Independent and Non-executive Director)
- Lim How Teck (Independent and Non-executive Director)
- Tay Kee Liat (Independent and Non-executive Director)

The grant of shares are determined at the absolute discretion of the RC, which shall take into consideration, where applicable, factors such as the group employee or group non-executive directors ("**Participants**") rank, scope of responsibilities, performance, length of service, contribution to the success and development of the group, potential for future development of the Participant and/or the extent of effort of resourcefulness required to achieve the Performance Conditions within the Performance Period. The Performance Conditions and Performance Period are determined by the RC at its discretion.

No shares were granted under the NauticAWT PSP since the date of approval of the plan up until December 31, 2017 and January 21, 2018.

The aggregate number of shares issued and/or issuable pursuant to the NauticAWT Employee Share Option Scheme ("**NauticAWT ESOS**"), the NauticAWT PSP and any other share-based incentive schemes of the company do not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the company from time to time.

*NauticAWT Employee Share Option Scheme ("**NauticAWT ESOS**")*

(a) Options to take up unissued shares

The NauticAWT ESOS was approved pursuant to a resolution passed by the shareholders of the company on July 3, 2015.

The NauticAWT ESOS is administered by the RC whose members are:

- Teo Lek Hong (Chairman of the RC and Independent and Non-executive Director)
- Lim How Teck (Independent and Non-executive Director)
- Tay Kee Liat (Independent and Non-executive Director)

The grant of options to each controlling shareholder or associates of controlling shareholders shall be subject to specific approval by the shareholders in a general meeting.

The Directors are authorised and empowered to grant options in accordance with the NauticAWT ESOS and to allot and issue from time to time such number of shares in the capital of the company as may be required to be issued pursuant to the exercise of the options under the NauticAWT ESOS (including but not limited to allotment and issuance of shares in the capital of the company at any time, whether during the continuance of this authority or thereafter, pursuant to options made or granted by the company whether granted during the subsistence of this authority or otherwise).

This is provided that the aggregate number of shares issued and/or issuable pursuant to the NauticAWT ESOS, the NauticAWT PSP and any other share-based incentive schemes of the company do not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the company from time to time.

4 SHARE PLANS AND SHARE OPTIONS (cont'd)

Offers for the grant of options may be made at any time from time to time at the discretion of the RC, in accordance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Catalist Listing Manual. The options are exercisable within 3 years from the commencement of the exercise period.

(b) Unissued shares under option and options exercised

On June 27, 2016, the company granted 23,550,000 options, in 3 equal tranches of 7,850,000 options each, to the group's directors and employees under the NauticAWT ESOS. The table below summarises the number of outstanding options under the NauticAWT ESOS as at December 31, 2017.

Exercisable Period		Outstanding at January 1,	Options granted during the	Cancelled/	Outstanding at December	Exercise price per share
From	To	2017	year	Lapsed	31, 2017	S$ (US$)
December 31, 2017	December 31, 2020	7,150,000	-	(2,050,000)	5,100,000	0.25 (0.19)
December 31, 2018	December 31, 2021	7,150,000	-	(2,050,000)	5,100,000	0.30 (0.22)
December 31, 2019	December 31, 2022	7,150,000	-	(2,050,000)	5,100,000	0.40 (0.30)
		21,450,000	-	(6,150,000)	15,300,000	

The options were granted at a premium to the market price on the grant date.

There were no options granted to any of the company's controlling shareholders or their associates (as defined in SGX-ST Catalist Listing Manual).

Holders of the above share options have no right to participate in any share issues of any other company. No employee or employee of related corporations has received 5% or more of the total options available under the NauticAWT ESOS, except as follows:

Name of employee	Options granted on June 27, 2016	Aggregate options granted since commencement of the NauticAWT ESOS to the end of financial year	Aggregate options exercised since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option lapsed since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option exercised (lapsed) between the end of financial year and January 21, 2018	Aggregate options outstanding as at January 21, 2018
Elo Yde	2,850,000	2,850,000	-	-	-	2,850,000
Simon Cunningham	2,850,000	2,850,000	-	-	(2,850,000)	-

4 SHARE PLANS AND SHARE OPTIONS (cont'd)

The information on directors of the company participating in the NauticAWT ESOS is as follows:

Name of director	Options granted on June 27, 2016	Aggregate options granted since commencement of the NauticAWT ESOS to the end of financial year	Aggregate options exercised since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option lapsed since commencement of the NauticAWT ESOS to the end of financial year	Aggregate option exercised (lapsed) between the end of financial year and January 21, 2018	Aggregate options outstanding as at January 21, 2018
Lim How Teck	2,100,000	2,100,000	-	-	-	2,100,000

5 AUDIT COMMITTEE

The members of the Audit Committee (the "**AC**"), consisting all non-executive directors, at the date of this report are as follows:

Lim How Teck	(Chairman of AC and independent director)
Teo Lek Hong	(Independent director)
Tay Kee Liat	(Independent director)

The AC carried out its functions specified by Section 201B(5) of the Companies Act, the SGX-ST Catalist Rules and the Code of Corporate Governance. Among other functions, the AC has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

(a) The audit plans and results of the internal auditor's examination and evaluation of the group's systems of internal accounting controls;

(b) The group's financial and operating results and accounting policies;

(c) The financial statements of the company and the consolidated financial statements of the group before their submission to the directors of the company and external auditor's report on those financial statements;

(d) The half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;

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

(f) The re-appointment of the external auditor of the group.

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

The AC has recommended to the directors the nomination of Deloitte & Touche LLP for the re-appointment as external auditor of the group at the forthcoming AGM of the company.

DIRECTORS' STATEMENT

6 AUDITOR

The auditor, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Lim How Teck

....
John Grønbech

April 6, 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
NAUTICAWT LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of NauticAWT Limited (the "**company**") and its subsidiaries (the "**group**") which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and the statement of changes in equity of the company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 111.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at December 31, 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and of the changes in equity of the company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("**SSAs**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the group in accordance with the Accounting and Corporate Regulatory Authority ("**ACRA**") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("**ACRA Code**") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the accompanying financial statements which indicates that as at December 31, 2017, the group's current liabilities exceeded its current assets by US$3,022,793 and the group recorded a loss of US$6,270,228 for the financial year then ended. In addition, the group breached its financial covenants on bank loans of US$1,301,810 as at December 31, 2017.

The going concern assumption of the group is dependent on the group being able to secure additional funding to finance the operations of the group, dispose the group's interest in NauticAWT Energy Pte. Ltd, obtain continued support from its existing banks, and secure new contracts from customers.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the group and company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in the audit
<u>Revenue recognition and construction contracts</u> The group offers engineering and contracting services for field exploration, field development and field refurbishments including design life extensions and production enhancement for offshore and marine infrastructures. The duration of these projects may range from short-term to mid-term and some of the projects may cross over the financial year reporting period end (Note 11 and 27). Due to the nature and timing of the engineering services rendered by the group, the group has entered into fixed price contracts with customers for the provision of engineering design works, installation services (including mobilisation of equipment), engineering labour hours or delivery of materials. Subsequent changes to original contracts are supported by variation orders agreed with and acknowledged by customers. Contract revenue recognised is calculated by reference to the stage of completion of the contract which is measured by the proportion of contract costs incurred for work performed to date relative to the estimated total budgeted contract costs, except where this would not be representative of the stage of completion. The percentage of completion is dependent upon the following key estimates or judgement areas: • total budgeted project costs, including total anticipated costs to complete the projects (including estimated labour hours to completion) for projects outstanding at the end of the reporting period; • completeness of cost incurred for the projects to date; • changes to the budgeted costs as a result of variation orders with customers.	We evaluated the appropriateness of management's controls over the review and determination of the revenue to be recognised and the corresponding work in progress. We agreed total contracted revenue to the original signed customer contracts and approved variation orders. We assessed the basis of revenue recognition for the group's significant contracts and corresponding percentage of completion by determining if the services have been rendered to the end customer either by way of surveyor reports or customer acknowledged timesheets or project closing out report. We evaluated the accounting in the context of the accounting policies and contract terms. We tested the actual cost incurred by agreeing to supplier invoices, engineer timesheets and other documentation and performed cutoff testing for project costs. For significant uncompleted contracts, we examined the assumptions behind estimated costs to complete, challenging the reasonableness of these in light of supporting evidence. We recomputed the percentage of completion assessed by management based on the actual costs incurred for project life over total budgeted costs. We performed a retrospective review of the budgeted costs against the actual costs for projects completed during the year. We have also assessed and validated the adequacy and appropriateness of the disclosures in Note 3 to the financial statements under key sources of estimation uncertainty for revenue recognition and construction contracts.

Key audit matter	How the matter was addressed in the audit
<u>Impairment assessment of property, plant and equipment</u>	
The property, plant and equipment ("**PPE**") are the most quantitatively significant item on the consolidated statement of financial position with a net book value as at December 31, 2017 of US$8,201,501 (2016 : US$8,961,576) (Note 13). The PPE primarily comprise of freehold land and building, and other equipment and machinery that supports the group's operations. The group has recorded a loss of US$6,270,228 for the year ended December 31, 2017. Management is required to carry out an impairment assessment of PPE where there are indicators of impairment. Where there are indicators of impairment, significant judgement and estimation is required in determining the recoverable amount of these PPE. The recoverable value is the higher of fair value less cost to sell and value-in-use ("**VIU**"). The impairment assessment involved significant judgement and estimates such as growth rates, gross profit margin and discount rates to determine the VIU.	We evaluated the appropriateness of management's controls over the assessment of impairment of PPE. We assessed and evaluated management's assessment for indicators of impairment of PPE. We assessed and evaluated the estimation of future cash flows, and challenged management's underlying assumptions, such as growth rates, gross profit margin and discount rates used in estimating and discounting the future cash flow projections by benchmarking against historical data/trend, market trend, publicly available independent data and our knowledge of the business operations. We performed a comparison of the estimation of future cash flow projections in the previous year to the actual cash flow achieved to support the reliability and reasonableness of management's assumptions and estimates used in the future cash flow projections in the prior year. The disclosure of the above significant estimates is provided in Note 3 to the financial statements, and further information related to the PPE is provided in Note 13 to the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NAUTICAWT LIMITED

Information Other than the Financial Statements and Auditor's Report Theron

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit 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 group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

NAUTICAWT LIMITED

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 subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mr Panjabi Sanjay Gordhan.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

April 6, 2018

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

	Note	Group		Company	
		2017	2016	2017	2016
		US$	US$	US$	US$
ASSETS					
Current assets					
Cash and bank balances	7	317,067	653,642	58,687	31,700
Trade receivables	8	2,135,035	11,941,452	10,481,787	7,655,463
Other receivables	9	1,210,542	2,856,214	1,922,018	2,897,734
Inventories	10	343,973	294,337	-	-
		4,006,617	15,745,645	12,462,492	10,584,897
Assets classified as held for sale	12	2,518,600	-	-	-
Total current assets		6,525,217	15,745,645	12,462,492	10,584,897
Non-current assets					
Property, plant and equipment	13	8,201,501	8,961,576	607,987	792,765
Goodwill	14	-	317,425	-	-
Intangible assets	15	680,871	401,281	632,235	352,645
Investment in subsidiaries	16	-	-	425,623	1,031,124
Investment in joint venture	17	-	11,871	-	-
Other receivables	9	-	-	2,762,936	2,657,936
Deferred tax assets	18	-	607,732	-	-
Total non-current assets		8,882,372	10,299,885	4,428,781	4,834,470
Total assets		15,407,589	26,045,530	16,891,273	15,419,367
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	19	1,510,718	2,215,015	-	-
Other payables	20	5,431,390	7,654,860	14,550,510	7,194,886
Government grant received		355,130	355,130	355,130	355,130
Liabilities for trade bills discounted with recourse	21	214,054	2,065,487	-	-
Bank loan and advances	22	1,915,932	2,177,890	237,046	885,257
Loan from directors	6	-	326,000	-	326,000
Finance leases	23	-	62,639	-	-
Income tax payable		-	394,893	-	-
		9,427,224	15,251,914	15,142,686	8,761,273
Liabilities directly associated with assets classified as held for sale	12	120,786	-	-	-
Total current liabilities		9,548,010	15,251,914	15,142,686	8,761,273

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017

	Note	Group		Company	
		2017	2016	2017	2016
		US$	US$	US$	US$
Non-current liabilities					
Long-term bank loan	22	3,374,731	3,229,409	-	40,179
Finance leases	23	-	52,850	-	-
Loan from directors	6	500,099	-	500,099	-
Convertible notes	24	1,016,061	-	1,016,061	
Other payables	20	122,750	222,900	-	-
Deferred tax liabilities	18	52,589	98,774	-	-
Total non-current liabilities		5,066,230	3,603,933	1,516,160	40,179
Capital and reserves					
Share capital	25	7,248,183	7,248,183	7,248,183	7,248,183
Other capital reserve		723,125	718,247	723,125	718,247
Share options reserve	26	108,639	64,184	108,639	101,337
Foreign currency translation reserve		(92,478)	82,961	-	-
Accumulated losses		(7,194,120)	(339,208)	(7,847,520)	(1,449,852)
Equity attributable to owners of the company		793,349	7,774,367	232,427	6,617,915
Non-controlling interests	16	-	(584,684)	-	-
Total equity		793,349	7,189,683	232,427	6,617,915
Total liabilities and equity		15,407,589	26,045,530	16,891,273	15,419,367

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2017

	Note	Group 2017 US$	Group 2016 US$
Continuing operations			
Revenue	27	8,953,151	15,103,420
Cost of sales		(5,080,212)	(7,860,331)
Gross profit		3,872,939	7,243,089
Distribution expenses		(480,197)	(333,250)
Administrative expenses		(7,559,669)	(4,988,866)
Other income	28	69,173	353,409
Finance costs	29	(408,169)	(289,419)
(Loss) Profit before tax		(4,505,923)	1,984,963
Income tax expense	30	(140,879)	(336,000)
(Loss) Profit for the year from continuing operations		(4,646,802)	1,648,963
Discontinued operations			
Loss for the year from discontinued operations	31	(1,623,426)	(998,218)
(Loss) Profit for the year	32	(6,270,228)	650,745
Other comprehensive (loss) income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(175,439)	270,494
Total other comprehensive (loss) income for the year		(175,439)	270,494
Total comprehensive (loss) income for the year		(6,445,667)	921,239
(Loss) Profit attributable to:			
Owners of the company		(6,854,912)	713,561
Non-controlling interests	16	584,684	(62,816)
		(6,270,228)	650,745
Total comprehensive (loss) income attributable to:			
Owners of the company		(7,030,351)	954,201
Non-controlling interests		584,684	(32,962)
		(6,445,667)	921,239
(Loss) Earnings per share			
From continuing and discontinued operations:			
Basic (cents)	34	(3.59)	0.37
Diluted (cents)	34	(3.59)	0.37
From continuing operations:			
Basic (cents)	34	(2.43)	0.86
Diluted (cents)	34	(2.43)	0.86

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017

	Share capital	Other capital reserve	Share options reserve	Foreign currency translation reserve	Accumulated losses	Attributable to owners of the company	Non-controlling interests	Total
	US$	US$	US$	US$	US$	US$	US$	US$
Group								
Balance at January 1, 2016	7,248,183	718,247	7,604	(157,679)	(1,052,769)	6,763,586	(551,722)	6,211,864
Total comprehensive income for the year								
Profit (Loss) for the year	-	-	-	-	713,561	713,561	(62,816)	650,745
Other comprehensive income for the year	-	-	-	240,640	-	240,640	29,854	270,494
Total	-	-	-	240,640	713,561	954,201	(32,962)	921,239
Transaction with owners recognised directly in equity								
Recognition of share-based payment (Note 26)	-	-	56,580	-	-	56,580	-	56,580
Total	-	-	56,580	-	-	56,580	-	56,580
Balance at December 31, 2016	7,248,183	718,247	64,184	82,961	(339,208)	7,774,367	(584,684)	7,189,683
Total comprehensive (loss) income for the year								
(Loss) Profit for the year	-	-	-	-	(6,854,912)	(6,854,912)	584,684	(6,270,228)
Other comprehensive (loss) income for the year	-	-	-	(175,439)	-	(175,439)	-	(175,439)
Total	-	-	-	(175,439)	(6,854,912)	(7,030,351)	584,684	(6,445,667)
Transaction with owners recognised directly in equity								
Recognition of share-based payment (Note 26)	-	-	44,455	-	-	44,455	-	44,455
Issuance of convertible notes (Note 24)	-	4,878	-	-	-	4,878	-	4,878
Total	-	4,878	44,455	-	-	49,333	-	49,333
Balance at December 31, 2017	7,248,183	723,125	108,639	(92,478)	(7,194,120)	793,349	-	793,349

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2017

	Share capital	Other capital reserve	Share options reserve	Accumulated losses	Total
	US$	**US$**	**US$**	**US$**	**US$**
Company					
Balance at January 1, 2016	7,248,183	718,247	-	(1,459,175)	6,507,255
Total comprehensive income for the year					
Profit for the year	-	-	-	9,323	9,323
Total	-	-	-	9,323	9,323
Transaction with owners recognised directly in equity					
Recognition of share-based payment (Note 26)	-	-	101,337	-	101,337
Total	-	-	101,337	-	101,337
Balance at December 31, 2016	7,248,183	718,247	101,337	(1,449,852)	6,617,915
Total comprehensive (loss) income for the year					
Loss for the year	-	-	-	(6,397,668)	(6,397,668)
Total	-	-	-	(6,397,668)	(6,397,668)
Transaction with owners recognised directly in equity					
Recognition of share-based payment (Note 26)	-	-	7,302	-	7,302
Issuance of convertible notes (Note 24)	-	4,878	-	-	4,878
Total	-	4,878	7,302	-	12,180
Balance at December 31, 2017	7,248,183	723,125	108,639	(7,847,520)	232,427

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	Note	Group 2017	Group 2016
		US$	US$
Operating activities			
(Loss) Profit before income tax	(A)	(5,492,721)	350,925
Adjustments for:			
Depreciation of property, plant and equipment	(C)	860,229	916,213
Amortisation of intangible assets		30,300	10,186
Share of profit of joint venture		(13,000)	-
Gain on disposal from discontinued operations		(1,905,159)	-
Gain on disposal of a subsidiary		-	(747,100)
Allowance for doubtful debts		3,755,899	419,390
Write back of provision for employee entitlement		-	(295,206)
Write off of property, plant and equipment		125,526	211
Loss on disposal of property, plant and equipment		41,822	-
Write off of obsolete inventories		77,374	51,233
Interest expense		545,161	302,462
Interest income		(726)	(113)
Net foreign exchange (gain) loss		(71,095)	208,935
Share-based payment		44,455	56,580
Operating cash flows before movements in working capital		(2,001,935)	1,273,716
Trade receivables		4,107,306	(3,355,492)
Other receivables		(311,018)	(1,723,298)
Inventories		(109,548)	586,329
Trade payables		2,161,931	486,077
Other payables		(501,940)	4,308,273
Trade bills discounted with recourse		(1,851,353)	409,161
Work in progress		(17,462)	36,392
Cash generated from operations		1,475,981	2,021,158
Income tax paid		(45,367)	(94,206)
Interest received		726	113
Interest paid		(469,622)	(302,462)
Net cash from operating activities		961,718	1,624,603
Investing activities			
Purchase of property, plant and equipment	(B)	(161,940)	(4,409,867)
Addition of intangible assets	(C)	(255,188)	(320,901)
Investment in joint venture		(1,200,000)	(11,871)
Proceeds from disposal of property, plant and equipment		122,340	-
Net cash used in investing activities		(1,494,788)	(4,742,639)

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2017

	Group	
	2017	**2016**
	US$	**US$**
Financing activities		
Loan from director	247,350	-
Proceeds from bank loans	1,445,400	3,620,357
Government grant received	-	214,998
Loan from a third party	-	334,350
(Repayment of advances to) Advances from bank	(220,311)	273,398
Repayment of finance lease payables	(67,529)	(63,052)
Repayments of bank loans	(1,493,522)	(1,455,594)
Issuance of convertible notes	735,000	-
Expenses incurred in connection with the initial public offering	-	(182,531)
Net cash from financing activities	646,388	2,741,926
Net increase (decrease) in cash and cash equivalents	113,318	(376,110)
Cash and cash equivalents at beginning of year	(302,711)	62,954
Effects of exchange rate changes on balance of cash held in foreign currencies	49,898	10,445
Cash and cash equivalents at end of year (Note 7)	(139,495)	(302,711)

Notes

(A) The amount reflected as (loss) profit before tax in the consolidated statement of cash flows is derived from the aggregate of loss before tax from discontinued operations of US$2,891,957 (2016: US$1,634,038), the gain on disposal of discontinued operations of US$1,905,159 (2016: US$Nil) and loss before tax from continuing operations of US$4,505,923 (2016: profit before tax from continuing operations of US$1,984,963).

(B) The group acquired property, plant and equipment at an aggregate cost of US$165,695 (2016 : US$4,890,935) of which cash payment of US$161,940 (2016 : US$4,409,867) were paid during the year. As at December 31, 2017, US$477,313 (2016 : US$481,068) remains unpaid and was recorded under "Other Payables".

(C) The group capitalised intangible assets at an aggregate cost of US$309,890 (2016 : US$355,657) of which cash payment of US$255,188 (2016 : US$320,901) were paid during the year. The remaining US$54,702 (2016 : US$34,756) was pertaining to capitalisation of depreciation charge of laboratory equipment.

See accompanying notes to financial statements.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

1 GENERAL

The company (Registration Number 201108075C) is incorporated in the Republic of Singapore with its principal place of business at 12 Tai Seng Link #05-01A, Singapore 534233. The company is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited. The financial statements are presented in United States dollars which is the company's functional currency.

The principal activity of the company is that of an engineering company providing offshore and marine engineering services and investment holding.

The principal activities of the subsidiaries and joint venture are disclosed in Notes 16 and 17 to the financial statements respectively.

The consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company for the financial year ended December 31, 2017 were authorised for issue by the Board of Directors on April 6, 2018.

Material Uncertainty Relating to Going Concern

As at December 31, 2017, the group's current liabilities exceeded its current assets by US$3,022,793 (2016: current assets exceeded its current liabilities by US$493,731) and the group recorded a loss of US$6,270,228 (2016: profits of US$650,745) for the financial year then ended. The group's current liabilities of US$9,548,010 include bank loans and advances amounting to US$1,915,932. The group breached its financial covenants on bank loans amounting to US$1,301,810 as the group did not fulfil the minimum tangible net worth requirement as at half year ended June 30, 2017. The group had received a waiver of the breach of loan covenants, which was effective till August 31, 2017. However, the group did not receive any further waiver of the breach of covenants as at December 31, 2017, and the bank has also not called upon the loans as at the date of these financial statements. The loans have been classified as current in the financial statements as they are repayable on demand due to the breach of loan covenants.

At the date of these financial statements, management is in negotiations with third parties to secure additional funding for the operations of the group and also to dispose its interest in NauticAWT Energy Pte Ltd, which in turn holds the interest in NVP Georgia LLC (formerly known as VP Georgia LLC). The validity of the going concern assumption is contingent upon:

(a) the successful completion of these negotiations;
(b) the group continuing to receive support from its existing banks; and
(c) the group is able to generate sufficient cash flows from its operations based on management's ability to secure new contracts from customers.

The above matters represent material uncertainties that may cast significant doubt on the group's and company's ability to continue as a going concern, and therefore maybe unable to realise their assets and discharge their liabilities in the normal course of the business. Nevertheless, management is confident that the above negotiations with third parties will be concluded successfully and that the strategies put in place to improve the operating performance and financial position of the group and company will allow it to continue in operational existence for at least the next 12 months from the date of these financial statements. Hence, management has continued to adopt the going concern assumption in the preparation of these financial statements.

Should the group be unable to complete the negotiations and successfully secure the additional funding to repay these loans and other current liabilities, the group and the company may not have sufficient funds to fulfil its financial obligations as and when they fall due, affecting its ability to continue as a going concern.

If the going concern assumption is no longer applicable, adjustments may have to be made to reflect the condition that assets may need to be realised other than in the normal course of business and at amounts which may differ significantly from the amounts which they are currently recorded in the statements of financial position. In addition, the group and the company may have to reclassify non-current assets and liabilities as current assets and liabilities respectively. No adjustments have been made in these financial statement in this respect.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("**FRS**").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On January 1, 2017, the group and the company adopted all the new and revised FRSs and Interpretations of FRS ("**INT FRS**") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years, except for:

<u>Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*</u>

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

The group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 39. Consistent with the transition provisions of the amendments, the group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 39, the application of these amendments has had no impact on the group's consolidated financial statements.

<u>Convergence to the International Financial Reporting Standards ("**IFRS**") in 2018</u>

Singapore-incorporated companies listed on the Singapore Exchange ("**SGX**") will be required to apply a new Singapore financial reporting framework, the Singapore Financial Reporting Standards (International) ("**SFRS(I)**"), that is identical to the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board (IASB). for annual periods beginning on or after January 1, 2018. The group will be adopting SFRS(I) for the first time for the financial year ending December 31, 2018.

SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

As a first-time adopter, the group and the company are to apply retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ending December 31, 2018, an additional opening statement of financial position as at date of transition (January 1, 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required for equity as at date of transition (January 1, 2017) and as at end of last financial period under FRS (December 31, 2017), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended December 31, 2017). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has completed their assessment of the potential impact arising from SFRS(I) 1 First-time adoption of SFRS(I), and has concluded that there are no changes to the group's current accounting policies or material adjustments required on transition to the new framework.

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (December 31, 2018), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at December 31, 2018, they may impact the disclosures of estimated effects described below.

New SFRS(I) and SFRS(I) INT yet to be adopted

At the date of authorisation of these financial statements, the following SFRS(I), SFRS(I) INT and amendments to SFRS(I) that are relevant to the group and the company were issued but not effective:

- SFRS(I) 9 *Financial Instruments*[1]
- SFRS(I) 15 *Revenue from Contracts with Customers*[1]
- SFRS(I) 16 *Leases*[2]

1 Applies to annual periods beginning on or after January 1, 2018
2 Applies to annual periods beginning on or after January 1, 2019

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

Management anticipates that the adoption of the above SFRS(I), SFRS(I) INT and amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the group and of the company in the period of their initial adoption except for the following:

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management anticipates based on preliminary assessment that the initial application of the new SFRS(I) 15 will result in changes to the accounting policies relating to revenue and construction contracts and accrued revenue are expected to be impacted. Additional disclosures will also be made with respect of revenue, construction contracts and accrued revenue, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application as management has yet to complete its detailed assessment.

SFRS(I) 16 *Leases*

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17 *Leases* ("**FRS 17**").

FRS 17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases the group enters into. Under SFRS(I) 16, the group may be required to recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists. Management is currently still assessing the possible impact of implementing SFRS(I) 16. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the group's financial statements in the period of initial application as management has yet to complete its detailed assessment. Management does not plan to early adopt SFRS(I) 16.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of FRS 39 *Financial Instruments: Recognition and Measurement* ("**FRS 39**") are now required to be subsequently measured at amortised cost or fair value through profit or loss ("**FVTPL**"). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("**FVTOCI**"). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates based on preliminary assessment that the initial application of the new SFRS(I) 9 will result in changes to the accounting policies relating to impairment provisions of financial assets as a result of the change to the expected credit loss model. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application as management has yet to complete its detailed assessment.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including structured entities) controlled by the company and its subsidiaries. Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- Potential voting rights held by the company, other vote holders or other parties;

- Rights arising from other contractual arrangements; and

- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

Changes in the group's ownership interests in existing subsidiaries

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

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree, and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

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

Financial assets

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

<u>Loans and receivables</u>

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the effect of discounting is immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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

For financial assets that are carried at cost, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities comprising amount due to trade and other payables and loan from director are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans, bank overdrafts and advances from bank are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Convertible notes

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company and the group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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

<u>The group as lessor</u>

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

<u>The group as lessee</u>

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs.

Rentals payable under operating leases are chargeable to profit and loss on a straight line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefits derived from the leased asset are consumed.

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

CONSTRUCTION CONTRACTS - Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as amounts due to construction contracts customers. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

PROPERTY, PLANT and EQUIPMENT – Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

Depreciation is charged so as to write off the cost of assets, except for freehold land, over their estimated useful lives, using the straight- line method, on the following bases:

Freehold Building	50 years
Machinery	5 years to 10 years
Computer equipment	3 years
Administrative equipment	3 years to 10 years
Laboratory equipment	5 years to 10 years
Motor vehicle	10 years
Leased assets	1 year to 10 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

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

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

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

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Amortisation is charged so as to write off the cost over their estimated useful lives, using the straight- line method, on the following bases:

Proprietary material development information	5 years to indefinite
Trademark	10 years

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the group reviews the carrying amounts of its tangible assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash- generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

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

When the group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

JOINT VENTURE - A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the joint venture. When the group's share of losses of a joint venture exceeds the group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the group's net investment in the joint venture), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The group discontinues the use of the equity method from the date when the investment ceases to be a joint venture, or when the investment is classified as held for sale. When the group retains an interest in the former joint venture and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the group reduces its ownership interest in a joint venture but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with a joint venture of the group, profits and losses resulting from the transactions with the joint venture are recognised in the group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the group.

INTERESTS IN JOINT OPERATIONS - A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

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

SHARE-BASED PAYMENTS - The group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 26. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

OTHER CAPITAL RESERVE

The other capital reserve represents:

(i) Share conversion reserve as a result of the equity component of convertible debt instruments; and

(ii) Other capital reserve which is the excess over the share capital for the conversion of convertible debt instrument in prior years, fair value of convertible notes and acquisition of subsidiary.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the group will comply with the conditions attaching to them and the grants will be received. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. Government grants whose primary condition is that the group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

<u>Sale of goods</u>

- The group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

<u>Rendering of services</u>

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- Installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- Servicing fees, included in the price of products sold, are recognised by reference to the proportion of the total cost of providing the servicing for the product sold; and
- Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Revenue from construction contracts is recognised in accordance with the group's accounting policy on construction contracts (see above).

<u>Interest income</u>

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

Dividend income

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

Licensing income

Licensing income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Licensing income determined on a time basis are recognised on a straight-line basis over the period of the agreement. Licensing arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

Rental income

The group's policy for recognition of revenue from operating leases is described above.

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

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

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively) or where they arise from the initial accounting for a business combination. In the case of a business combination the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group are presented in United States dollars, which is the functional currency of the company, and the presentation currency for the consolidated financial statements.

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in United States dollars using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity, under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill arising on the acquisition of a foreign operation is treated as assets and liabilities of the foreign operation and translated at the closing rate.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash at bank and demand deposits, bank overdrafts, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that have the most significant effect on the amounts recognised in the financial statements:

- Use of going concern assumption (Note 1)

Key sources of estimation uncertainty

Revenue recognition and construction contracts

The group offers engineering services and contracting solutions for field exploration, field development and field refurbishments including design life extensions and production enhancement for ageing and mature oil and gas fields. The duration of these projects may range from short-term to mid-term and some of the projects may cross over the financial year reporting period end.

Due to the nature and timing of the engineering services rendered by the group, the group has entered into fixed price contracts with customers for the provision of engineering design works, installation services (including mobilisation of equipment), engineering labour hours or delivery of materials. Subsequent changes to original contracts are supported by variation orders agreed with and acknowledged by customers.

Contract revenue recognised is calculated by reference to the stage of completion of the contract which is measured by the proportion of contract costs incurred for work performed to date relative to the estimated total budgeted contract costs, except where this would not be representative of the stage of completion.

At each reporting period end, management estimates the stage of completion of each contract in progress using the actual costs over the projected budgeted costs to complete. The percentage of completion is dependent upon the following key estimates or judgement areas:

- total anticipated costs to complete the project (including estimated labour hours to completion);
- completeness of incurred costs recognised for the project to date;
- changes to the budgeted costs as a result of variation orders with customers.

In making its judgement, management considered the detailed criteria as set out in FRS 18 *Revenue* for the recognition of revenue from rendering of services for contract revenue. For sales of goods, management assesses if the group had transferred to the buyer the significant risks and rewards of the ownership of the goods.

Details of construction contracts are disclosed in Note 11 to the financial statements.

Recoverable amount of trade and other receivables

Management assesses at the end of each reporting period whether there is any objective evidence that trade and other receivables are impaired. In making this assessment, management takes into consideration the age of debts, results of collective efforts and any significant change in credit quality of the receivables. If there is objective evidence that an impairment loss on trade and other receivables has incurred, the amount of loss recognised in the profit or loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows.

The carrying amount of trade and other receivables are disclosed in Notes 8 and 9 respectively.

Useful lives of property, plant and equipment

As described in Note 2, the group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. Changes in the expected level and future usage can impact the economic useful lives of these assets with consequential impact on the future depreciation charge.

The carrying amounts of property, plant and equipment are disclosed in Note 13 to the financial statements.

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Impairment of property, plant and equipment

The carrying amount of the property, plant and equipment is reviewed at the end of each reporting period to determine whether there is any indication that those property, plant and equipment have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated. The carrying amount is reduced to the estimated recoverable amount, if lower.

The estimation of recoverable amount involves projection of future cash flows, use of a terminal growth rate to extrapolate cash flows; and use of an appropriate discount rate to discount the projected cash flows to net present value. These projections, extrapolations and discount rates are significant accounting estimates which can cause significant change in the carrying amount in the future should the estimates change. The group has experienced the effects of challenging economic conditions in the oil and gas industry. Management has made significant estimates on the probability of the economic conditions improving in their projected cash flows. Any unfavourable change in these estimates could result in potential impairment charges to be recognised on the assets held by the group.

The carrying amounts of property, plant and equipment are disclosed in Note 13 to the financial statements.

Capitalisation and recoverability of intangible assets

As described in Note 15, the group has recognised an internally generated intangible asset arising from a material development project according to the group's accounting policy of internally generated intangible assets. As at December 31, 2017, this project continues to progress as planned and management anticipates revenues from the project based on its use. Management has assessed the recoverability of the asset based on future projections and progress to date. This situation will be closely monitored, and adjustments will be made in future periods, if future market activity indicates that such adjustments are appropriate.

The carrying amount of intangible assets are disclosed in Note 15 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Financial assets				
Loans and receivables (including cash and cash equivalents)	4,023,691	12,943,757	14,948,527	12,892,825
Financial liabilities				
Amortised cost	13,966,949	17,613,531	16,303,685	8,446,258

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The group does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements.

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(c) Financial risk management policies and objectives

The group's operating activities expose it to a variety of financial risks: credit risk, interest rate risk, foreign currency risk and liquidity risk. The group does not have formal risk management policies and guidelines, and generally adopts conservative strategies on its risk management and seeks to minimise potential adverse effects on the group's financial performance.

(i) Credit risk management

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the group. The group's exposure to credit risk arises primarily from trade receivables, other receivables and cash and bank balances.

The group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management annually.

As the group does not hold any collateral, the maximum exposure to credit risk is the carrying amount of the related financial assets represented on the statement of financial position.

Trade receivables and other receivables are monitored on an ongoing basis and whether the receivables are recoverable are estimated by the group's management based on prior experience and current economic environment. A significant portion of the group's sales are to several key customers. Top 3 external debtors accounted for approximately 44% (2016 : 28%) of total trade receivables as at December 31, 2017.

The company's credit risk is concentrated wholly with its subsidiaries. These amounts have been deemed by management to be collectible.

Cash and bank balances are placed with reputable banks and financial institutions which are regulated with no history of default.

(ii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the group's financial instruments will fluctuate because of changes in market interest rates.

The primary source of the company's interest rate risk relates to interest-bearing bank deposit, loans and advances and finance leases. The interest rates on fixed deposits, loans and advances and finance leases are disclosed in Notes 7, 20, 21, 22 and 23 to the financial statements respectively.

(iii) Foreign currency risk management

The group has transactional currency exposures arising from revenue and expenses, and also currency exposure to funding that are denominated in non-functional currencies. The group's foreign currency exposure is mainly from the exchange rate movements of the Singapore dollars, Australian dollars, Euro, Brunei dollars and Malaysian ringgit against the United States dollars. The group does not use derivative financial instruments to hedge the exposure. Instead, management constantly monitors the fluctuations of foreign currency exchange rates so as to ensure that the group's exposure to foreign currency risk is kept to a minimum.

The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk.

The carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of each group entity at the end of the reporting period are as follows:

	Group			
	Assets		Liabilities	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Singapore dollars	287,384	675,830	5,308,625	2,985,351
Australian dollars	82,627	244,459	51,235	1,875,965
Euro	124,316	32,119	5,238	28,717
Brunei dollars	129,904	169,384	298,568	741,742
Malaysian ringgit	358,678	395,923	4,896,474	4,719,311

The following table shows the sensitivity of the group's loss (2016 : profit) before income tax to a reasonably possible change in the relevant currency against the functional currency of each group entity, with all other variables held constant.

	Group	
	2017	**2016**
	US$	**US$**
Profit or loss before income tax		
- increase (decrease)		
Singapore dollars		
- strengthened by 5%	(251,062)	(115,476)
- weakened by 5%	251,062	115,476
Australian dollars		
- strengthened by 5%	1,570	(81,575)
- weakened by 5%	(1,570)	81,575
Euro		
- strengthened by 5%	5,954	170
- weakened by 5%	(5,954)	(170)
Brunei dollars		
- strengthened by 5%	(8,433)	(28,618)
- weakened by 5%	8,433	28,618
Malaysian ringgit		
- strengthened by 5%	(226,890)	(216,169)
- weakened by 5%	226,890	216,169

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

(iv) Liquidity risk management

Liquidity risk is the risk that the group will encounter difficulty in meeting its financial obligations due to shortage of funds. In the management of its liquidity risk, the group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the group's operations and mitigate the effects of fluctuations in cash flows.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the group's liquidity risk management as the group's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position.

Group	**Weighted average effective interest rate**	**Within 1 year**	**Between 2 to 5 years**	**Adjustment**	**Total**
	%	**US$**	**US$**	**US$**	**US$**
2017					
Financial assets					
Non-interest bearing		3,949,061	-	-	3,949,061
Fixed interest rate	0.20	74,642	-	(12)	74,630
Total		4,023,703	-	(12)	4,023,691
2016					
Financial assets					
Non-interest bearing	-	12,574,617	-	-	12,574,617
Fixed interest rate	0.20	69,278	-	(138)	69,140
Fixed interest rate	0.16	300,480	-	(480)	300,000
Total		12,944,375	-	(618)	12,943,757

Company	Weighted average effective interest rate	Within 1 year	Between 2 to 5 years	Adjustment	Total
	%	US$	US$	US$	US$
2017					
Financial assets					
Non-interest bearing		10,685,591	-	-	10,685,591
Fixed interest rate	10.70	-	3,206,387	(443,451)	2,762,936
Fixed interest rate	10.00	1,650,000	-	(150,000)	1,500,000
Total		12,335,591	3,206,387	(593,451)	14,948,527
2016					
Financial assets					
Non-interest bearing	-	10,234,889	-	-	10,234,889
Fixed interest rate	10.70	-	2,942,336	(284,400)	2,657,936
Total		10,234,889	2,942,336	(284,400)	12,892,825

Non-derivative financial liabilities

The following table details the expected maturity for non-derivative liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be earned on those assets and liabilities except where the group anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset and liability on the statement of financial position.

Group	Weighted average effective interest rate	Within 1 year	Between 2 to 5 years	More than 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
2017						
Financial liabilities						
Non-interest bearing		6,577,822	-	-	-	6,577,822
Fixed interest rate	6.25	391,181	-	-	(22,931)	368,250
Floating interest rate	6.73	1,341,424	-	-	(79,793)	1,261,631
Floating interest rate	5.20	40,442	-	-	(263)	40,179
Fixed interest rate	5.50	29,394	-	-	(134)	29,260
Floating interest rate	7.40	374,943	1,499,773	4,014,372	(2,391,305)	3,497,783
Floating interest rate	8.40	81,555	-	-	(1,677)	79,878
Floating interest rate	5.84	404,223	-	-	(22,291)	381,932
Fixed interest rate	5.50	30,022	-	-	(407)	29,615
Floating interest rate	5.20	186,835	-	-	(2,396)	184,439
Fixed interest rate	10.00	-	575,114	-	(75,015)	500,099
Fixed interest rate	10.00	-	1,199,394	-	(183,333)	1,016,061
Total		9,457,841	3,274,281	4,014,372	(2,779,545)	13,966,949
2016						
Financial liabilities						
Non-interest bearing	-	9,690,905	-	-	-	9,690,905
Fixed interest rate	2.28	22,186	49,724	-	(3,596)	68,314
Fixed interest rate	7.50	50,713	-	-	(3,538)	47,175
Fixed interest rate	6.25	132,347	243,797	-	(41,794)	334,350
Floating interest rate	4.75	332,719	-	-	(7,719)	325,000
Floating interest rate	4.80	239,250	-	-	(10,083)	229,167
Floating interest rate`	4.55	168,031	40,637	-	(7,770)	200,898
Fixed interest rate	5.50	336,471	27,232	-	(11,306)	352,397
Floating interest rate	7.15	340,428	1,361,708	3,971,582	(2,407,765)	3,265,953
Floating interest rate	4.55	148,017	-	-	(1,534)	146,483
Floating interest rate	5.93	304,636	-	-	(4,447)	300,189
Floating interest rate	6.80	627,143	-	-	(39,930)	587,213
Fixed interest rate	5.50	177,971	-	-	(812)	177,159
Floating interest rate	4.30	1,524,388	-	-	(16,213)	1,508,175
Floating interest rate	5.75	385,618	-	-	(5,465)	380,153
Total		14,480,823	1,723,098	3,971,582	(2,561,972)	17,613,531

Company	Weighted average effective interest rate	Within 1 year	Between 2 to 5 years	More than 5 years	Adjustment	Total
	%	US$	US$	US$	US$	US$
2017						
Financial liabilities						
Non-interest bearing		14,550,479	-	-	-	14,550,479
Floating interest rate	5.20	40,442	-	-	(263)	40,179
Floating interest rate	5.84	208,357	-	-	(11,490)	196,867
Fixed interest rate	10.00	-	575,114	-	(75,015)	500,099
Fixed interest rate	10.00	-	1,199,394	-	(183,333)	1,016,061
Total		14,799,278	1,774,508	-	(270,101)	16,303,685
2016						
Financial liabilities						
Non-interest bearing	-	7,520,822	-	-	-	7,520,822
Floating interest rate	4.80	239,250	-	-	(10,083)	229,167
Floating interest rate	4.55	168,031	40,637	-	(7,770)	200,898
Floating interest rate	6.80	529,058	-	-	(33,687)	495,371
Total		8,457,161	40,637	-	(51,540)	8,446,258

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments or they are entered into near end of the financial year except for interest-bearing loans, bank overdrafts, advances from banks and loan from third party. Management is of the opinion that the carrying amount of the interest bearing bank loans, bank overdrafts, advances from banks and loan from third party approximate their fair value due to market interest rates charged.

The group had no financial assets or liabilities carried at fair value as at December 31, 2017 and 2016, except as disclosed below.

Fair value hierarchy	Level	2017 US$	2016 US$
Financial liabilities			
Convertible notes (Note 24)[1]	2	1,016,061	-

Note

[1] Convertible notes are classified as level 2 in the fair value hierarchy. The fair value of the convertible notes is determined using residual valuation approach. On initial recognition, the liability component is valued first, and the difference between the proceeds of the convertible notes (being the fair value of the instrument in its entirety) and the fair value of the liability is assigned to the equity component. Thereafter, the liability component is carried at amortised cost.

(d) Capital risk management policies and objectives

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising return to stakeholders through the optimisation of the debt and equity balances.

The capital structure of the group consists of equity attributable to the shareholders, comprising issued capital provided by shareholders and accumulated losses.

Management reviews the capital structure at least on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each type of capital. The company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The group's overall strategy remains unchanged from prior year.

5 HOLDING COMPANY AND RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of NauticAWT Limited's (the "**holding company**") group of companies.

Some of the company's transactions and arrangements are between members of the group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the company entered into the following transactions with related companies:

	Company	
	2017 US$	2016 US$
Management fees charged to subsidiaries	3,797,428	4,529,281
Franchise fees charged to a subsidiary	49,054	279,513

6 OTHER RELATED PARTY TRANSACTIONS

Some of the group's transactions and arrangements are with related parties and the effects of these on the bases determined between the parties are reflected in these financial statements. The balances, which includes loan from a director, are unsecured, interest-free and repayable on demand unless otherwise stated.

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Loan from directors				
Current				
- John Grønbech	-	326,000	-	326,000
Non-current				
- John Grønbech	250,050	-	250,050	-
- Lim How Teck	250,049	-	250,049	-
	500,099	-	500,099	-
Convertible notes issued to directors				
Principal amount subscribed	175,000	-	175,000	-
Interest expenses arising from				
Loan from directors	44,751	-	44,751	-
Convertible notes issued to directors	3,664	-	3,664	-
	48,415	-	48,415	-
Licensing income from a key management personnel	46,690	46,622	-	-

Compensation of director and key management personnel

Compensation of directors and key management personnel during the year was as follows:

	Group	
	2017	2016
	US$	US$
Salaries, bonuses and other short-term benefits	1,352,534	1,831,741

7 CASH AND BANK BALANCES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Cash on hand	3,806	6,693	75	597
Cash at bank	238,631	277,809	58,612	31,103
Fixed deposits	74,630	369,140	-	-
Total	317,067	653,642	58,687	31,700
Less: Restricted cash (Note 22)	(74,630)	(369,140)	-	-
Less: Bank overdrafts (Note 22)	(381,932)	(587,213)	(196,867)	(495,371)
Cash and cash equivalents as shown in the statement of cash flows	(139,495)	(302,711)	(138,180)	(463,671)

Fixed deposits placed with banks bear interest at average effective interest of 0.20% (2016 : 0.18%) per annum. The fixed deposit have an average maturity period of 1 (2016 : 4) months from the end of the financial year ended December 31, 2017.

Restricted cash is pledged as a security for banking facilities as disclosed in Note 22 to the financial statements.

8 TRADE RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
Outside parties	5,971,627	10,495,001	6,385	-
Subsidiaries (Note 6)	-	-	11,043,601	7,655,463
Less: Allowance for doubtful debts	(4,175,289)	(419,390)	(568,199)	-
	1,796,338	10,075,611	10,481,787	7,655,463
Amount due from construction contract customers (Note 11)	338,697	1,865,841	-	-
	2,135,035	11,941,452	10,481,787	7,655,463

The average credit period on revenue from outside parties and subsidiaries is 30 days (2016 : 30 days). No interest is charged on overdue trade receivables. The group and company makes specific allowance on a case-by-case basis for its receivables. 36% (2016 : 70%) of the group's trade receivables are neither past due nor impaired and relate to customers that the group has assessed to be creditworthy, based on the credit evaluation process performed by management.

Movement in the allowance for doubtful debts:

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Balance at beginning of the financial year	419,390	11,814	-	-
Allowance written off	-	(11,814)	-	-
Allowance during the year	3,755,899	419,390	568,199	-
Balance at end of the financial year	4,175,289	419,390	568,199	-

The table below is an analysis of trade receivables as at the end of each financial year:

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Not past due and not impaired	777,214	8,324,909	4,161,170	7,206,846
Past due but not impaired (i)	1,357,821	3,616,543	6,320,617	448,617
Total	2,135,035	11,941,452	10,481,787	7,655,463

(i) Aging of receivables that are past due but not impaired:

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
< 3 months	530,859	1,628,618	33,473	150,064
more than 3 months	826,962	1,987,925	6,287,144	298,553
	1,357,821	3,616,543	6,320,617	448,617

The above past due receivables are not impaired as there has not been a significant change in the credit quality and the amounts are still considered recoverable.

Included in trade receivables are US$214,054 (2016 : US$2,065,487) which have been securitised to the bank as trade bills discounted with recourse (Note 21).

9 OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Current				
Deposits	152,087	205,462	33,416	118,352
Goods and services tax receivable	286,018	306,351	19,399	17,531
Prepayments	211,145	128,910	174,242	29,484
Withholding tax receivable	10,808	1,124,052	-	234,136
Amount receivable from subsidiaries[(2)]	-	-	3,074,160	2,429,374
Advances	436,582	948,238	83,260	68,857
Others	113,902	143,201	26,034	-
Less: Allowance for doubtful debts from subsidiaries	-	-	(1,488,493)	-
Total	1,210,542	2,856,214	1,922,018	2,897,734
Non-current				
Loan receivable from a subsidiary [(1)]	-	-	2,762,936	2,657,936

Amount receivable from subsidiaries are unsecured and are repayable on demand unless otherwise stated.

In determining the recoverability of a receivable, the group and company consider any change in the credit quality of the receivable from the date that credit was initially granted up to the reporting date and make specific allowance on a case-by-case basis for its receivables.

Movement in the allowance for doubtful debts from subsidiaries:

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Balance at beginning of the financial year	-	-	-	-
Allowance during the year	-	-	1,488,493	-
Balance at end of the financial year	-	-	1,488,493	-

(1) The loan to a subsidiary is unsecured, repayable on July 1, 2019 (2016 : July 1, 2018) and has an effective interest rate of 10.70% (2016 : 10.70%) per annum.

(2) Included in the company's amount receivable from subsidiaries is a loan to a subsidiary amounting to US$1,500,000 (2016 : US$Nil) which is unsecured, repayable on December 31, 2018 (2016 : N/A) and has an effective interest rate of 10% (2016 : N/A) per annum.

10 INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Raw material, at cost	245,258	205,241	-	-
Work in progress, at cost	35,604	18,142	-	-
Finished goods, at cost	63,111	70,954	-	-
Total inventories, at cost	343,973	294,337	-	-

The cost of inventories recognised as an expense includes US$77,374 (2016 : US$51,233) in respect of write off of obsolete inventories.

11 CONSTRUCTION CONTRACTS

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Contract costs incurred plus recognised profits	871,672	8,041,208	-	-
Less: Progress billings	(532,975)	(6,175,367)	-	-
	338,697	1,865,841	-	-

Amount due from contract customers amounting to US$338,697 (2016: US$1,865,841) are included in trade receivables (Note 8).

Included in construction contracts is the retention sums of US$Nil (2016 : US$219,780) as at December 31, 2017.

12 ASSETS CLASSIFIED AS HELD FOR SALE

As at December 31, 2017, the Company has been in negotiations with a third party to dispose a wholly owned subsidiary, NauticAWT Energy Pte Ltd ("**NauticAWT Energy**") which in turn holds the investment in the joint venture, NVP Georgia LLC. The assets and liabilities attributable to NauticAWT Energy, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position. The operations of NauticAWT Energy have been reclassified under discontinued operations and are included in the group's Subsurface and Wells segment (2016 : Ports and Offshore) for segment reporting purposes (Note 38).

The proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and, accordingly, no impairment loss has been recognised on the classification of the relevant assets as held for sale.

The major classes of assets and liabilities comprising the disposal group classified as held for sale are as follows:

	2017
	US$
Investment in joint venture	1,213,000
Cash and bank balances	1,638
Trade receivables	703,452
Advances	600,510
Total assets classified as held for sale	2,518,600
Trade and other payables, and total for liabilities directly associated with assets classified as held for sale	(120,786)
Net assets of disposal group	2,397,814

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery	Computer equipment	Administrative equipment	Laboratory equipment	Motor vehicle	Leased assets	Freehold Land	Building	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Group									
Cost:									
At January 1, 2016	5,292,038	1,364,573	1,489,722	96,970	226,095	588,252	-	-	9,057,650
Additions	172,932	16,929	14,751	503,552	51,542	-	1,181,370	2,949,859	4,890,935
Exchange differences	(42,362)	(89,897)	(79,675)	(2,982)	-	(5,548)	-	-	(220,464)
At December 31, 2016	5,422,608	1,291,605	1,424,798	597,540	277,637	582,704	1,181,370	2,949,859	13,728,121
Additions	55,553	6,257	94,038	9,847	-	-	-	-	165,695
Disposal of subsidiaries (Note 33)	-	(1,398,376)	(746,345)	-	-	(582,704)	-	-	(2,727,425)
Write off	(5,300)	-	(293,514)	-	-	-	-	-	(298,814)
Disposal	-	(1,165)	-	-	(226,095)	-	-	-	(227,260)
Exchange differences	121,568	212,324	40,644	7,296	(133)	-	119,780	318,368	819,847
At December 31, 2017	5,594,429	110,645	519,621	614,683	51,409	-	1,301,150	3,268,227	11,460,164
Accumulated depreciation:									
At January 1, 2016	1,488,886	1,237,216	741,612	49,491	28,262	490,362	-	-	4,035,829
Depreciation	551,053	36,411	218,485	53,674	26,427	48,946	-	15,973	950,969
Exchange differences	(17,463)	(63,164)	(124,163)	(2,589)	-	(11,650)	-	(1,224)	(220,253)
At December 31, 2016	2,022,476	1,210,463	835,934	100,576	54,689	527,658	-	14,749	4,766,545
Depreciation	562,084	38,369	151,370	72,697	28,379	-	-	62,032	914,931
Disposal of subsidiaries (Note 33)	-	(1,220,259)	(555,318)	-	-	(527,658)	-	-	(2,303,235)
Write off	(839)	-	(172,449)	-	-	-	-	-	(173,288)
Disposal	-	(1,165)	-	-	(71,597)	-	-	-	(72,762)
Exchange differences	32,814	72,869	11,070	4,820	(26)	-	-	4,925	126,472
At December 31, 2017	2,616,535	100,277	270,607	178,093	11,445	-	-	81,706	3,258,663

	Machinery	Computer equipment	Administrative equipment	Laboratory equipment	Motor vehicle	Leased assets	Freehold Land	Building	Total
	US$	US$	US$	US$	US$	US$	US$	US$	US$
Carrying amount:									
At December 31, 2017	2,977,894	10,368	249,014	436,590	39,964	-	1,301,150	3,186,521	8,201,501
At December 31, 2016	3,400,132	81,142	588,864	496,964	222,948	55,046	1,181,370	2,935,110	8,961,576

As at December 31, 2017, motor vehicle with carrying amount of US$Nil (2016 : US$175,224) and leased assets with carrying amount of US$Nil (2016 : US$55,046) are under finance lease arrangements disclosed in Note 23 to the financial statements. All property, plant and equipment of three subsidiaries (2016 : three), amounted to US$7,590,693 (2016 : US$7,610,399) are pledged as security for banking facilities disclosed in Note 22 to the financial statements. The finance lease on a motor vehicle was guaranteed by a director.

	Machinery	Computer equipment	Administrative equipment	Laboratory equipment	Total
	US$	US$	US$	US$	US$
Company					
Cost:					
At January 1, 2016	6,165	43,708	488,595	-	538,468
Additions	-	2,722	6,000	497,576	506,298
At December 31, 2016	6,165	46,430	494,595	497,576	1,044,766
Additions	-	3,911	90,611	-	94,522
Written-off	-	(5,300)	(291,288)	-	(296,588)
At December 31, 2017	6,165	45,041	293,918	497,576	842,700
Accumulated amortisation:					
At January 1, 2016	261	14,182	92,247	-	106,690
Depreciation	703	15,521	94,330	34,757	145,311
At December 31, 2016	964	29,703	186,577	34,757	252,001
Depreciation	174	13,435	82,440	54,702	150,751
Written-off	-	(618)	(167,421)	-	(168,039)
At December 31, 2017	1,138	42,520	101,596	89,459	234,713
Carrying amount:					
At December 31, 2017	5,027	2,521	192,322	408,117	607,987
At December 31, 2016	5,201	16,727	308,018	462,819	792,765

14 GOODWILL

	Group
	US$
Cost:	
At January 1, 2016 and December 31, 2016	317,425
Impairment:	
Impairment loss recognised in the year	(317,425)
Carrying amount:	
At December 31, 2017	-
At December 31, 2016	317,425

On October 12, 2015, the company acquired 100% equity interest in NauticAWT Engineering Pte Ltd ("**NEPL**") for a total consideration of US$615,500 and resulted a goodwill of US$317,425. Accordingly, goodwill acquired was allocated to the cash generating unit that are expected to benefit from that business combination.

On November 22, 2017 (the "**Date of Liquidation**"), NEPL has been placed under creditors' voluntary liquidation (the "**Liquidation**"). Hence, the goodwill has been fully impaired (Note 33). This goodwill has been included as part of the Facilities segment which was discontinued during the year.

15 INTANGIBLE ASSETS

	Material development	Trademarks	Total
	US$	US$	US$
Group			
Cost:			
At January 1, 2016	48,636	8,246	56,882
Additions during the year	355,657[(1)]	-	355,657
At December 31, 2016	404,293	8,246	412,539
Additions during the year	309,890[(1)]	-	309,890
At December 31, 2017	714,183	8,246	722,429
Accumulated amortisation:			
At January 1, 2016	-	1,072	1,072
Amortisation	9,196	990	10,186
At December 31, 2016	9,196	2,062	11,258
Amortisation	29,308	992	30,300
At December 31, 2017	38,504	3,054	41,558
Carrying amount:			
At December 31, 2017	675,679	5,192	680,871
At December 31, 2016	395,097	6,184	401,281
Company			
Cost:			
At January 1, 2016	-	8,246	8,246
Additions during the year	355,657[(1)]	-	355,657
At December 31, 2016	355,657	8,246	363,903
Additions during the year	309,890[(1)]	-	309,890
At December 31, 2017	665,547	8,246	673,793
Accumulated amortisation:			
At January 1, 2016	-	1,072	1,072
Amortisation	9,196	990	10,186
At December 31, 2016	9,196	2,062	11,258
Amortisation	29,308	992	30,300
At December 31, 2017	38,504	3,054	41,558
Carrying amount:			
At December 31, 2017	627,043	5,192	632,235
At December 31, 2016	346,461	6,184	352,645

(1) Included in addition of material development are costs for the development stage of proprietary material development information used in a type of material amounting to US$309,890 (2016 : US$263,692). US$54,702 (2016 : US$34,756) pertains to capitalisation of the depreciation of laboratory equipment used in the development process. Amortisation has yet to commence as the project is still ongoing as at December 31, 2017.

16 INVESTMENT IN SUBSIDIARIES

	Company 2017	Company 2016
	US$	US$
Unquoted equity shares, at cost	425,623	1,031,124

The details of the company's subsidiaries are as follows:

Name of subsidiary	Country of incorporation and operations	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Held by the company:				
Nautic Offshore Pte. Ltd. (1)	Singapore	100	100	Offshore engineering
NauticAWT Energy Pte. Ltd. (1)	Singapore	100	100	Engineering consultancy
Nautic Materials Sdn. Bhd. (2)	Malaysia	100	100	Engineering and manufacturing works
Nautic India Private Limited (3)	India	99.99 (4)	99.99 (4)	Offshore engineering
Nautic (B) Sdn. Bhd. (5)	Brunei	- (6)	- (6)	Offshore engineering
Nautic Australia Pty Ltd (7)(12)	Australia	100	100	Offshore engineering
NauticAWT (Mauritius) Pte. Ltd. (7)	Mauritius	100	100	Dormant
NauticAWT Engineering Pte. Ltd. (1)	Singapore	- (14)	100	Engineering consultancy
NauticAWT Engenharia E Consultoria Ltda. (7)(17)	Brazil	100	-	Dormant
Held by the Nautic Australia Pty Ltd:				
AWT International Pty Ltd (7)(12)	Australia	- (15)	60.75	Engineering consultancy

Name of subsidiary	Country of incorporation and operations	Effective equity interest 2017 %	2016 %	Principal activities
Held by Nautic Offshore Pte. Ltd.:				
Nautic Offshore Mexico S.A de C.V. [7]	Mexico	96 [8]	96 [8]	Offshore engineering
Nautic Middle East DMCC [9][12]	United Arab Emirates	100	100	Offshore engineering
Held by NauticAWT Energy Pte. Ltd.:				
Nautic (P.A) Pte. Ltd. [1][16]	Singapore	100	-	Dormant
Held by AWT International Pty Ltd:				
Advanced Well Technologies (Malaysia) Pty Ltd [7]	Australia	- [15]	100	Engineering consultancy
Advanced Well Technologies (India) Pty Ltd [7]	Australia	- [15]	80	Dormant
Energy Asset Innovation (EAI) Pty Ltd [7]	Australia	- [15]	100	Dormant
AWT (India) Pty Ltd [7]	Australia	- [15]	100	Dormant
AWT International (Asia) Sdn. Bhd. [10][12]	Malaysia	- [15]	100	Engineering consultancy
Held by AWT International (Asia) Sdn. Bhd.:				
HMS Energy Sdn. Bhd. [10]	Malaysia	- [15]	49 [11]	Dormant
AWT International (Decommissioning) Sdn. Bhd. [10]	Malaysia	- [15]	100	Dormant
AWT International (PNG) Sdn. Bhd.	Malaysia	-	- [13]	Engineering consultancy
AWT International (Tanzania) Limited [7]	Tanzania	- [15]	100	Engineering consultancy

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by overseas practices of Deloitte & Touche.

(3) Audited by Nangia & Co. Chartered Accountant, India.

(4) The remaining share is held by an employee for the company.

(5) Audited by Lee Corporatehouse Associates, Brunei.

(6) Nautic (B) Sdn. Bhd. is a locally owned entity but controlled by NauticAWT Limited through a franchising and management agreement. Based on the management agreement, the company has consolidated Nautic (B) Sdn. Bhd. in accordance with the definition of control under FRS 110 *Consolidated Financial Statements*.

(7) These subsidiaries are exempt from audit.

(8) The remaining share is held by a director, an employee and a nominee for the company.

(9) Audited by Talal Abu-Ghazaleh & Co. International, United Arab Emirates.

(10) Audited by BDO Malaysia.

(11) The 49% equity interest in HMS Energy Sdn Bhd is via a shareholders' agreement with HMS Oil and Gas Sdn Bhd.

(12) Audited by Deloitte & Touche LLP, Singapore for group consolidation purposes.

(13) This subsidiary was disposed on December 29, 2016 for a consideration of US$0.22 and a gain on disposal of US$747,100 was recognised.

(14) On November 22, 2017, NEPL has been placed under Liquidation and control over this entity was lost. Hence, the company has deconsolidated NEPL on the date of Liquidation in accordance with the definition of control under FRS 110 *Consolidated Financial Statements*.

(15) On May 15, 2017 (the "**Date of Administration**"), AWT International Pty Ltd ("**AWTI**") has been placed under voluntary administration (the "**Administration**") and control over AWTI and its subsidiaries (collectively, "**AWT Group**") was lost. Hence, the company has deconsolidated AWT Group on the Date of Administration in accordance with the definition of control under FRS 110 *Consolidated Financial Statements*.

(16) Nautic (P.A) Pte. Ltd. was incorporated on August 31, 2017.

(17) NauticAWT Engenharia E Consultoria Ltda. was incorporated on March 22, 2017.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

Details of non-wholly owned subsidiaries that have material non-controlling interests to the group are disclosed below.

Name of subsidiary	Country of incorporation and operations	Proportion of ownership interests and voting rights held by non-controlling interests		Profit (Loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2017	December 31 2016	December 31, 2017	December 31 2016	December 31, 2017	December 31, 2016
		%	%	US$	US$	US$	US$
AWT International Pty Ltd	Australia	-	39.25%	584,684	(62,816)	-	(584,684)

Summarised financial information in respect of the group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	AWT Group	
	December 31, 2017	December 31, 2016
	US$	US$
Current assets	-	3,389,353
Non-current assets	-	290,714
Current liabilities	-	(5,169,708)
Non-current liabilities	-	-
Deficit attributable to owners	-	(904,957)
Non-controlling interests	-	(584,684)
Revenue	1,278,519	6,124,540
Cost of sales	(690,452)	(5,449,646)
Gross profit	588,067	674,894
Other income	68,627	797,422
Expenses	(740,834)	(1,632,355)
Loss before tax	(84,140)	(160,039)
Tax expense	-	-
Loss for the year	(84,140)	(160,039)
Other comprehensive income for the year attributable to:		
- Owner of the company	-	46,206
- Non-controlling interests	-	29,854
Total comprehensive income for the year attributable to:		
- Owner of the company	(51,115)	(51,017)
- Non-controlling interests	(33,025)	(32,962)
Net cash outflow from operating activities	(206,072)	(15,446)
Net cash outflow from investing activities	(31,786)	(40,256)
Net cash inflow (outflow) from financing activities	1,403	(36,212)

Following the Administration on May 15, 2017, the company has lost its control over AWT Group. Hence, the financial statements of AWT Group has been deconsolidated. The financial results as shown above represent the results for the financial period from January 1, 2017 to the Date of Administration.

The carrying amount of the assets and liabilities of AWT Group at the Date of Administration are disclosed in Note 33 to the financial statements.

17 INVESTMENT IN JOINT VENTURE

	Group 2017 US$	Group 2016 US$
Unquoted equity shares, at cost	-	11,871

The details of the group's joint venture are as follows:

Name of joint venture	Country of incorporation and operations	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Held by AWT International (Asia) Sdn. Bhd.:				
ENRA NauticAWT Sdn Bhd	Malaysia	-	49[(1)]	Dormant

(1) ENRA NauticAWT Sdn Bhd was incorporated on July 18, 2016. The 49% equity interest in ENRA NauticAWT Sdn Bhd is via a shareholders' agreement with ENRA Oil & Gas Services Sdn Bhd.

The above joint venture was accounted for using the equity method in these consolidated financial statements. It was not operational since its incorporation. The joint venture has been disposed of following the Administration of AWTI.

18 DEFERRED TAX (LIABILITIES) ASSETS

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Deferred tax assets	-	607,732	-	-
Deferred tax liabilities	(52,589)	(98,774)	-	-
	(52,589)	508,958	-	-

The following are the major deferred tax (liabilities) assets recognised by the group and the movements thereon, during the financial year:

	Accelerated tax depreciation	Unutilised tax losses and capital allowances	Total
	US$	US$	US$
Balance at January 1, 2016	(99,844)	-	(99,844)
Exchange difference	1,070	(67,783)	(66,713)
Credit to profit or loss for the year	-	675,515	675,515
Balance at December 31, 2016	(98,774)	607,732	508,958
Exchange difference	(2,197)	28,896	26,699
Credit (Debit) to profit or loss for the year	48,382	(636,628)	(588,246)
Balance at December 31, 2017	(52,589)	-	(52,589)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is US$92,828 (2016 : US$651,573). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

Temporary differences arising in connection with jointly controlled entity are insignificant.

The group has reversed in the current financial year a deferred tax asset of US$636,628 (2016: recognised a deferred tax asset of US$675,515) in relation to the unutilised tax losses and capital allowances for a subsidiary which has been placed under creditors' voluntary liquidation. Hence, the entire deferred tax asset has been fully reversed. Subject to the agreement by the tax authorities, at the end of the reporting period, the group has remaining unutilised tax losses of US$1,798,828 (2016 : US$6,717,877) available for offset against future profits which has not been recognised due to the unpredictability of future profit streams of these subsidiaries. Other losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders and similar business test rules as defined.

19 TRADE PAYABLES

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Outside parties	1,510,718	2,215,015	-	-

The average credit period on purchase of goods and services from outside parties is 30 days (2016 : 30 days). No interest is charged on overdue trade payables.

20 OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**
<u>Current</u>				
Accrued expenses	527,628	826,816	243,233	338,615
Other payables due to subsidiaries	-	-	11,553,758	5,329,076
Advances from customer	50,000	80,517	-	-
Other payables	1,314,054	3,654,327	958,356	991,717
Accrued project costs	526,169	1,030,355	-	-
Goods and services tax payable	189,572	313,002	31	64
Provision for employee entitlement	2,578,467	1,638,393	1,795,132	535,414
Loan from a third party [1]	245,500	111,450	-	-
Total	5,431,390	7,654,860	14,550,510	7,194,886
<u>Non-current</u>				
Loan from a third party [1]	122,750	222,900	-	-

[1] The loan is unsecured and bears interest at 6.25% (2016 : 6.25%) per annum. It is denominated in Malaysian Ringgit and is repayable over 3 yearly instalments commencing from April 4, 2016.

21 LIABILITIES FOR TRADE BILLS DISCOUNTED WITH RECOURSE

The following were the financial assets of the group at the end of the reporting period that were securitised to bank by discounting those receivables on full recourse basis. As the group had not transferred the risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables in the statement of financial position (Note 8). These financial assets are carried at amortised cost in the group's financial statements and associated liability has been recognised and included under liabilities for trade bills discounted with recourse.

	Group Bill receivables discounted to banks with full recourse	
	2017	**2016**
	US$	**US$**
Carrying amount of transferred assets	214,054	2,065,487
Carrying amount of associated liabilities	(214,054)	(2,065,487)
Net position	-	-

The above liabilities for trade bills discounted with recourse are repayable within one year. The effective average interest rate for the trade bills discounted with recourse is 5.35% (2016 : 5.18%) per annum.

22 BANK LOAN AND ADVANCES

	Group		Company	
	2017	2016	2017	2016
	US$	US$	US$	US$
Current				
Trade advances	79,878	300,189	-	-
Bank overdrafts (Note 7)	381,932	587,213	196,867	495,371
Bank loan 1	1,261,631	-	-	-
Bank loan 2	-	325,000	-	-
Bank loan 3	-	229,167	-	229,167
Bank loan 4	40,179	160,719	40,179	160,719
Bank loan 5	29,260	325,289	-	-
Bank loan 6	123,052	103,830	-	-
Bank loan 7	-	146,483	-	-
	1,915,932	2,177,890	237,046	885,257
Non-current				
Bank loan 4	-	40,179	-	40,179
Bank loan 5	-	27,107	-	-
Bank loan 6	3,374,731	3,162,123	-	-
	3,374,731	3,229,409	-	40,179

The bank loans are secured by the following:

a) Assignment of an insurance policy;

b) A charge of US$74,630 (2016 : US$369,140) over all term deposit accounts of a subsidiary (2016 : two subsidiaries) (Note 7);

c) Fixed charge over all assets of two subsidiaries (2016 : two subsidiaries) (Note 13);

d) Fixed and floating charge over all assets of a subsidiary (2016 : a subsidiary);

e) A charge over the property of a subsidiary (2016 : a subsidiary);

f) A charge over the Project Account of a subsidiary (2016 : N/A); and

g) Assignment of an offshore agreement by a subsidiary (2016 : N/A).

Trade advances

Trade advances carry different interest rates based on the currencies of the advances. The effective interest rate for the trade advances is 8.40% (2016 : 5.93%) per annum.

Bank overdrafts

Bank overdrafts carry different interest rates, depending on the banks. The effective interest rate for the bank overdrafts is 5.84% (2016 : 6.8%) per annum.

Bank loan 1

The interest rate is at 5% per annum above the Singapore Interbank Offered Rate ("**SIBOR**"). Bank loan 1 was originally repayable in eight equal quarterly instalments, commencing from July 11, 2017 to July 10, 2019. However, it is repayable on demand due to the breach of bank covenant as at December 31, 2017. The effective interest rate was 6.73% (2016 : N/A) per annum.

Bank loan 2

The interest rate was at 3.5% per annum above the bank's 3-month United States dollars Cost of Funds. Bank loan 2 was repayable over 24 monthly instalments commencing from July 2, 2015 to July 1, 2017. It was fully repaid during the year. The effective interest rate was 4.75% (2016 : 4.75%) per annum.

Bank loan 3

The interest rate was at 3.75% per annum above the bank's United States dollars 3-month London Interbank Offered rate ("**LIBOR**"). Bank loan 3 was repayable over 24 monthly instalments commencing from December 28, 2015 to December 27, 2017. It was fully repaid during the year. The effective interest rate was 4.8% (2016 : 4.8%) per annum.

Bank loan 4

The interest rate is at 3.5% per annum above the bank's United States dollars 3-month LIBOR. Bank loan 4 was originally repayable over 24 monthly instalments commencing from April 1, 2016 to March 31, 2018. However, it is repayable on demand due to the breach of bank covenant as at December 31, 2017. The effective interest rate is 5.20% (2016 : 4.55%) per annum.

Bank loan 5

The interest rate is at the bank's Prime Lending Rate ("**PLR**") per annum. Bank loan 5 is repayable over 30 monthly instalments commencing from August 31, 2015 to February 28, 2018. The effective interest rate is 5.50% (2016 : 5.50%) per annum.

Bank loan 6

The interest rate is at 0.5% per annum above the bank's Base Lending Rate ("**BLR**"). Bank loan 6 is repayable over 204 monthly instalments commencing from August 1, 2016 to July 31, 2033. The effective interest rate is 7.40% (2016 : 7.50%) per annum.

Bank loan 7

The interest rate was at 3.5% per annum above the bank's prevailing United States dollars 3-month LIBOR. The bank revolving loan was fully repaid on the maturity date during the year. The effective interest rate was 4.55% (2016 : 4.55%) per annum.

During the year, the group breached its financial covenants with a bank as the group did not fulfil the minimum tangible net worth requirement as at half year ended June 30, 2017. The group had received a waiver of the breach of loan covenants from the bank, which was effective till August 31, 2017. However, the group did not receive any further waiver of the breach of covenants as at December 31, 2017, and the bank has also not called upon the loans as at the date of the financial statements. Total bank loans owing to the bank amounting to US$1,301,810 as at December 31, 2017 have been classified as current in the financial statements as they are repayable on demand due to the breach of loan covenants.

23 FINANCE LEASES

	Group			
	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	US$	US$	US$	US$
Amounts payable under finance leases:				
Within one year	-	66,130	-	62,639
In the second to fifth years inclusive	-	57,479	-	52,850
	-	123,609	-	115,489
Less: Future finance charges	-	(8,120)	-	-
Present value of lease obligations	-	115,489	-	115,489
Less: Amount due for settlement within 12 months (shown under current liabilities)			-	(62,639)
Amount due for settlement after 12 months			-	52,850

In 2016, the lease terms ranged from 1 to 3 years. The group had the option to purchase the equipment for a nominal amount at the conclusion of the lease agreements. For the year ended December 31, 2016, the average effective borrowing rate was 5.9%. Interest rates were fixed at the contract date, and thus exposed the group to fair value interest rate risk. All leases were on a fixed repayment basis and no arrangements were entered into for contingent rental payments.

During the current financial year, the group's obligations under finance leases were fully settled.

The group's obligations under finance leases were secured by the lessors' title to the property, plant and equipment (Note 13).

24 CONVERTIBLE NOTES

The US$1,000,000 convertible notes were issued on October 17, 2017 (the "**Issued Date**"), and are unsecured. The notes will mature three years from the Issued Date (the "**Maturity Date**"). The notes are convertible at the option of the note holder, at any time after the second anniversary of the Issued Date up to 14 business days after the Maturity Date. The number of shares to be converted (the "**Conversion Shares**") will be determined by dividing the principal amount of the notes, translated into Singapore dollars at the spot rate for the sale of Singapore dollars against the purchase of United State dollars on the day when the conversion right of the note holder is exercised, by the Conversion Price of S$0.15 per share.

If the notes are not converted, they will be redeemed on October 17, 2020 at par value. Interest of 10% per annum will be paid semi-annually until the settlement date.

The net proceeds received from the issue of the convertible notes have been split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the group, as follows:

	Group and Company
	2017
	US$
Nominal value of convertible notes issued	1,000,000
Equity component	(4,878)
Liability component at the Issued Date	995,122
Interest charged during the year (Note 29)	20,939
Liability component at December 31, 2017	1,016,061

The interest charged for the year is calculated by applying an effective interest rate of 10.24% per annum to the liability component since the notes were issued.

25 SHARE CAPITAL

	Group and Company			
	2017	2016	2017	2016
	Number of ordinary shares		US$	US$
Issued and paid up:				
At beginning and end of the year	190,965,893	190,965,893	7,248,183	7,248,183

The company has one class of ordinary shares which have no par value, carry one vote per share and carry a right to dividend as and when declared by the company.

26 SHARE OPTIONS RESERVE

NauticAWT PSP

No shares were granted under the NauticAWT PSP as of January 1, 2016, January 1, 2017 and December 31, 2017.

NauticAWT ESOS

Details of the share options outstanding during the year are as follows:

	Group and Company			
	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		US$		US$
At beginning of the year	21,450,000	0.22	-	-
Granted during the year	-	-	23,550,000	0.22
Forfeited during the year	(6,150,000)	0.22	(2,100,000)	0.22
At end of the year	15,300,000	0.22	21,450,000	0.22

There were no share options exercised during the year (2016 : Nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years (2016 : 5.5 years).

The options were granted on June 27, 2016. The estimated fair value of the options granted was $2.13 cents. The fair value for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2016
Weighted average share price	US$0.11
Weighted average exercise price	US$0.22
Expected volatility	39.2%
Expected life	5.5
Risk free rate	2.3%
Expected dividend yield	Nil

AWT ESOS

Details of the share options outstanding during the year are as follows:

	Group			
	2017		2016	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		US$		US$
Outstanding at the beginning of the year	43,959	4.19	88,460	4.19
Forfeited during the year	(43,959)	4.19	(44,501)	4.19
At end of the year	-	-	43,959	4.19

There were no share options exercised during the year (2016 : Nil). No options outstanding at the end of the year. As at December 31, 2016, the options outstanding have a weighted average remaining contractual life of 0.46 years. There were no share options granted in 2017 and 2016.

In 2014, the fair values for share options granted during the year were calculated using The Black-Scholes pricing model. The inputs into the model were as follows:

	2014
Weighted average share price	US$4.19
Weighted average exercise price	US$4.19
Expected volatility	66.0%
Expected life	3
Risk free rate	3.1%
Expected dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The group recognised total expenses of US$44,455 (2016 : US$56,580) related to all equity-settled share-based payment transactions of the group during the year.

27 REVENUE

The group's revenue for the year is as follows:

	Group	
	2017	2016
	US$	US$
Revenue from:		
Sales of goods	2,329,961	514,033
Rendering of services	6,623,190	14,589,387
	8,953,151	15,103,420

28 OTHER INCOME

The group's other income for the year is as follows:

	Group	
	2017	2016
	US$	US$
Income arising from the forfeiture of Goodwill Commitment in relation to lapse of the Proposed Placement	-	128,366
Insurance claim	-	134,889
Others	60,566	40,016
Interest income	726	113
Government grants	7,881	50,025
	69,173	353,409

29 FINANCE COSTS

	Group	
	2017	2016
	US$	US$
Interest on bank facilities and loans	387,230	289,419
Interest on convertible notes (Note 24)	20,939	-
	408,169	289,419

30 INCOME TAX EXPENSE (CREDIT)

	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Current tax	158,689	477,685	-	-	158,689	477,685
Under (Over) provision of prior year taxation	30,572	(141,685)	-	39,695	30,572	(101,990)
Deferred tax (Note 18)	(48,382)	-	636,628	(675,515)	588,246	(675,515)
Income tax expense (credit) recognised in profit or loss	140,879	336,000	636,628	(635,820)	777,507	(299,820)

Domestic income tax is calculated at 17% (2016 : 17%) of the estimated assessable loss (2016 : profit) for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting loss (2016 : profit) as follows:

	Group	
	2017	2016
	US$	US$
(Loss) Profit before tax		
Continuing operations	(4,505,923)	1,984,963
Discontinued operations	(986,798)	(1,634,038)
	(5,492,721)	350,925
(Loss) Profit before income tax	(5,492,721)	350,925
Income tax (benefit) expense calculated at 17%	(933,763)	59,657
Non-deductible items	606,626	87,399
Non-taxable income	(27,869)	(231,528)
Utilisation of deferred tax benefit	(48,382)	(288,592)
Effect of tax rates in foreign jurisdiction	(21,929)	(241,335)
Reversal of deferred tax asset previously recognised	636,628	-
Recognition of deferred tax asset	-	(675,515)
Deferred tax assets not recognised	376,935	614,399
Write off of withholding tax receivables	158,689	477,685
Under (Over) provision of prior year taxation	30,572	(101,990)
Income tax expense (credit) recognised in profit or loss	777,507	(299,820)

31 DISCONTINUED OPERATIONS

The discontinued operations include the following:

(i) The operations of AWT Group which is under Administration;
(ii) The operations of NEPL which is under Liquidation; and
(ii) The operations of NauticAWT Energy which is classified as held for sale as at December 31, 2017 (Note 12)

The group's plan to dispose NauticAWT Energy was effected in order to generate cash flow for the group's working capital.

The profit (loss) for the year from the discontinued operations is analysed as follows:

	Subsurface and Wells		Facilities		Ports and Offshore		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Loss for the year	(577,684)	(184,790)	(2,950,901)	(774,580)	-	(38,848)	(3,528,585)	(998,218)
Gain on disposal of discontinued operations	697,821	-	1,207,338	-	-	-	1,905,159	-
	120,137	(184,790)	(1,743,563)	(774,580)	-	(38,848)	(1,623,426)	(998,218)

The results of discontinued operations from the year are as follows:

	Subsurface and Wells		Facilities		Ports and Offshore		Total	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
	US$	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**	**US$**
Revenue	1,973,082	5,352,458	1,940,261	2,667,521	-	23,841	3,913,343	8,043,820
Cost of sales	(1,118,063)	(4,702,315)	(2,611,706)	(3,093,554)		(52,350)	(3,729,769)	(7,848,219)
Distribution expenses	(3,146)	-	-	(64)	-	-	(3,146)	(64)
Administrative expenses	(1,381,723)	(1,632,355)	(1,648,742)	(1,280,948)	-	(9,597)	(3,030,465)	(2,922,900)
Other income	81,627	797,422	13,446	308,946	-	-	95,073	1,106,368
Finance costs	(129,461)	-	(7,532)	(13,043)	-	-	(136,993)	(13,043)
Loss before tax	(577,684)	(184,790)	(2,314,273)	(1,411,142)	-	(38,106)	(2,891,957)	(1,634,038)
Income tax (expense) credit	-	-	(636,628)	636,562	-	(742)	(636,628)	635,820
Loss for the year	(577,684)	(184,790)	(2,950,901)	(774,580)	-	(38,848)	(3,528,585)	(998,218)
Loss for the year								
Owners of the company	(544,659)	(112,260)	(2,950,901)	(774,580)	-	(38,848)	(3,495,560)	(925,688)
Non-controlling interests	(33,025)	(72,530)	-	-	-	-	(33,025)	(72,530)
	(577,684)	(184,790)	(2,950,901)	(774,580)	-	(38,848)	(3,528,585)	(998,218)

During the year, the net cash inflows attributable to the operating and financing activities of discontinued operations are US$303,812 and US$1,104,253 respectively. The net cash outflow attributable to the investing activities of discontinued operations is US$1,231,786.

The carrying amount of the assets and liabilities of AWT Group and NEPL at the Date of Administration and the Date of Liquidation respectively are disclosed in Note 33 to the financial statements.

32 (LOSS) PROFIT FOR THE YEAR

(Loss) Profit for the year was arrived at after charging (crediting):

	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Employee benefit expense (including directors' remuneration):						
Defined contribution plans	315,536	318,782	197,279	363,658	512,815	682,440
Salaries, bonuses and related costs	3,763,716	5,627,070	1,278,188	2,774,244	5,041,904	8,401,314
Directors' remuneration	710,649	920,280	-	-	710,649	920,280
Total employee benefit expense	4,789,901	6,866,132	1,475,467	3,137,902	6,265,368	10,004,034
Cost of inventories included in cost of sales	1,307,567	1,364,229	-	-	1,307,567	1,364,229
Depreciation of property, plant and equipment	814,213	777,495	46,016	138,718	860,229	916,213
Amortisation of intangible assets	30,300	10,186	-	-	30,300	10,186
Allowance for doubtful debts	2,850,096	419,390	905,803	-	3,755,899	419,390
Audit fees:						
- paid to auditor of the company	82,882	55,312	4,318	11,754	87,200	67,066
- paid to other auditors	29,116	23,673	532	4,012	29,648	27,685
Total audit fees	111,998	78,985	4,850	15,766	116,848	94,751
Non-audit fees:						
- paid to auditor of the company	10,448	12,791	-	3,803	10,448	16,594
- paid to other auditors	20,407	27,685	-	-	20,407	27,685
Total non-audit fees	30,855	40,476	-	3,803	30,855	44,279

	Continuing operations		Discontinued operations		Total	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Restructuring costs	-	141,168	-	-	-	141,168
Write off of obsolete inventories	77,374	51,233	-	-	77,374	51,233
Net foreign exchange (gain) loss	(54,497)	246,644	(23,563)	2,203	(78,060)	248,847
Loss on disposal of property, plant and equipment	41,822	-	-	-	41,822	-
Write off of property, plant and equipment	125,526	211	-	-	125,526	211

33 DISPOSAL OF DISCONTINUED OPERATIONS

As referred to in Note 16 and 31 to the financial statements, the group deconsolidated AWT Group and NEPL at the Date of Administration and the Date of Liquidation respectively.

Details of AWT Group and NEPL as at the Date of Administration and the Date of Liquidation respectively are as follows:

	AWT Group	NEPL	Total
	US$	**US$**	**US$**
Current assets			
Cash and bank balances	225,110	17,507	242,617
Trade receivables	1,137,845	101,916	1,239,761
Other receivables	1,192,185	5,306	1,197,491
Total current assets	2,555,140	124,729	2,679,869
Non-current assets			
Property, plant and equipment	286,309	137,881	424,190
Joint venture	12,229	-	12,229
Total non-current assets	298,538	137,881	436,419
Current liabilities			
Trade payables	(1,715,589)	(980,262)	(2,695,851)
Other payables	(1,381,073)	(807,111)	(2,188,184)
Liabilities for trade bills discounted with recourse	(80)	-	(80)
Finance leases	(47,960)	-	(47,960)
Income tax payable	(406,797)	-	(406,797)
Total current liabilities	(3,551,499)	(1,787,373)	(5,338,872)
Attributable goodwill (Note 14)	-	317,425	317,425
Net liabilities derecognised	(697,821)	(1,207,338)	(1,905,159)
Consideration received	-	-	-
Gain on disposal of discontinued operations	697,821	1,207,338	1,905,159

The gain on disposal of the discontinued operations is recorded as part of loss for the year from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

	AWT Group	NEPL	Total
	US$	US$	US$
Net cash outflow arising on disposal			
Cash and bank balances transferred to administrator and liquidator	225,110	17,507	242,617

Upon disposal of discontinued operations, all cash and bank balances of AWT Group and NEPL have been transferred to the respective administrator and liquidator, as part of the administration and liquidation process.

The impact of discontinued operations on the group's results and cash flows in the current and prior period is disclosed in Note 31 to the financial statements.

34 (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted (loss) earnings per share attributable to the ordinary owners of the company is based on the following:

	Group	
	2017	2016
	US$	US$
From continuing and discontinued operations		
(Loss) Earnings		
(Loss) Earnings for the purposes of basic (loss) earnings per share and diluted (loss) earnings per share ((Loss) Profit for the year attributable to owners of the company)	(6,854,912)	713,561
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share and diluted (loss) earnings per share	190,965,893	190,965,893
Basic (cents)	(3.59)	0.37
Diluted (cents)	(3.59)	0.37

	Group	
	2017	**2016**
	US$	**US$**
From continuing operations		
(Loss) Earnings		
(Loss) Earnings for the purposes of basic (loss) earnings per share and diluted (loss) earnings per share ((Loss) Profit for the year attributable to owners of the company)	(4,646,802)	1,648,963
Number of shares		
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share and diluted (loss) earnings per share	190,965,893	190,965,893
Basic (cents)	(2.43)	0.86
Diluted (cents)	(2.43)	0.86
From discontinued operations		
Loss		
Loss for the purposes of basic loss per share and diluted loss per share (Loss for the year attributable to owners of the company)	(2,208,110)	(935,402)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share and diluted loss per share	190,965,893	190,965,893
Basic (cents)	(1.16)	(0.49)
Diluted (cents)	(1.16)	(0.49)

35 COMMITMENTS

NauticAWT Energy had on December 15, 2016 entered into a farm-in agreement (the "**Agreement**") with Vectra Petroleum Ltd ("**Vectra**"), a company incorporated in Hong Kong, pursuant to which Vectra farm-outs a 50% participating interest ("**Assigned Participating Interest**") in the Block VIIB, West Georgia production sharing contract (the "**PSC**") to NauticAWT Energy (the "**Farm-in Transaction**"). The consideration (the "**Consideration**") of the Farm-in Transaction was US$5,000,000.

As at December 31, 2016, completion of the Farm-in Transaction was conditional on the following conditions having been fulfilled or waived in accordance with the Agreement:-

(a) Receipt of the approval from the Georgian Government for the Farm-in Transaction;

(b) All requisite regulatory and shareholder approvals, consents, waivers, registrations or statements of no objection (as the case may be) required by the company by law or any competent authorities (including the relevant rules and/or requirements of the Singapore Exchange Securities Trading Limited) having jurisdiction over the company and the matters contemplated in the Agreement ("**Required Approvals**"), and if such Required Approvals are subject to conditions, such conditions being reasonably acceptable to the NauticAWT Energy and Vectra, and such approval remaining in full force and effect at completion;

(c) The finalisation and completion of the procurement by the company of funds to satisfy the first committed payment of the consideration. For the avoidance of doubt, completion of such procurement of funds may be conditional on obtaining the Required Approvals; and

(d) Agreement between NauticAWT Energy and Vectra on a work program and budget relating to the Block VIIB PSC covering a period of two years.

During the current financial year, the Farm-in Transaction was completed and NauticAWT Energy has entered into an addendum to the Agreement (the "**Addendum**") with Vectra. Pursuant to the Addendum, the Consideration for the Farm-in Transaction of US$5,000,000 has been revised and is to be paid as follows:

(a) US$500,000 on 17 March 2017 or earlier;

(b) US$500,000 on 30 June 2017 or earlier;

(c) US$200,000 on 30 September 2017 or earlier; and

(d) NauticAWT Energy to pay Vectra in cash an amount equivalent to 25% of its net profit from oil sales from Block VIIB ("**NauticAWT Energy's Net Profit Oil**"). Such payments shall commence from 1 July 2017 and are payable at quarterly intervals until 30 June 2037 or, if earlier, the termination of the Block VIIB PSC provided that such payments shall only be made upon receipt by NauticAWT Energy of NauticAWT Energy's Net Profit Oil.

The company has paid US$1,200,000 during the year.

	Group	
	2017	2016
	US$	US$
Commitments for the consideration of the Farm-in Transaction	-*	5,000,000

Note:

* NauticAWT Energy to pay Vectra in cash an amount equivalent to 25% of its net profit from oil sales from Block VIIB ("**NauticAWT Energy's Net Profit Oil**"). Such payments shall commence from 1 July 2017 and are payable at quarterly intervals until 30 June 2037 or, if earlier, the termination of the Block VIIB PSC provided that such payments shall only be made upon receipt by NauticAWT Energy of NauticAWT Energy's Net Profit Oil.

As at December 31, 2016, NauticAWT Energy, pursuant to the Agreement, was committed to spend a minimum of US$10,000,000 in capital expenditure during the period of the first five years upon the transfer of the Assigned Participating Interest.

As at December 31, 2017, NauticAWT Energy, pursuant to the Addendum, is committed to spend a maximum of US$10,000,000 in capital expenditure during the period of the first five years from the date when the Agreement was entered into.

36 CONTINGENT LIABILITIES

The company is party to performance guarantees with external counterparties in respect of contract obligations to be carried out by a subsidiary. The maximum amount the company could be forced to settle under these performances guarantees, if the full guaranteed amount is claimed by the counterparty is US$402,590 (2016: US$657,132). Based on expectations at the end of the reporting period, the group's management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that obligations as contractors under work contracts are not fulfilled by the subsidiary.

37 OPERATING LEASE ARRANGEMENTS

The group as lessee

	Group	
	2017	2016
	US$	US$
Minimum lease payments under operating leases recognised as an expense during the year	862,460	1,440,342

At the end of the reporting period, the group has outstanding commitments under non-cancellable operating leases which fall due as follows:

	2017	2016
	US$	US$
Within one year	197,073	1,134,321
In the second to fifth year inclusive	245,186	524,506
Total	442,259	1,658,827

Operating lease payments represent rentals payable by the group for its office premises and office equipment. Leases are negotiated and fixed for an average term of one (2016 : two) years. There are no restrictions placed upon the group by entering into these leases.

The group as lessor

	Group	
	2017	2016
	US$	US$
Minimum lease receipts under operating leases recognised as an income during the year	-	117,103

At the end of the reporting period, the group has contracted with tenants for the following future minimum lease payments:

	2017	2016
	US$	US$
Within one year	-	28,123
In the second to fifth year inclusive	-	-
Total	-	28,123

Operating lease receipts represented rentals receivable by the group for its sublease of office premises. As at December 31, 2016, the lease was negotiated and fixed for an average term of one year. There were no restrictions placed upon the group by entering into these leases. The lease was terminated during the year.

38 SEGMENT INFORMATION

The group determines its reportable segments based on internal reports about components of the group that are regularly reviewed by the chief operating decision makers ("**CODM**") in order to allocate resources to the segments and to assess their performance.

The group is organised into business units based on their products and services, based on which information is prepared and reported to the group's CODM for the purposes of resource allocation and assessment of performance.

The group's reportable business segments under FRS 108 are consistent with prior year which are as follows:

1) Renewables segment mainly relates to provision of Ultra High Performance Concrete and Composites ("**UHPC**") materials for the installation of onshore and offshore wind turbines.

2) Ports and Offshore segment mainly relates to provision of engineering and contracting services for greenfield and brownfield offshore and marine infrastructure projects.

3) Subsurface and Wells segment mainly relates to provision of integrated geosciences, engineering and project management services on a wide range of international oil and gas assets.

4) Facilities segment mainly relates to provision of integrated topside, offshore facilities and pipe line engineering and contracting services

The group has renamed the "Subsea" business segment as presented in FY2016 Annual Report to "Ports and Offshore" business segment to better reflect nature of this segment. For the avoidance of doubt, no changes to the nature of this business segment as compared to prior year.

The accounting policies of the operating segments are the same as the group's accounting policies as described in Note 2 to the financial statements. Segment performance is evaluated by the CODM based on the segment results which represent the gross profit earned by each segment. Certain expenses, other income and income taxes are managed on a group basis and are not allocated to operating segments.

The allocation of costs cannot be done in a similar manner with reasonable accuracy as group costs are general in nature and are pooled to serve all the customers. These costs comprise distribution expenses, administrative expenses, other operating expenses, finance costs and other charges. As CODM do not track the allocation of cost of sales and operating costs by geographical regions, any attempt to match these expenses to revenue in the various geographical regions is therefore not meaningful.

Inter-segment transfers are eliminated on consolidation.

Based on the management reporting to CODM, the segment assets and liabilities are not regularly provided for their review of the financial performance. Therefore, the segment assets and liabilities amounts are not disclosed in the segment information.

Segment information about the group's reportable segment is presented next page.

(a) Segment revenues and results

	Renewables		Ports and Offshore		Total	
	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$
Continuing operations						
Total Revenue	2,329,961	514,033	6,623,190	14,589,387	8,953,151	15,103,420
Segment results	1,002,453	293,886	2,870,486	6,949,203	3,872,939	7,243,089
Depreciation of property, plant and equipment (excluding machinery)					(244,798)	(210,468)
Amortisation of intangible assets					(30,300)	(10,186)
Write off of property, plant and equipment					(125,526)	(211)
Loss on disposal of property, plant and equipment					(41,822)	-
Allowance for doubtful debts					(2,850,096)	(419,390)
Restructuring costs					-	(141,168)
Interest income (Note 28)					726	87
Gain on disposal of a subsidiary					-	747,100
Income arising from the forfeiture of Goodwill Commitment in relation to lapse of the Proposed Placement					-	128,366
Insurance claim					-	134,889
Finance costs (Note 29)					(408,169)	(289,419)
Other unallocated expenses					(4,678,877)	(5,197,726)
(Loss) Profit before tax					(4,505,923)	1,984,963
Income tax expense					(140,879)	(336,000)
(Loss) Profit for the year from continuing operations					(4,646,802)	1,648,963

	Subsurface and Wells		Facilities		Ports and Offshore		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
	US$	US$	US$	US$	US$	US$	US$	US$
Discontinued operations								
Total Revenue	1,973,082	5,352,458	1,940,261	2,667,521	-	23,841	3,913,343	8,043,820
Segment results	855,019	650,143	(671,445)	(426,033)	-	(28,509)	183,574	195,601
Depreciation of property, plant and equipment (excluding machinery)							(46,016)	(189,448)
Allowance for doubtful debts							(905,803)	-
One-off costs in relation to Administration and Liquidation							(256,433)	-
Interest income							-	26
Gain on disposal of discontinued operations (Note 33)							1,905,159	-
Finance costs							(136,993)	(13,043)
Other unallocated expenses							(1,730,286)	(1,627,174)
Loss before tax							(986,798)	(1,634,038)
Income tax (expense) credit							(636,628)	635,820
Loss for the year from discontinued operations							(1,623,426)	(998,218)

Geographical information

The group operates in seven principal geographical areas – Asia (exclude Middle East and India), Australasia, India, Middle East and Africa, Americas and Europe.

The group's revenue from external customers by geographical locations are detailed below:

	2017	2016
	US$	US$
Revenue from external customers (based on location of customer)		
Asia (exclude Middle East and India)		
Brunei	560,593	2,983,996
Indonesia	582,179	319,606
Malaysia	367,424	1,632,479
Vietnam	92,000	41,106
Singapore	2,220,877	1,889,398
Myanmar	266,338	356,631
Bangladesh	298,405	2,441,142
China	108,037	50,049
Japan	321,987	-
Mongolia	54,996	152,564
Philippines	95,835	-
	4,968,671	9,866,971
Australasia		
Australia	595,275	1,799,880
New Zealand	-	162,255
Papua New Guinea	-	3,347
	595,275	1,965,482
India		
India	3,686,893	4,719,499
Middle East and Africa		
United Arab Emirates	(234,283)	4,233,506
Turkey	820,223	1,802
Turkmenistan	152,685	-
Saudi Arabia	397,500	647,408
Tanzania	-	839,567
	1,136,125	5,722,283

	2017	2016
	US$	US$
Americas		
Mexico	118,519	78,953
United States of America	-	3,624
	118,519	82,577
Europe		
Denmark	1,461,620	464,648
United Kingdom	204,828	325,780
Georgia	694,563	-
	2,361,011	790,428
Total	12,866,494	23,147,240

Information about major customers

The group's revenue derived from customers who individually account for 10% or more of the group's revenue is detailed below:

	2017	2016
	US$	US$
Subsurface and Wells		
Customer A	298,405	2,441,142
Ports and Offshore		
Customer B	537,481	2,976,841
Customer C	1,302,104	360,063
Renewables		
Customer D	1,302,104	463,986
Facilities		
Customer E	1,982,885	1,758,688

39 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans and advances	Loan from directors	Finance leases	Convertible notes	Total
	US$	US$	US$	US$	US$
At 31 December, 2016	4,820,086(ii)	326,000	115,489	-	5,261,575
Financing cash flows	(268,433)(i)	247,350	(67,529)	735,000	646,388
Non cash changes:					
- Liquidation of subsidiary	-	-	(47,960)	-	(47,960)
- Offset against loan from directors	-	-	-	50,000	50,000
- Offset against trade payables	-	-	-	150,000	150,000
- Offset against other payables	-	(50,000)		65,000	15,000
- Fair value of equity portion	-	-	-	(4,878)	(4,878)
- Interest payable	-	-	-	20,939	20,939
- Foreign exchange movement	357,078	(23,251)		-	333,827
At 31 December, 2017	4,908,731(ii)	500,099	-	1,016,061	6,424,891

(i) Financing cash flows for bank loan and advances during the year includes the proceeds from bank loans of US$1,445,400, less repayment of advances and bank loans of US$220,311 and US$1,493,522 respectively.

(ii) Consists all current and non-current bank loans and advances, excluding bank overdrafts of US$381,932 (2016 : US$587,213).

40 EVENTS AFTER THE REPORTING PERIOD

On March 21, 2018, the company allotted and issued 21,367,632 new ordinary shares at a rate of S$0.03 per share amounting to US$485,702, pursuant to the vestment of awards under the NauticAWT PSP. The new ordinary shares rank pari passu in all respects with the existing shares of the company. Following the allotment and issuance of the new ordinary shares, the total number of issued shares of the company has increased from 190,965,893 shares to 212,333,525 shares.

SHAREHOLDER INFORMATION
AS AT 20 MARCH 2018

SHARE CAPITAL

Issued and fully paid up-capital	: S$10,194,806.75
Total number of issued shares	: 190,965,893
Number of treasury shares	: Nil
Number of subsidiary holdings	: Nil
Class of shares	: Ordinary shares
Voting rights	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	0	0.00	0	0.00
100 - 1,000	40	20.00	36,400	0.02
1,001 - 10,000	66	33.00	305,600	0.16
10,001 - 1,000,000	78	39.00	19,736,100	10.33
1,000,001 and above	16	8.00	170,887,793	89.49
Total	**200**	**100.00**	**190,965,893**	**100.00**

TWENTY LARGEST SHAREHOLDERS
(As recorded in the Register of Members and Depository Register)

	Name of shareholders	No. of shares	% of shares
1	JOHN GRØNBECH	82,088,000	42.99
2	KIM SENG HOLDINGS PTE LTD	48,360,000	25.32
3	KGI SECURITIES (SINGAPORE) PTE LTD	9,188,000	4.81
4	CITIBANK NOMINEES SINGAPORE PTE LTD	7,544,900	3.95
5	UOB KAY HIAN PTE LTD	3,866,000	2.02
6	WANG JIAJIAN	3,224,000	1.69
7	PHILLIP SECURITIES PTE LTD	3,015,893	1.58
8	CHU VOON THART @ PETER CHU	2,637,000	1.38
9	DBS NOMINEES PTE LTD	1,869,000	0.98
10	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	1,865,400	0.98
11	TANG KHENG GUAN KELVIN (CHEN QINGYUAN KELVIN)	1,656,890	0.87
12	LOUREN DAVID WOOF	1,302,000	0.68
13	SIMON JOHN CUNNINGHAM & ANNE LOUISE CUNNINGHAM	1,116,000	0.58
14	LOW EE HWEE	1,100,000	0.58
15	JULIEN JEAN BERNARD FRACHISSE	1,054,000	0.55
16	TOH CHIN TUAN	1,000,710	0.52
17	ONG SOON HUAT	1,000,000	0.52
18	ONG SENG CHYE	992,000	0.52
19	DEBARCHAN BISWAS	961,000	0.50
20	TAN FUH GIH	857,751	0.45
	Total	**174,698,544**	**91.47**

SHAREHOLDER INFORMATION
AS AT 20 MARCH 2018

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct interest		Deemed interest	
Name of substantial shareholders	**No. of shares**	**% of issued share capital**	**No. of shares**	**% of issued share capital**
John Grønbech	82,088,000	42.99	–	–
Kim Seng Holdings Pte. Ltd. (1)	48,360,000	25.32	–	–
Tan Fuh Gih (1)	857,751	0.45	48,360,000	25.32
Tan Kim Seng (1)	–	–	48,360,000	25.32
Tan Hoo Lang (1)	–	–	48,360,000	25.32
Tan Wei Min (1)	–	–	48,360,000	25.32

Note:

(1) Kim Seng Holdings Pte. Ltd. is an investment holding company incorporated in Singapore. Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang and Tan Wei Min hold 24.0%, 22.0%, 22.0% and 20.0% of the issued and paid-up share capital of Kim Seng Holdings Pte. Ltd. respectively and are each deemed interested in the shares held by Kim Seng Holdings Pte. Ltd. The remaining shareholders of Kim Seng Holdings Pte. Ltd. are Tan Ah Ling (5.0%), Loh Sok Beng (5.0%) and Tan Ah Moy (2.0%). Tan Kim Seng, Tan Fuh Gih, Tan Hoo Lang, Tan Wei Min, Tan Ah Ling, Loh Sok Beng and Tan Ah Moy are siblings. Tan Kim Seng, Tan Fuh Gih and Tan Hoo Lang are directors of Kim Seng Holdings Pte. Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on information available to the Company as at 20 March 2018, approximately 27.1% of the shareholdings of the Company is held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

REGISTERED OFFICE

12 Tai Seng Link
#05-01A
Singapore 534233
Tel: +65 6298 2671
Fax: +65 6298 2673
Email: contact@nauticawt.com

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting (the "**AGM**") of NauticAWT Limited (the "**Company**") will be held at 52 West Coast Ferry Road, Singapore 126887 on Friday, 27th April 2018 at 11.00 a.m. for the following purposes: -

AS ORDINARY BUSINESS

1. To receive and adopt the directors' statement and the audited financial statements of the Company and the Group for the financial year ended 31 December 2017 ("**FY2017**") together with the auditor's report thereon. (Resolution 1)

2. To re-elect the following directors ("**Directors**") of the Company retiring pursuant to the constitution of the Company ("**Constitution**"):

   Mr John Grønbech (Article 89) (Resolution 2a)

   [See Explanatory Note (i)]

   Mr Lim How Teck (Article 89) (Resolution 2b)

   [See Explanatory Note (ii)]

3. To approve the payment of Directors' fees of S$192,302.36 for the financial year ending 31 December 2018, to be paid quarterly in arrears (FY2017: S$250,326.07). (Resolution 3)

4. To re-appoint Messrs Deloitte & Touche LLP as the independent auditor of the Company and to authorise the Directors to fix their remuneration. (Resolution 4)

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

AS SPECIAL BUSINESS

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

6. Authority to allot and issue shares in the capital of the Company (Resolution 5)

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Company's Constitution and the Listing Manual Section B: Rules of Catalist Rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") (the "**Catalist Rules**"), the Directors be and are hereby authorised to: -

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

   (ii) make or grant offers, agreements or options (collectively, the "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

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

(ii) (subject to such manner of 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 (i) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be calculated based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time of the passing of this resolution, after adjusting for: -

(aa) new Shares arising from the conversion or exercise of convertible securities outstanding at the time this Resolution is passed;

(bb) (where applicable) new Shares arising from the exercise of options or vesting of awards outstanding or subsisting at the time this resolution is passed, provided that the options or awards were granted in compliance with the Catalist Rules; and

(cc) any subsequent bonus issue, consolidation or sub-division of Shares;

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

(iv) unless revoked or varied by the Company in a general meeting, the authority conferred by this resolution shall 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)]

7. Authority to grant options and to allot and issue Shares under the NauticAWT Employee Share Option Scheme (Resolution 6)

   "That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to grant options in accordance with the NauticAWT Employee Share Option Scheme (the "**ESOS**") and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the ESOS (including but not limited to allotment and issuance of Shares in the capital of the Company at any time, whether during the continuance of this authority or thereafter, pursuant to options made or granted by the Company whether granted during the subsistence of this authority or otherwise), provided always that the aggregate number of Shares issued and/or issuable pursuant to the ESOS, the NauticAWT Performance Share Plan (the "**PSP**") and any other share-based incentive schemes of the Company do not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company 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 (iv)]

8. Authority to grant awards and to allot and issue Shares under the NauticAWT Performance Share Plan (Resolution 7)

   "That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised and empowered to grant awards in accordance with the PSP and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the awards granted under the PSP (including but not limited to allotment and issuance of Shares in the capital of the Company at any time, whether during the continuance of such authority or thereafter, pursuant to awards made or granted by the Company whether granted during the subsistence of this authority or otherwise), provided always that the aggregate number of Shares issued and/or issuable pursuant to the PSP, the ESOS and any other share-based incentive schemes of the Company shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company 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 (v)]

By Order of the Board of Directors NauticAWT Limited

Chua Kern
Company Secretary
Singapore, 12 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr John Grønbech will, if re-elected pursuant to ordinary resolution 2a proposed in item 2 above, remain as an Executive Director and Chief Executive Officer of the Company. Detailed information on Mr John Grønbech is found in the Company's annual report 2017.

(ii) Mr Lim How Teck will, if re-elected pursuant to ordinary resolution 2b proposed in item 2 above, remain as Chairman of the Board of Directors and Independent Director of the Company, a member of the Audit Committee, Nominating Committee and Remuneration Committee. The Board of Directors considers Mr Lim How Teck to be independent pursuant to Rule 704(7) of the Catalist Rules. Detailed information on Mr Lim How Teck is found in the Company's annual report 2017.

There are no relationships including immediate family relationships between Mr John Grønbech and Mr Lim How Teck and the other Director(s), the Company, its related corporations (save for Mr John Grønbech, by virtue of Section 7 of the Singapore Companies Act, he is deemed to have an interest in all the related corporations of the Company), its 10% shareholders or its officers.

(iii) The ordinary resolution 5 proposed in item 6 above, if passed, will empower the Directors to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro rata basis to shareholders of the Company.

(iv) The ordinary resolution 6 proposed in item 7 above, if passed, will empower the Directors to grant options and allot and issue Shares pursuant to the exercise of such options in accordance with the provisions of the ESOS provided that the aggregate number of shares to be issued does not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

(v) The ordinary resolution 7 proposed in item 8 above, if passed, will empower the Directors to grant awards and allot and issue Shares pursuant to the grant of such awards in accordance with the provisions of the PSP provided that the aggregate number of shares to be issued does not exceed 15% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.

Notes:

1. A member of the Company entitled to attend and vote at the AGM, and who is not a Relevant Intermediary (as defined below) is entitled to appoint no more than two (2) proxies to attend and vote on his/her/its behalf.

2. A member of the Company who is a Relevant Intermediary (as defined below) is entitled to appoint more than two (2) proxies to attend and vote on his/her/its behalf, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. A proxy need not be a member.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act.

3. If a proxy is to be appointed, the instrument appointing a proxy or proxies must be deposited at the office of the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 80 Robinson Road #02-00 Singapore 068898, not less than 48 hours before the time appointed for holding the AGM.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

By attending the AGM and/or any adjournment thereof or 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/or representatives appointed for the AGM and/or any adjournment thereof and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM and/or 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 a 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.

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST and the Sponsor assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Ms Alicia Sun at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542, telephone (65) 6532 3829.

PROXY FORM

(Please see notes overleaf before completing this form)

NAUTICAWT LIMITED

Singapore Company Registration No. 201108075C
(Incorporated in the Republic of Singapore)

IMPORTANT

1. An investor who holds Shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and cast his vote(s) at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote may inform their SRS Approved Nominees to appoint the chairman of the AGM to act as their proxy, in which case, the SRS Investors shall be precluded from attending the AGM.
2. This proxy form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. Please read the notes to this proxy form.

*I/We ____(Name)______________________(NRIC/Passport No.)

of ____ (Address)

being a *member/members of NauticAWT Limited (the "**Company**"), hereby appoint[2]:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares[5]	%
Address			

*and/or

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares[5]	%
Address			

or failing the person (or failing either or both of the persons referred to above) the chairman of the annual general meeting of the Company (the "**AGM**"), as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the AGM to be held at 52 West Coast Ferry Road, Singapore 126887 on Friday, 27 April 2018 at 11.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

If you wish to exercise all your votes "For" or "Against", please tick (✓) within the appropriate box provided. Otherwise, please indicate the number of votes as appropriate.

No.	Resolutions relating to:	By way of poll	
		For	Against
1.	Audited Financial Statements, Directors' Statement and Auditor's Report for the financial year ended 31 December 2017		
2a.	Re-election of Mr John Grønbech as a Director of the Company		
2b.	Re-election of Mr Lim How Teck as a Director of the Company		
3.	Approval of Directors' fees amounting to S$192,302.36 for the financial year ending 31 December 2018, to be paid quarterly in arrears		
4.	Re-appointment of Messrs Deloitte & Touche LLP as auditor of the Company and to authorise the Directors to fix their remuneration		
5.	Authority to allot and issue shares in the capital of the Company		
6.	Authority to grant options, allot and issue shares under the NauticAWT Employee Share Option Scheme		
7.	Authority to grant awards, allot and issue shares under the NauticAWT Performance Share Plan		

Dated this ____________ day of _________________________ 2018

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

____
Signature(s) of Member(s) or,
Common Seal of Corporate Member[9]

** Delete as appropriate*

IMPORTANT: PLEASE READ NOTES ON THE REVERSE CAREFULLY BEFORE COMPLETING THIS PROXY FORM

NOTES TO PROXY FORM:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the register of members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the register of members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the register of members. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.

2. Except for a member who is a relevant intermediary as defined in Section 181(6) of the Companies Act (Cap. 50) of Singapore ("**Companies Act**"), a member shall be entitled to appoint no more than two (2) proxies to attend and vote at the Meeting of the Company. A proxy need not be a member of the Company.

3. A member who is a relevant intermediary (as defined in Section 181(6) of the Companies Act) and who is entitled to attend and vote at the AGM may appoint more than two (2) proxies to attend and vote on its behalf but each proxy must be appointed to exercise the rights attached to a different share or shares held by it (which number and class of shares shall be specified). In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

4. Relevant intermediary means:

   a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Where a member appoints more than one (1) proxy, the member shall specify the proportion of his/her/its Shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

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

7. This proxy form must be deposited at the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898, not less than 48 hours before the time appointed for the AGM (or at any adjournment thereof).

8. (i) This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing.

   (ii) Where this proxy form is executed by a corporation, it must be executed either under its seal (or otherwise in accordance with its constitution) or under the hand of an officer or attorney duly authorised.

   (iii) Where this proxy form is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified true copy thereof must be lodged with this proxy form.

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

General:

The Company shall be entitled to reject this proxy form 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 this proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this proxy form, the member accepts and agrees to the personal data privacy terms as set out in the Notice of Annual General Meeting dated 12 April, 2018.

CORPORATE INFORMATION

BOARD OF DIRECTORS

LIM HOW TECK
Chairman and Independent Director

JOHN GRONBECH
Executive Director and CEO

TEO LEK HONG
Independent Director

TAY KEE LIAT
Independent Director

AUDIT COMMITTEE

LIM HOW TECK
Chairman

TEO LEK HONG

TAY KEE LIAT

REMUNERATION COMMITTEE

TEO LEK HONG
Chairman

LIM HOW TECK

TAY KEE LIAT

NOMINATING COMMITTEE

TAY KEE LIAT
Chairman

LIM HOW TECK

TEO LEK HONG

REGISTERED OFFICE

12 Tai Seng Link
#05-01A
Singapore 534233
Tel: +65 6298 2671
Fax: +65 6298 2673
Email: contact@nauticawt.com

COMPANY REGISTRATION NUMBER

201108075C

COMPANY SECRETARY

CHUA KERN (LLB (HONS))

SHARE REGISTRAR

TRICOR BARBINDER
SHARE REGISTRATION SERVICES
(a division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898

SPONSOR

SAC CAPITAL PRIVATE LIMITED
1 Robinson Road
#21-02, AIA Tower
Singapore 048542

INDEPENDENT AUDITORS

DELOITTE & TOUCHE LLP
Public Accountants and Chartered Accountants
Singapore
Partner-in-charge: Panjabi Sanjay Gordhan
(Appointed since financial year ended 31 December 2017)
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

PRINCIPAL BANKER

THE HONGKONG AND SHANGHAI
BANKING CORPORATION LIMITED
21 Collyer Quay
HSBC Building
Singapore 049320

NauticAWT Limited
Company Registration No. 201108075C

12 Tai Seng Link
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