Mencast

The New Horizon

Annual Report 2016

CONTENTS

CORPORATE PROFILE

COMPLETE MRO SOLUTIONS PROVIDER IN THE OFFSHORE, MARINE AND OIL & GAS INDUSTRIES

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

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

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

Offshore & Engineering

OFFSHORE & ENGINEERING SEGMENT

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

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

Marine

MARINE SEGMENT

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

Energy Services

ENERGY SERVICES SEGMENT

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Sim Soon Ngee Glenndle
Executive Chairman &
Chief Executive Officer

Wong Boon Huat
Executive Director

Non-Executive Directors:

Sunny Wong Fook Choy
Lead Independent Director

Ho Chew Thim, Raymond
Independent Director

Leow David Ivan
Independent Director

Ng Chee Keong
Independent Director

AUDIT COMMITTEE

Ho Chew Thim, Raymond
Chairman

Sunny Wong Fook Choy

Leow David Ivan

Ng Chee Keong

NOMINATING COMMITTEE

Sunny Wong Fook Choy
Chairman

Ho Chew Thim, Raymond

Ng Chee Keong

Sim Soon Ngee Glenndle

REMUNERATION COMMITTEE

Ng Chee Keong
Chairman

Sunny Wong Fook Choy

Ho Chew Thim, Raymond

Leow David Ivan

CORPORATE STRATEGY & COMMUNICATIONS COMMITTEE

Leow David Ivan
Chairman

Sim Soon Ngee Glenndle

Wong Boon Huat

SECRETARY

Cho Form Po

REGISTERED OFFICE

42E Penjuru Road,
Mencast Central,
Singapore 609161

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
100 Beach Road
Shaw Tower #30-00
Singapore 189702
Director-In-Charge
Low See Lien
Appointed since financial year ended 31 December 2015

PRINCIPAL BANKER

United Overseas Bank Limited

VISION

Most admired MRO partner and employer in the world

MISSION & STRATEGY

STRATEGY

REVENUE
- Seek new revenue streams
- Cross-selling

MARGINS
- Productivity and processes
- Rightsizing assets and operating overheads
- Lean costs

CAPITAL SPREAD
- High ROCE & ROE
- Low WACC
- Fund growth business

ENABLERS

"PARTNER PERFECT"
- Culture of adding value
- Leverage teamwork
- Ownership culture
- Leverage existing platform and relationships

TALENT
- Passion for performance
- Leverage teamwork
- Ownership culture

SCALE
- Cost efficiency
- Market presence
- Able to invest in R&D

FOCUS
- Excellence of execution
- Speed
- Invest in the best

CHAIRMAN'S MESSAGE

Sim Soon Ngee Glenndle

Executive Chairman
and Chief Executive Officer

A Tumultuous Year

Mencast had a difficult year, recording our first full year loss in over a decade due to lower revenue and asset write-downs.

Cashflow declined, but remained positive, with $9.2 million generated from operations during the year.

Oil prices have firmed significantly from their lows of USD28 in 2015, and OPEC's announcement of production cuts last November added strength to the price recovery. Higher prices are strongly positive for our business, but will need to be sustained to drive meaningful increases in customer confidence and spending. There will almost certainly be significant oil price volatility in the year ahead.

Three Focus Areas

Mencast is executing three major initiatives in the year ahead to prepare for the future. These initiatives focus on controlling what is within our control, and are designed to maintain our leadership in existing markets while building new capabilities for the future.

Our first key initiative is streamlining operations to sustain us through the industry malaise. During the past year, we have aggressively wrung out costs, written-off assets and cut surplus overheads. As an example, costs for wages, welfare and medical insurance fell almost 30% in FY2016 as compared to the prior year. The costs of this restructuring were largely borne in FY2016, though the benefit will be received in the years ahead.

Our second major initiative is to strengthen our balance sheet and allocate capital within the bounds of prudence and cashflow. Last year, we refinanced our SGD50 million Fixed Rate Notes, with long term bank borrowings at a lower interest rate. In addition, we will recycle capital through selectively disposing non-core assets.

> In the year ahead, we will aggressively seek to leverage Mencast's capabilities, platforms and relationships into business opportunities.

Our last initiative is designed to allow Mencast to take control of our own destiny. In the year ahead, we will aggressively seek to leverage Mencast's capabilities, platforms and relationships into business opportunities. This may be through using existing skills in new industries. For example, in FY2016, we booked over $5 million in engineering works for the construction industry, and will continue to seek other value enhancing opportunities.

Looking further ahead, Mencast will also evaluate promising technologies that can provide new platforms for growth and will differentiate us as the market recovers. The Energy Services segment, which has enjoyed profitable growth for the past several years, is an example of a new business that was created through leveraging in-house and acquired technology into new business segments. As well as adding strong potential growth, such businesses also enhance earnings quality by providing resiliency through the industry cycles.

Looking Ahead

The second anniversary of the deepest downturn in the oil industry in decades has passed, and there are some signs that the worst may be over. Capex spending in the oil industry has already declined by more than half over the last two years, with the capex to revenue ratio dipping to 8% in FY2016, compared to 10-12% in earlier years. This reduced spending has sharply lowered the rate of new oil discoveries and the crude oil replacement ratio[1] is currently below one for the first time in over a decade last year.

As long as the projected future growth of oil demand eventuates, tightening of supply must inevitably restore oil price equilibrium which should also bring a recovery in oilfield activity. It is too early to predict the timing and pace of recovery with certainty, but Mencast will be relentless in preparing for the upturn and our next phase of growth.

Sim Soon Ngee Glenndle

Executive Chairman and Chief Executive Officer

[1] Ratio of new finds to oil extracted. A reserve ratio below one indicates that production cannot be sustained indefinitely at current levels

主席致词

喧嚣的一年

与过去的十年相对， 明铸造经历了困难的一年，由于收入下跌和资产减值，我们经历了近十年来的首次全年亏损。

虽然运营现金流有所减少，但现金流量仍然保持正面并达到920万新元。

石油价格从2015年的28美元的低点逐渐上涨并显著稳定，欧佩克去年11月公布的石油减产增强了油价的复苏。持久性较高的石油价格对我们的业务有着非常积极的作用，以推动客户的信心和资本支出的提升。可以肯定的是未来的一年里石油价格仍将会有大幅度的波动。

三个重点领域

明铸造正在执行三个主要举措，以便为未来做好准备。这些举措注重在我们控制之内的部分，维持我们现有的市场的领导地位，同时为将来建立新的能力。

我们的第一道主要举措是精简运营业务，以让我们在行业不景气期间维持我们的营运。

在过去的一年里，我们积极地削减成本、核销资产和减少开支。例如，与去年相比，2016年度的工资、福利和医疗保险费用下降了近30%。重组费用大部分反映在2016财年，而利益处将会在未来数年显现。

我们的第二道主要举措是增强我们的资产负债表，并在流动资金允许的范围内谨慎的分配现有的资本。去年，我们成功转换5000万新元的固定利率票据为利率较低的银行长期贷款，并且通过选择性地处置非核心资产来尽快地回收我们的资本。

我们最后一道举措旨在允许明铸造控制自己的命运。在未来一年，我们将积极运用明铸造的能力、平台和关系寻求机会。比如可以通过运用现有的技术在新的行业里开拓商机。例如，在2016年度，我们从建筑业得到了超过500万元新元的工程，并将继续寻求其他增值机会。

展望未来，明铸造还将评估其它有前途的技术，给企业的发展提供更多新的平台，并将使我们随着市场复苏脱颖而出。其中，能源服务部门在过去几年中取得了可观的利润增长，就是一个通过整合内部和外部收购的技术来创建新的业务领域的成功例子。在提升增长潜力的同时，这些业务也加强了公司的盈利质量和经历行业周期性震荡时的承受力。

展望未来

石油行业几十年来最严重衰退的两年已经过去，有迹象表明最糟糕的情况可能已结束。在过去两年中，石油行业的资本支出已经下降了一半以上。与前几年的10-12%相比， 2016 年资本支出占收入的比例下降到了8%，支出的减少大幅降低了新的石油的发现率[1]，并且使得原油供应量10 年以来第一次小于消费量。

只要预期的石油需求增长最终显现，紧缩供应必然使油价恢复平衡，这应该也会使油田活动复苏。现在要预测恢复的具体时间和步伐还为时过早，但明铸造将不遗余力地为复苏和下一阶段的增长做好准备。

沈询益
执行主席兼行政总裁

[1] 新发现与提取石油的比率。储量比率低于1表示产量不能无限期地保持当前水平。

我们最后一道举措旨在允许
明铸造控制自己的命运。
在未来一年，我们将积极
运用明铸造的能力、平台
和关系寻求机会。

FINANCIAL HIGHLIGHTS

$'000

	2012	2013	2014	2015	2016
Revenue	84,086	99,211	130,609	90,622	60,091
Gross Profit	27,097	30,434	37,906	18,944	7,194
Net Profit/(loss)	13,342	16,175	18,199	2,154	(26,370)
Earnings before interest, tax, depreciation, amortisation and impairment	18,982	25,419	37,569	21,666	5,789
Profit/(loss) before income tax	13,046	16,850	19,933	2,315	(26,324)
Total Assets	195,146	295,077	345,594	355,620	342,378
Property, plant and equipment	87,284	156,793	181,936	208,066	225,625
Cash and cash equivalents	19,716	22,669	19,686	10,896	7,416
Total Liabilities	104,824	188,481	216,050	221,847	220,380
Total Equity	90,322	106,596	129,544	133,773	121,998

OPERATIONS REVIEW

FINANCIAL REVIEW

Revenue and Gross Profit

Due to some of the worst operating conditions in the history of our industry, the Group experienced a 34% decline in revenue to $60.1 million in FY2016.

- Amongst our three business segments, the Offshore & Engineering segment experienced the most severe decline due to the weak oil prices impacting spending from our customers. The Offshore and Engineering segment saw 53% fall in revenue from $40.1 million in FY2015 to $21.2 million in FY2016.

- Revenue from the Marine segment fell from $37.3 million in FY2015 to $23.9 million in FY2016. Revenue was affected by lower oil prices as well as a generally weaker shipping market.

- Revenue from Energy Services grew by 14% to $15.0 million due to overseas projects and continuous support from the major Oil & Gas players.

Gross profit for the Group decreased by 38% to $7.2 million in FY2016. The decline was primarily due to the lower revenues in the Offshore & Engineering and Marine segments. The Group's Gross profit margin fell from 21% in FY2015 to 12% in FY2016. This was largely due to the lower revenue from the Offshore & Engineering segment being less effective in covering direct cost such as depreciation, rental and property taxes.

Other income declined from a positive contribution of $7.7 million in FY2015 to a negative contribution of $10.1 million in FY2016. This was primarily due to $12.1 million write down of assets such as property and vessels, investment in joint venture and goodwill in FY2016. This was in contrast to gains on the disposal of property which were booked in FY2015. The remaining differences were due to various smaller gains and losses, as detailed in Note 5.

Operating Expenses

The Group has undertaken a comprehensive program to increase efficiency and eliminate redundancy. This has yielded significant cost savings, for example our costs for wages, welfare and medical insurance have been reduced by approximately $2.6 million to $6.6 million in FY2016.

As there are costs related to restructuring, the full impact of the cost saving has yet to be fully realised. The Group's administrative expenses decreased by 2% to $18.3 million in FY2016, though the reduction would have been more apparent if not for the write-off of trade receivables of $1.1 million and made an allowance for impairment of trade receivables of approximately $1.9 million made in 4Q2016.

Finance Expenses

The Group's finance expenses fell by 10% to $5.1 million in FY2016. This was mainly attributable to lower use of short term funding along with lower utilisation of trade financing due to the lower business demand.

Income Tax

The Group has a minimal income tax charge due to the losses incurred during the year and utilisation of Group relief.

Net Loss

The Group incurred a net loss in FY2016 and 4Q2016 due to gloomy global energy industry leading to lower demand, impairment of certain non-current assets and writedown of assets of disposal group classified as held-for-sale. These also resulted in a net loss attributable to Equity holders of the Company of $26.9 million.

Cashflow

During the year, the Group generated a net cash inflow from operating activities of $9.2 million. This was primarily from the decrease in trade and other receivables of $14.7 million and were offset by payments of trade and other payables of $7.7 million.

The Group had a net cash outflow from investing activities of $5.5 million due mainly to tail end payments of assets under construction.

The Group's cash outflow from financing activities of $8.3 million reflects the repayment of borrowings less net proceeds from a private placement.

BOARD OF DIRECTORS

SIM SOON NGEE GLENNDLE
Executive Chairman &
Chief Executive Officer

WONG BOON HUAT
Executive Director

SUNNY WONG FOOK CHOY
Lead Independent Director

HO CHEW THIM, RAYMOND
Independent Director

LEOW DAVID IVAN
Independent Director

NG CHEE KEONG
Independent Director

SIM SOON NGEE GLENNDLE
Executive Chairman & Chief Executive Officer

Glenndle Sim is Executive Chairman & CEO of the Mencast Group, an Oil & Gas and Marine services company listed on SGX Mainboard. He is responsible for the strategic vision, overall management, operations and growth. As well as serving as Executive Chairman of the Board, Glenndle is a member of the Nominating Committee and Corporate Strategy & Communications Committee.

Glenndle was awarded "Best CEO" in year 2014 at the Singapore Corporate Awards in the category of companies with under S$300 million in market capitalization and EY Entrepreneur of the Year 2013 in the Marine and Offshore Engineering Services category.

Glenndle graduated from the National University of Singapore with a Bachelor in Business Administration and later obtained a Master of Business Administration from the University of Delaware in the USA. In 2013 & 2014, he attended Harvard Business School's Owner/President Management Program. He was appointed to our Board on 30 January 2008 and was appointed as the Executive Chairman of the Board on 9 October 2009.

WONG BOON HUAT
Executive Director

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

Boon Huat founded Top Great Engineering & Marine Pte Ltd, and has been involved in various vocations within the Marine industry. Armed with 32 years of experience in the industry, Boon Huat has contributed significantly to the development and growth of Mencast Group. He was appointed to our Board on 4 August 2011.

SUNNY WONG FOOK CHOY
Lead Independent Director

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

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

HO CHEW THIM, RAYMOND
Independent Director

Mr Ho Chew Thim is the Chairman of the Audit Committee and a member of the Remuneration and Nominating Committees. Raymond is an accountant by vocation and has over 40 years experience in financial management and has held senior financial positions in mainly listed companies and banks. These include China Water Holdings Pte Ltd (an associate of SGX-listed CNA Group Ltd), CNA Group Ltd, Achieva Limited, China World Trade Centre Ltd (an associate of Shangri-La Asia Limited), Poh Tiong Choon Logistics Limited, China-Singapore Suzhou Industrial Park Development Co. Ltd, Deutsche Bank (Singapore Branch), L & M Group Investments Ltd, United Industrial Corporation Limited and United Overseas Bank Limited.

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

LEOW DAVID IVAN
Independent Director

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

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

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

NG CHEE KEONG
Independent Director

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

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

KEY MANAGEMENT

RODOLFO S ALVIEDO JR, JOJO
Chief Financial Officer

PHUA POH CHENG, JACK
Vice President,
Mencast Marine Division Director,
Sterngear Services

HO GIM HAI, SAM
Managing Director,
Vac-Tech Engineering Pte Ltd

CHENG SHAO RONG
Senior Manager,
Operations of
Mencast Engineering Pte Ltd

RODOLFO S ALVIEDO JR, JOJO

Chief Financial Officer

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

PHUA POH CHENG, JACK

Vice President, Mencast Marine Division
Director, Sterngear Services

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

HO GIM HAI, SAM

Managing Director, Vac-Tech Engineering Pte Ltd

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

CHENG SHAO RONG

Senior Manager, Operations of Mencast Engineering Pte Ltd

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

SUN NAI JIANG
Senior Manager,
Upstream Operations of
Mencast Engineering Pte Ltd

WONG BOON HWEE
Head, Marine Division of
Mencast Offshore &
Marine Pte Ltd

AUNG WUNNA, EDWARD
Head, Environmental Division
of Mencast Offshore &
Marine Pte Ltd

CHRISTOPHER WOO TUCK WAI
Director of
Mencast Subsea Pte Ltd

SUN NAI JIANG

Senior Manager, Upstream Operations of Mencast Engineering Pte Ltd

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

AUNG WUNNA, EDWARD

Head, Environmental Division of Mencast Offshore & Marine Pte Ltd

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

WONG BOON HWEE

Head, Marine Division of Mencast Offshore & Marine Pte Ltd

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

CHRISTOPHER WOO TUCK WAI

Director of Mencast Subsea Pte Ltd

Mr Christopher Woo is Director of Mencast Subsea Pte Ltd as well as Unidive Marine Services Malaysia Sdn Bhd. His responsibilities include managing the entire sales team and overseeing the operations function. He also holds planning and project management responsibilities. Christopher has 16 years of sales experiences, including servicing multinational companies. He graduated with Diploma in Nautical Studies from Singapore Polytechnic and joined the Group in August 2004.

INVESTOR RELATIONS

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

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

To give weight to the importance of stakeholder communications outlined in the "Code of Corporate Governance" issued by the Monetary Authority of Singapore, Mencast formed the "Corporate Strategy and Communication Committee" chaired by one of our Independent Directors and is overseen by the Board of Directors.

Our corporate governance and corporate communications initiatives were recognised with several of the investment communities most prestigious awards. These includes the 2016 SIAS Transparency runner up award in the Energy category and at the 2013 Singapore Corporate Awards, where our Board was conferred the prestigious Gold Medal for "Best Managed Board" in our category of companies below $300 million in market capitalisation.

Mencast provides access to senior management such as our CEO and CFO at these meetings as well as site tours to shareholders to have deep insight into our business and strategy. Our policy is to allow equal access to information and we do not practice selective dissemination. All information presented to fund managers/analysts is available on SGX Net/our website (www.mencast.com.sg) prior to presentation.

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

Total Shareholder Returns

Low oil prices have led to the FTSE ST Oil & Gas declining by approximately 60% from the start of 2014 and our share price has seen similar falls over the same period. Total Shareholder Return (TSR) since listing in 2008 is 11% equivalent to an annual TSR of 1%.

FINANCIAL CALENDAR

24 Feb 2017
Full Year Results

26 Jan 2017
MOU with Houston Technology Center - Asia

04 Nov 2016
Third Quarter Results

08 Aug 2016
Half Year Results

10 May 2016
First Quarter Results

26 Apr 2016
Annual General Meeting

CORPORATE SOCIAL RESPONSIBILITY & PEOPLE DEVELOPMENT

Corporate Social Responsibility is an integral part of our business as well as embedded in our approach to operations. We are committed to operating in a socially responsible manner, engaging with our employees, supporting local communities and running our operations in an environmentally sustainable manner.

This reflects our role as a contributing member of society and our belief that sustainability is essential to the longevity of our business.

CSR as a business
Sustainable environmental and energy solutions are an attractive and growing market. Even though progress may be uneven, imperatives such as protecting the environment, conserving resources and climate change are over time, resulting in governments and private industry spending an increasing share of revenue in CSR related activities.

Safe, efficient and responsible business
Our processes and tools are designed to manage safety and optimise resource usage. As well as being a profitable way to run business, minimizing our environmental impact helps sustain our business for the long term.

We also seek to innovate to help fulfil CSR objectives. One such example is the deployment of robotic devices for cleaning oil storage tanks. As compared to the industry practice of using manual labour, this innovation allows markedly reduced time and resource consumption, as well as dramatically lowering the risks to workers' health and safety.

Community membership
Mencast takes a long-term view that we will be part of our community of customers, suppliers, staff and general public for decades to come. We help develop our community by creating jobs, conducting skills upgrading and building careers, as well as sourcing responsibly and paying taxes on profits. We also support community projects that are based on the needs of the local communities.

CSR IN ACTION

In spite of the economic downturn, Mencast continues our mission of Corporate Social Responsibility in the areas of Human Resources, Sustainability and Community Care.

In 2015, we installed Sunseap's proven energy saving solar systems with 1.2MW of peak output at our Penjuru Road facilities. The newly installed solar systems serve as a green alternative to Mencast's current grid based energy supply as well as enhancing the overall value of the facility. We have continued to upgrade this system and made it the primary power source for a wireless communication system at these premises.

Other environmental initiatives in place at Mencast include eco-friendly sourcing of materials and the use of green processes in daily operations.

"MENCAST LENDS A HAND"

Following our work with earlier support of charities, Mencast volunteered by distributing meals and spend quality time at Tembusu Home. This was an excellent way for our volunteers to contribute to help uplift the life of the residents. Our visit and simple magic show performance helped bring some new joy and comfort as well and fond memories to the residents.

Mencast also supported a number of other charitable causes, including UOB HEARTBEAT, Support MDAS to Transform Lives and Students Care Service.

People Development

Mencast recognises the crucial part every employee plays in our success. Over the long term, we strive to be an employer of choice through recognising the contributions of employees and providing opportunities for all staff to maximise their potential and abilities.

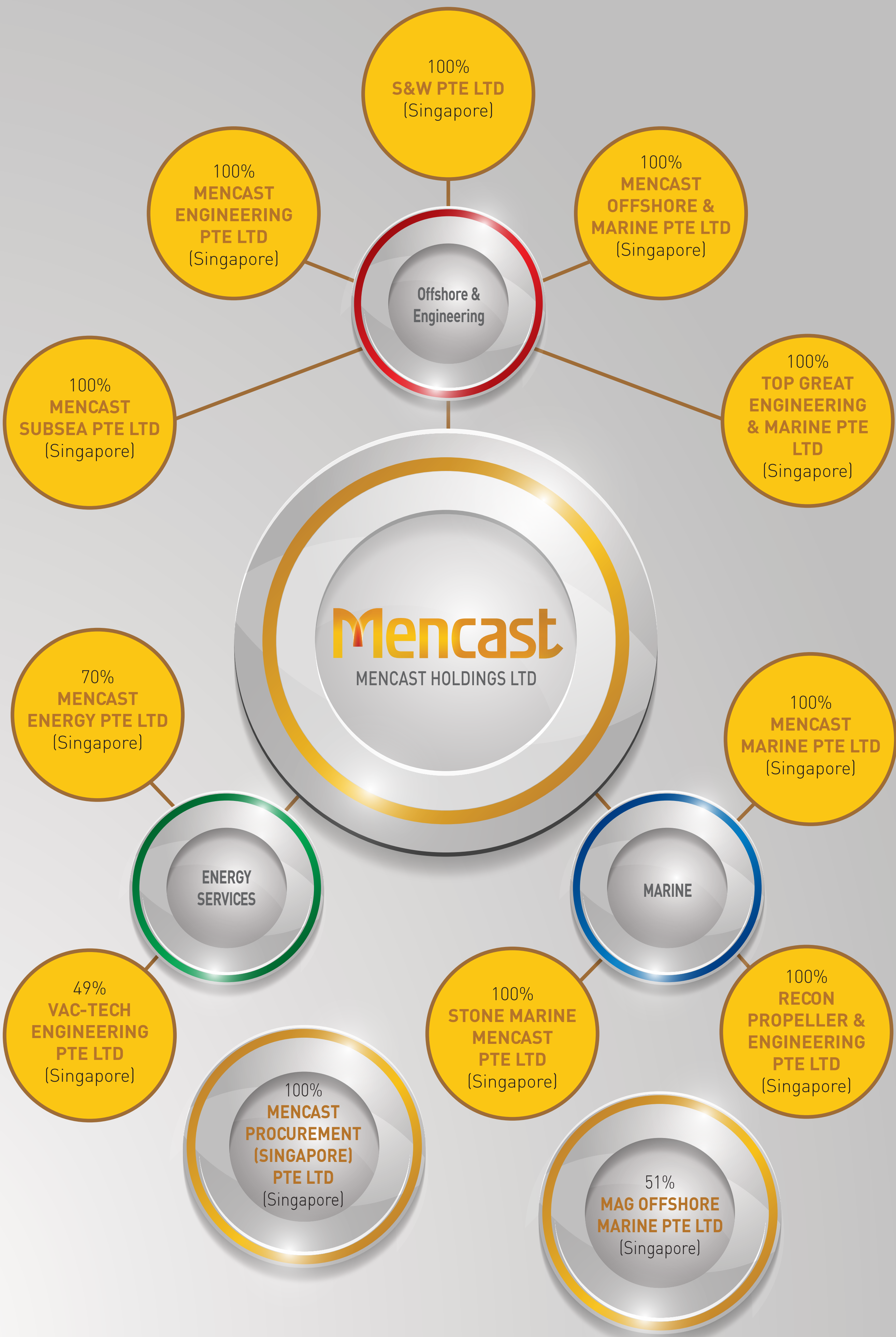
The severe downturn in the industry has reduced the available resources we have for training and career development in the short-term. To preserve as much resources as we can for development and growth, we have restructured employee compensation and benefits across the board. Senior management and directors have taken a lead in this and accepted voluntary pay cuts that are higher than those of lower level staff.

The staff at Mencast are meeting the challenges of the downturn with commendable determination and energy and have accepted the necessary compensation-related compromises while maintaining efficiency and productivity. Many have come forward to accept enlarged roles created by our headcount reduction exercise, giving them the opportunity to develop new skills.

While all these measures were being implemented, we continue to offer staff internal and external training programmes, on-the-job learning, mentoring and professional development programs within the constraints of our resources.

During the downturn we are also focussed on retaining and redeploying talent within the Group such as through internal transfers. We also are exploring training and development in conjunction with Workforce Singapore through its Professional Conversion Program (PCP).

GROUP STRUCTURE



FINANCIAL CONTENTS

CORPORATE GOVERNANCE STATEMENT

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

Principle 1: The Board's Conduct of Its Affairs

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 Management to achieve this objective and Management remains accountable to the Board.

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

The Board's role is to:

– provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

– establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interest and the Company's assets;

– review the performance of Management;

– set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;

– identify the key stakeholders groups and recognise that their perceptions affect the Company's reputation; and

– consider sustainability issues such as environmental, social and governance factors as part of the Board's strategic formulation.

Each member of the Board has fiduciary duty to discharge his or her duties and responsibilities in the best interests of the Company at all times.

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

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

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

- Audit Committee ("**AC**")
- Nominating Committee ("**NC**")
- Remuneration Committee ("**RC**")
- Corporate Strategy and Communications Committee ("**CSCC**")

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

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

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

The number of formal Board and other committee meetings held during the financial year ended 31 December 2016 ("**FY2016**") and the attendance of each director of the Company ("**Director**") where relevant, is set out as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee	Corporate Strategy and Communications Committee
No. of meetings held	4	4	1	1	1
		No. of meetings attended			
Sim Soon Ngee Glenndle	4	4[1]	1	1[1]	1
Wong Boon Huat	4	4[1]	1[1]	1[1]	1
Sunny Wong Fook Choy	4	4	1	1	1[1]
Ho Chew Thim, Raymond	4	4	1	1	1[1]
Leow David Ivan	4	4	1[1]	1	1
Ng Chee Keong	4	4	1	1	1[1]

[1] By Invitation

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

All new directors appointed on the Board, if any, will be provided with a formal letter of appointment and briefed on matters relating to the Company's business activities, its strategic directions and policies, the regulatory environment in which the Group operates and the Company's corporate governance practices.

Principle 2: Board Composition and Guidance

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 Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

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

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

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

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

None of the Independent Directors have served the Board for more than nine years from the date of his first appointment.

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

The Independent Directors always constructively challenge and help develop proposals on strategy and reviews the management's performance in meeting agreed goals and objectives, and monitor the reporting of management's performance.

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

Principle 3: Chairman and CEO

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.

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

The other roles of the Executive Chairman include the following:

- promote a culture of openness and debate at the Board meeting;
- ensure effective communication with shareholders;
- encourage constructive relations within the Board and between the Board and management;
- facilitate the effective contribution of Independent Directors; and
- promote high standards of corporate governance.

As the CEO, Mr Glenndle Sim sets the business strategies and directions for the Group and manages the business operations of the Group.

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

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

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

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

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

Nominating Committee

Principle 4: Board Membership

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee of the Company ("**NC**") comprises the following members, the majority of the members, including the Chairman of the NC, are Independent Directors:

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

The principal functions of the NC include:

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

In the event that a vacancy on the Board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent professional advisers to assist in the search for suitable candidates.

The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangements will be made for the new director to attend various briefings with the management team.

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

At the upcoming AGM, Messrs Ng Chee Keong and Leow David Ivan shall retire and being eligible, have agreed to stand for re-election.

The Board would generally avoid approving the appointment of alternate directors, unless in exceptional cases of medical emergency. No alternate director has ever been appointed to the Board since the Company was listed on SGX-ST.

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

The Board is satisfied that all of the Directors have given sufficient time and attention to the affairs of the Company and have discharged their duties adequately. There is no limit set on the number of other board representations which a Director may hold had been imposed by the NC as the Directors have demonstrated their commitment and effectiveness in discharging their duties and responsibilities and avoiding actual or potential conflicts of interest from serving on other boards.

Principle 5: Board Performance

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

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

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

<u>Further Information on Board of Directors</u>

Sim Soon Ngee Glenndle
Executive Chairman & Chief Executive Officer
Date of first appointment as a director: 30 January 2008
Date of last re-election as a director: 27 April 2015

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Nominating Committee Corporate Strategy and Communications Committee	Houston Technology Center - Asia MIS Investment Pte Ltd Mencast Energy Pte Ltd*	Nil

* Subsidiary of Mencast Holdings Ltd.

Wong Boon Huat
Executive Director
Date of first appointment as a director: 4 August 2011
Date of last re-election as a director: 27 April 2015

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Corporate Strategy and Communications Committee	Mencast Energy Pte Ltd* Mencast Engineering Pte Ltd* Mencast Marine Pte Ltd* Mencast Offshore & Marine Pte Ltd* Mencast Procurement (Singapore) Pte Ltd* Mencast Subsea Pte Ltd* S&W Pte Ltd* Top Great Engineering & Marine Pte Ltd*	Nil

* Direct subsidiaries of Mencast Holdings Ltd.

Sunny Wong Fook Choy
Lead Independent Director
Date of first appointment as a director: 29 May 2008
Date of last re-election as a director: 26 April 2016

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Nominating Committee (Chairman) Audit Committee Remuneration Committee	China Medical (International) Group Limited (formerly known as Albedo Limited) Civmec Limited Excelpoint Technology Ltd. InnoTek Limited KTL Global Limited Wong Tan & Molly Lim LLC WTML Management Services Pte Ltd	Nil

Ho Chew Thim, Raymond
Independent Director
Date of first appointment as a director: 29 May 2008
Date of last re-election as a director: 26 April 2016

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Audit Committee (Chairman) Nominating Committee Remuneration Committee	China Kunda Technology Holdings Limited DeClout Limited Hengyang Petrochemical Logistics Limited Yongmao Holdings Limited Manulife US Real Estate Management Pte Ltd Procurri Corporation Limited	R H Energy Ltd

Leow David Ivan
Independent Director
Date of first appointment as a director: 7 June 2013
Date of last re-election as a director: 25 April 2014

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Corporate Strategy and Communications Committee (Chairman) Audit Committee Remuneration Committee	MEC Asian Fund Thaler Global Pte Ltd	Nil

Ng Chee Keong

Independent Director

Date of first appointment as a director: 9 October 2009

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

Board Committee(s) served on	Current Directorship(s) / Principal Commitment(s)	Directorship(s) or Principal Commitment(s) held over the preceding 3 years
Remuneration Committee (Chairman) Nominating Committee Audit Committee	Jurong Port Ltd - Chairman Jurong Port Jakarta Holding Pte Ltd Jurong Port Marunda Holding Pte Ltd Samudera Shipping Line Ltd Rizhao Jurong Port Terminals Co Ltd.	Jasper Investments Ltd Centre of Maritime Studies, NUS PT Pelabuhan Tegar Indonesia

Principle 6: Access to Information

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.

The management of the Company provides Board members with quarterly management accounts and other financial statements to enable the Board to fulfil its responsibilities. Management provides the Board members with information relevant to matters on the agenda for the meeting prior to each committee meetings. Board members have full and independent access to senior management and the Company Secretary at all times. In the furtherance of their duties, the Board or an individual Board member may seek independent professional advice, if necessary, at the Company's expense.

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

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

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

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.

The Remuneration Committee of the Company ("**RC**") comprises the following members, all of whom are Independent Directors:

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

The functions of the RC include:

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

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

Principle 8: Level and Mix of Remuneration

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) the 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.

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

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

There is no contractual provision in the service contracts of executive directors and key management personnel to allow the Company to reclaim incentive components from its executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss of the Company.

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

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

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

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

During FY2016, the Company has granted 87,658 shares under the PSAS. No options were granted under the ESOS.

The RC has access to professional advice from experts outside the Company on remuneration matters for Directors as and when necessary. The RC will ensure that existing relationships between the Company and its appointed consultants, if any, will not affect the independence and objectivity of the consultants. The Company will disclose the names and firms of the consultants, if any, and include a statement on whether the consultants have any such relationships with the Company. No remuneration consultant in respect of the remuneration matters of the Group was engaged during FY2016.

Principle 9: Disclosure of Remuneration

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

No Directors participate in decisions on their own remuneration.

For the Independent Directors' Fees in FY2016, they are receiving $90,368 in cash and the remaining $90,368 in share awards to be granted pursuant to the performance share award.

<u>Cash Component in the Directors' Fees</u>
Each Independent Director receives a basic retainer fee.

<u>Share Component in the Directors' Fees</u>
The performance share award scheme consist of the outright grant of fully paid shares, without any vesting conditions attached.

The number of shares to be awarded to a participating Independent Director will be determined by reference to Volume Weighted Average Price ("**VWAP**") of a share in the Company on the SGX-ST over the 14 trading days immediately after the Company's forthcoming AGM. The shares are to be awarded down to the nearest thousands, with cash to be paid in lieu of the remaining shares arising.

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

The following table shows a breakdown of the annual remuneration of the Directors of the Group for FY2016.

Name of Executive Director	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2]		Total
			Cash-Based	Share Based	
	%	%	%	%	%
$250,001 to $500,000					
Sim Soon Ngee Glenndle	100	-	-	-	100

Name of Executive Director	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2]		Total
			Cash-Based	Share Based	
	%	%	%	%	%
$250,000 and below					
Wong Boon Huat	100	-	-	-	100
Sunny Wong Fook Choy	-	-	50	50	100
Leow David Ivan	-	-	50	50	100
Ho Chew Thim, Raymond	-	-	50	50	100
Ng Chee Keong	-	-	50	50	100

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

The remuneration of the 8 Key Executives of the Group (excluding the Executive Directors in the above table) is set out below:

Name of Key Executive	Salary and Other Benefits	Performance Bonus[1]	Total
	%	%	%
Below $250,000			
Jojo Alviedo	100	-	100
Phua Poh Cheng, Jack	100	-	100
Ho Gim Hai, Sam	100	-	100
Cheng Shao Rong	100	-	100
Sun Nai Jiang	100	-	100
Wong Boon Hwee[3]	100	-	100
Aung Wunna, Edward	100	-	100
Christopher Woo Tuck Wai	100	-	100

Notes:

[1] Performance bonus is determined in accordance with the respective service agreement.

[2] Directors' fees are subject to Shareholders' approval at the AGM to be held on 26 April 2017.

[3] The breakdown of the total remuneration of employees who are immediate family members of the executive directors for the year ended 31 December 2016 is set out below:

[4] The total remuneration paid to the eight key executives in FY2016 is $1,272,000 (who are not Directors or the CEO of the Company).

Name of Employee	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2]	Total
	%	%	%	
$150,001 to $$200,000				
Wong Boon Hwee	100	-	-	100
$50,001 to $100,000				
Wong Boon Chit	100	-	-	100

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

Other than as specified above, there are no immediate family members of a Director or substantial shareholder whose remuneration exceeds $50,000 for FY2016.

For FY2016, there is no termination, retirement and post-employment benefits granted to Directors, the Executive Chairman and CEO and the Key Executives.

Principle 10: Accountability

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

The Board is accountable to the Shareholders while the management is accountable to the Board. The management provides all Board members with quarterly management reports and accounts which represent balanced, understandable assessment of the Group's performance, position and prospects on a regular basis. In presenting the annual financial statements, quarterly and other announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the company's performance, position and prospects.

The Board complies with the relevant rules of the Listing Manual with prompt announcements of the Company's financial results, presentation and other price sensitive information are disseminated to shareholders through announcement via SGXNET, press releases and the Company's website. The Company's Annual Report is accessible on the Company's website.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk. The Board should ensure that 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.

Enterprise Risk Management Committee ("ERMC")

The Board and AC are assisted by the ERMC to evaluate the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. The ERMC was formed in year 2012 as part of the Group's efforts to strengthen its risk management processes and framework, in overseeing the formulation, update and maintenance of an adequate and effective risk management and internal control systems.

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

The ERMC comprises the following members:

Name	Department	Designation	ERM Role
Glenndle Sim	Corporate	Executive Chairman/CEO	ERM Sponsor
Jojo Alviedo	Corporate	CFO	ERM Champion
Janis Anne Mojica	Corporate	Financial Controller	ERM Co-ordinator
Wong Boon Huat	Corporate	Executive Director	Member
Joel Ching	Corporate	Head of HR & Admin	Member
Phua Poh Cheng, Jack	Marine	Vice President, Mencast Marine Division	Member
Christopher Woo Tuck Wai	Offshore & Engineering	Director - Mencast Subsea	Member
Aung Wunna, Edward	Offshore & Engineering	Head of Environmental Division	Member
Sun Nai Jiang	Offshore & Engineering	Senior Manager – Upstream Operations	Member
Ho Gim Hai	Energy Services	Managing Director – Vac-Tech	Member

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

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

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

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

Based on the internal controls established and maintained by the Group, works performed by the Independent and Internal auditors, and reviews performed by the Management and AC, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls were adequate and effective as at 31 December 2016 to address financial, operational, information technology and compliance risks, which the Group considers relevant and material to its operations.

Audit Committee

Principle 12: Audit Committee

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.

Principle 13: Internal Audit

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

The Audit Committee of the Company ("**AC**") comprises four members, all of whom are Independent Directors. The AC Chairman and members have the recent and relevant accounting and financial management expertise or experience to discharge their responsibilities:

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

None of the members of the AC is a former partner of the Company's external audit firm or has any financial interest in the audit firm.

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

- Reviews the scope and results of internal audit procedures with the Internal Auditor and the effectiveness of the Company's internal audit function;

- Reviews the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management policies and systems;

- Reviews with the Independent Auditor the audit plan and its report on the weaknesses of internal accounting controls arising from the statutory audit;

- Reviews the assistance given by management to the Independent Auditor, and discusses problems and concerns, if any, arising from the statutory audit, with the management;

- Reviews the balance sheet of the Company and the consolidated financial statements of the Group for the financial year before their submission to the Board of Directors, as well as the Independent Auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;

- Reviews the quarterly and annual financial statements of the Group before submission to the Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

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

- Reviews non-audit services performed by the Independent Auditor to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the Independent Auditor before recommending to the Board;

- Reviews the independence and objectivity of the Independent Auditor;
- Evaluated quality of work carried out by Independent Auditor;
- Considers the appointment and re-appointment of the Independent Auditor and approve the remuneration and terms of engagement of the Independent Auditor; and
- Reviews transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

The AC shall also 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; and
- Such other functions and duties as may be required by statute or the Listing Rules, and by such amendments made thereto from time to time.

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

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

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

Financial matters

In the review of the financial statements, the AC has discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor and were reviewed by the AC:

Significant matters	How the AC reviewed these matters and what decisions were made
Revenue recognition and provision for foreseeable losses on construction contracts	The AC discussed and concurred with management on the accounting basis of revenue recognition and provision for foreseeable losses on construction contracts. Revenue recognition and provision for foreseeable losses on construction contracts were also the areas of focus for the external auditor. The external auditor included these as key audit matter in its audit report for the financial year ended 31 December 2016. Refer to page 50 of this Annual Report.
Impairment assessment on non-financial assets	The AC evaluated the appropriateness of the valuation methodology and models, and assess the reasonableness of key assumptions and sensitivity analyses for impairment assessment. The external auditor has included this item as a key audit matter in its audit report for the financial year ended 31 December 2016. Refer to page 51 of this Annual Report.

During the year under review, the aggregate amount of fees paid to the Independent Auditor for the audit services amounted to $189,000. There was no non-audit services fee paid to the Independent Auditors for the financial year ended 31 December 2016. Having satisfied the independence of the Independent Auditor, the AC, with the concurrence of the Board, has recommended the re-appointment of Nexia TS Public Accounting Corporation ("**Nexia**") at the upcoming AGM.

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

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

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

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

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

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

Principle 14: Shareholder Rights

Companies should treat all shareholders fairly and equitable, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the SGX-ST Listing Manual and the Companies Act, Chapter 50 of Singapore, the Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

Any notice of a general meeting to shareholders is issued at least fourteen (14) calendar days before the scheduled date of such meeting. Shareholders are informed of the rules, voting procedures that govern the general meeting of the Company.

A shareholder, who is not a relevant intermediary, can vote in person or appoint not more than two (2) proxies to attend and vote on their behalf at every general meeting ("**GM**") in the events that the shareholder is unable to attend the meeting in person. There is no provision in the Company's Constitution that limits the number of proxies for corporations which provide nominee or custodian services. In addition, shareholders who hold shares through custodian institutions may attend the GMs as observers.

Principle 15: Communication with Shareholders

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

Corporate Strategy and Communications Committee

The Corporate Strategy and Communications Committee of the Company ("**CSCC**") comprise the following members:

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

The primary role of the CSCC is to:

a) Develop and oversee the Group's corporate strategy by reviewing the strategic plans and initiatives that management shall be responsible for, including the setting of annual and multi-year goals and proposed major corporate and business initiatives of the Group, including financial and capital market activities and;

b) Communicate as appropriate, the Group's corporate strategy and initiatives to external stakeholders, including current and potential investors, business partners, financial institutions and intermediaries, media and the public.

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

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

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

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

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

The Company does not have a fixed dividend policy. The form, frequency and amount of future dividends on the Company's shares will depend on its earnings, financial position, capital needs, plans for expansion and other factors which the Company's Directors may deem appropriate. The dividends that the Company's Directors may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Company's Directors:

(i) the level of the Company's cash and retained earnings;

(ii) the Company's actual and projected financial performance;

(iii) the Company's projected levels of capital expenditure and other investment plans; and

(iv) restrictions on payment of dividends imposed on the Company by its financing arrangements (if any).

Principle 16: Conduct of Shareholder Meetings

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.

At general meetings, Shareholders are given the opportunity to pose any questions to the Directors or management relating to the Group's business or performance. The general meeting is the principal forum for any dialogue the shareholders may have with the Directors and management of the Company.

It is the Company's policy that all Directors, including the Chairman of the AC, NC, RC and CSCC as well as the Independent Auditor are present at the general meetings to receive shareholder feedback and address shareholders' queries.

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

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

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

Interested Person Transactions

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

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

Material Contracts

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiary corporations involving the interest of any Director or controlling Shareholder either still subsisting as at the financial year under review or if not subsisting, were entered into at the end of the financial year ended 31 December 2016.

Securities Transactions

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

DIRECTORS' STATEMENT
For the financial year ended 31 December 2016

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2016 and the balance sheet of the Company as at 31 December 2016.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 55 to 117 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

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

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

Directors

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

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

Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" and "Performance Shares" on pages 45 to 46 of this statement.

Directors' interests in shares or debentures

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

	Holdings registered in the name of director or nominee		Holdings in which director is deemed to have an interest	
The Company	**At 31.12.2016**	At 1.1.2016	**At 31.12.2016**	At 1.1.2016
(No. of ordinary shares)				
Sim Soon Ngee Glenndle	**75,669,100**	75,669,100	**70,734,800**	70,734,800
Wong Boon Huat	**28,005,306**	28,005,306	**-**	-
Sunny Wong Fook Choy	**150,000**	150,000	**-**	-
Ho Chew Thim, Raymond	**150,000**	150,000	**-**	-
Leow David Ivan	**6,012,000**	6,012,000	**-**	-

Directors' interests in shares or debentures (continued)

The directors' interests in the ordinary shares of the Company as at 21 January 2017 were the same as those as at 31 December 2016.

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

Share options

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

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

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

(i) at a price equal to the average of the last dealt prices for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant option; or

(ii) at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price.

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

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

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

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

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

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

Share options (continued)

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

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

Performance shares

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

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

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

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

The Scheme is administered by directors which comprises one Independent Director at all times.

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

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

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

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

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

On 22 August 2014, the Company, pursuant to the Mencast Performance Share Award Scheme, granted $168,000 worth of Share Awards to eligible employees of the Company over two (2) to three (3) tranches which have been completed and awarded on 11 September 2014; 17 September 2015 and 22 August 2016 respectively (Note 25).

Audit committee

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

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

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

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

- Reviewed the scope and results of internal audit with the internal auditor;
- Reviewed the adequacy of the Group's internal financial controls, operational and compliance controls and risk management policies and systems;
- Reviewed with the independent auditor the audit plan and its report on the weaknesses of internal accounting controls arising from the statutory audit;
- Reviewed the assistance given by management to the independent auditor, and discusses problems and concerns, if any, arising from the statutory audit, with the management;
- Reviewed the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2016 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- Reviewed the quarterly and annual financial statements of the Group before submission to the Board for approval, focusing, in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;
- Reviewed and discussed with the independent auditor any suspected fraud and irregularity, or suspected infringement of any relevant laws, rules and regulations, which has or is likely to have a material impact on the Group's operating results or financial position, and management response;
- Reviewed non-audit services performed by the independent auditor to ensure that the nature and extent of such services will not prejudice the independence and objectivity of the independent auditor before recommending to the Board;
- Reviewed the independence and objectivity of the independent auditor;
- Considered the appointment and re-appointment of the independent auditor and approve the remuneration and terms of engagement of the independent auditor; and
- Reviewed transactions falling within the scope of Chapter 9 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

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

DIRECTORS' STATEMENT

For the financial year ended 31 December 2016

Independent auditor

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

On behalf of the directors

Sim Soon Ngee Glenndle
Director

Wong Boon Huat
Director

30 March 2017

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Mencast Holdings Ltd (the "**Company**") and its subsidiary corporations (the "**Group**") which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on page 55 to 117.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet 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 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis of 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.

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 for the financial year ended 31 December 2016. 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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition and provision for foreseeable losses on construction contracts For the financial year ended 31 December 2016, the Group recognised construction revenue of $17,106,000. The accounting policies and the details of construction contracts are set out in Note 2.9 and Note 14 to the consolidated financial statements respectively. The revenue recognition of the Group is in accordance with Financial Reporting Standard 11 Construction Contracts which is based on the stage of completion of contract activity. The stage of completion is measured by reference to the proportion of contract costs incurred for the work performed as at balance sheet date relative to the estimated total cost of contract at completion. Any expected loss on the contract is recognised as expense immediately when is probable the total cost will exceed the revenue. We focused on revenue recognition and provision for foreseeable losses on on-going contracts based on stage of completion as significant judgements are made to estimate the total contract cost to complete, which is used to measure the stage of completion for the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for foreseeable losses would be recognised as expense immediately. No provision for foreseeable losses has been recognised. There is a risk for the Group in managing the recognition of revenue through incorrect estimation of stage of completion; principally costs to complete as a result of inaccurate estimates made by management. Additionally, this may result in management inaccurately assessing the completion/profitability of a contract.	We obtained an understanding of selected contracts through discussions with management and examination of contract documentation (including correspondences with customers). In relation to actual costs incurred to date, we agreed the related costs to relevant suppliers' invoice. In relation to estimated total contract costs, we: • obtained understanding of key controls over budgeting process and cost recognition and tested these key controls to determine whether these were operating effectively throughout the year; • assessed the management's judgements made in regards to estimated cost to complete and timing of recognition of variation orders; and • evaluated the management's underlying assumptions made using our understanding of past completed projects. We tested the key controls over the recognition of contract revenue and determined these controls were operating effectively throughout the year. We verified the contract acceptance and authorisation procedures to confirm that there were appropriate levels of review and approval based on the size and risk of contracts. We also recomputed the cumulative construction revenue and the construction revenue for the current financial year and agreed to accounting records and found no exceptions. We also assessed the adequacy of provision for foreseeable losses, if any, for those contracts with losses or low profit margins and found no exceptions.

Key Audit Matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment on non-financial assets (a) *Impairment assessment on goodwill* As at 31 December 2016, goodwill amounted to $44,800,000 (2015: $45,180,000) after recognising an impairment charge of $380,000 (2015: Nil) on goodwill arising on acquisition of business (Note 20). We focused on goodwill impairment assessment performed by management due to the size of goodwill, which represent 13% of the Group's total assets as at 31 December 2016 and because of the significant judgements required in estimating the gross margin, weighted average growth rate and discount rate, in computing the recoverable amount of the cash-generating units ("**CGU**"). (b) *Impairment assessment on property, plant and equipment* As at 31 December 2016, the Group's property, plant and equipment amounted to $225,625,000 (2015: $208,066,000) and that represent 66% (2015: 59%) of the Group's total assets (Note 19). Management has re-assessed the carrying amount of property, plant and equipment by reviewing the results of its business and the outlook of the industry. This assessment was done in conjunction with impairment assessment of goodwill. Further, management performed a separate impairment assessment for those property, plant and equipment that are under utilised or not in use and do not form part of any CGU. Impairment charge of $11,482,000 (2015: Nil) has been recognised for those property, plant and equipment where the carrying amounts were determined to be higher than their recoverable amount.	For the purpose of impairment assessment of goodwill and property, plant and equipment, the recoverable amount (value-in-use) is determined by management for each CGU to which the goodwill is allocated or to which the property, plant and equipment belonged. We evaluated the reasonableness of management's cash flow forecasts, discount rates and weighted average growth rate used in value-in-use calculation of the CGU. We assessed the reasonableness of the budgets taking into consideration each CGU's past performance, management expectation of market development and the industry trend. We involved our valuation specialist to assist us in the assessment of the weighted averages growth rate and discount rate used by the management. There are no significant issues noted. We performed sensitivity analysis to assess the impact on the recoverable amount of the CGU by reasonable possible changes to the estimated gross margin, weighted average growth rate and discount rate. Our sensitivity analysis showed that the remaining CGUs have small headroom to allow for any downside variances on the forecast before any impairment is seen. For the property, plant and equipment that do not form part of the CGU, we have assessed the reasonableness of recoverable amount by obtaining valuation report from independent valuers' and price bid from the third party ship brokers.

Other information

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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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

- 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.

- 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.

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

- 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.

- 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.

- 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.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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.

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 auditors, have been properly kept in accordance with the provisions of the Act.

The engagement director on the audit resulting in this independent auditor's report is Low See Lien.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants

Singapore

30 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2016

	Note	**2016** **$'000**	2015 $'000
Revenue	4	**60,091**	90,622
Cost of sales		**(52,897)**	(71,678)
Gross profit		**7,194**	18,944
Other (losses)/gains – net	5	**(10,122)**	7,746
Expenses			
- Administrative		**(18,285)**	(18,719)
- Finance	8	**(5,111)**	(5,656)
(Loss)/profit before income tax		**(26,324)**	2,315
Income tax expense	9	**(46)**	(161)
Net (loss)/profit for the financial year		**(26,370)**	2,154
Other comprehensive loss, net of tax, that may be reclassified subsequently to profit or loss:			
Fair value loss on available-for-sale financial assets	16	**(78)**	-
Currency translation differences arising from consolidation		**(1,422)**	(570)
Total comprehensive (loss)/income		**(27,870)**	1,584
Net (loss)/profit attributable to:			
Equity holders of the Company		**(26,914)**	1,582
Non-controlling interests		**544**	572
		(26,370)	2,154
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(28,414)**	1,012
Non-controlling interests		**544**	572
		(27,870)	1,584
(Loss)/earnings per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted	10	**(6.45)**	0.44

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

BALANCE SHEETS
As at 31 December 2016

	Note	Group		Company	
		2016	2015	**2016**	2015
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**7,416**	10,896	**425**	410
Trade and other receivables	12	**46,778**	61,473	**107,332**	95,731
Inventories	13	**10,065**	8,775	**-**	-
		64,259	81,144	**107,757**	96,141
Assets of disposal group classified as held-for-sale	15	**6,350**	20,511	**-**	-
		70,609	101,655	**107,757**	96,141
Non-current assets					
Available-for-sale financial assets	16	**91**	169	**-**	-
Investments in subsidiary corporations	17	**-**	-	**82,030**	82,030
Investment in joint venture	18	**-**	207	**-**	-
Property, plant and equipment	19	**225,625**	208,066	**10**	33
Deposits for purchase of property, plant and equipment		**1,193**	283	**-**	-
Intangible assets	20	**44,800**	45,180	**-**	-
Club memberships		**60**	60	**-**	-
Deferred income tax assets	24	**-**	-	**524**	524
		271,769	253,965	**82,564**	82,587
Total assets		**342,378**	355,620	**190,321**	178,728
LIABILITIES					
Current liabilities					
Trade and other payables	21	**14,733**	21,765	**60,088**	61,786
Borrowings	22	**46,693**	103,184	**-**	49,843
Current income tax liabilities		**815**	775	**-**	-
		62,241	125,724	**60,088**	111,629
Liabilities directly associated with disposal group classified as held-for-sale	15	**2,525**	5,522	**-**	-
		64,766	131,246	**60,088**	111,629
Non-current liabilities					
Borrowings	22	**151,136**	86,123	**50,000**	-
Deferred income tax liabilities	24	**4,478**	4,478	**-**	-
		155,614	90,601	**50,000**	-
Total liabilities		**220,380**	221,847	**110,088**	111,629
NET ASSETS		**121,998**	133,773	**80,233**	67,099
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	**91,657**	75,562	**91,657**	75,562
Fair value reserve		**14**	92	**-**	-
Translation reserve		**(3,973)**	(2,551)	**-**	-
Other reserve		**509**	509	**-**	-
Retained profits/(accumulated losses)		**27,200**	54,114	**(11,424)**	(8,463)
		115,407	127,726	**80,233**	67,099
Non-controlling interests	17	**6,591**	6,047	**-**	-
Total equity		**121,998**	133,773	**80,233**	67,099

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2016

	Note	Share capital	Fair value reserve*	Translation reserve*	Other reserve*[1]	Retained profits**	Total	Non-controlling interests	Total equity
		← Attributable to equity holders of the Company					→		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
2016									
Beginning of financial year		75,562	92	(2,551)	509	54,114	127,726	6,047	133,773
Issue of new shares for private placement (net of transaction cost)	25	14,708	-	-	-	-	14,708	-	14,708
Issue of new shares for acquisition in prior financial years	25	1,375	-	-	-	-	1,375	-	1,375
Award of performance shares to employees	25	12	-	-	-	-	12	-	12
Total comprehensive (loss)/income for the financial year		-	(78)	(1,422)	-	(26,914)	(28,414)	544	(27,870)
End of financial year		**91,657**	**14**	**(3,973)**	**509**	**27,200**	**115,407**	**6,591**	**121,998**
2015									
Beginning of financial year		72,027	92	(1,981)	-	56,153	126,291	3,253	129,544
Issue of new shares for acquisition in prior financial years	25	3,475	-	-	-	-	3,475	-	3,475
Award of performance shares to employees	25	70	-	-	-	-	70	-	70
Purchase of treasury shares	25	(10)	-	-	-	-	(10)	-	(10)
Disposal of interests without loss of control		-	-	-	509	-	509	2,011	2,520
Additional investment by non-controlling interest		-	-	-	-	-	-	211	211
Dividends paid relating to 2014	26	-	-	-	-	(3,621)	(3,621)	-	(3,621)
Total comprehensive (loss)/income for the financial year		-	-	(570)	-	1,582	1,012	572	1,584
End of financial year		**75,562**	**92**	**(2,551)**	**509**	**54,114**	**127,726**	**6,047**	**133,773**

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

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

[1] Differences between consideration and the change in carrying amounts of non-controlling interest in respect of partial disposal of a subsidiary corporation without loss of control.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Net (loss)/profit		**(26,370)**	2,154
Adjustments for:			
- Income tax expense	9	**46**	161
- Depreciation of property, plant and equipment	19	**13,997**	13,695
- Impairment loss on joint venture	18	**207**	-
- Impairment loss on property, plant and equipment	19	**11,482**	-
- Impairment loss on goodwill arising on acquisition of business	20	**380**	-
- Gain on bargain purchase	5	**(1,025)**	-
- Gain on disposal of property, plant and equipment	5	**(94)**	(4,183)
- Write-back of deferred consideration on a previous acquisition	5	**-**	(1,892)
- Write down of fair values of disposal group classified as asset-held-for-sale	15	**936**	-
- Dividend income on available-for-sale financial assets	5	**(5)**	(2)
- Award of performance shares	25	**12**	70
- Interest income	5	**(44)**	(19)
- Interest expense	8	**5,111**	5,656
- Currency translation differences		**(1,741)**	318
		2,892	15,958
Change in working capital			
- Trade and other receivables		**14,695**	27,620
- Inventories		**(726)**	1,553
- Trade and other payables		**(7,685)**	(15,518)
Cash generated from operations		**9,176**	29,613
Interest received		**44**	19
Income tax paid		**(6)**	(230)
Net cash provided by operating activities		**9,214**	29,402

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2016

	Note	**2016 $'000**	2015 $'000
Cash flows from investing activities			
Acquisition of business		**(1,643)**	-
Dividend received on available-for-sale financial assets		**5**	2
Dividend received from investment in joint venture	18	**-**	674
Proceeds from disposal of property, plant and equipment		**1,606**	11,133
Proceeds from disposal of available-for-sale financial assets		**-**	3
Payments of other payables relating to prior financial years' acquisitions		**(700)**	(2,625)
Purchase of property, plant and equipment		**(4,138)**	(16,445)
Release of short-term bank deposits pledged		**(677)**	317
Net cash used in investing activities		**(5,547)**	(6,941)
Cash flows from financing activities			
Dividends paid	26	**-**	(3,621)
Interest paid		**(7,945)**	(4,925)
Repayment of bank borrowings		**(71,974)**	(37,272)
Repayment of finance lease liabilities		**(6,069)**	(6,759)
Proceeds from bank borrowings		**62,959**	23,230
Proceeds from private placements	25	**14,708**	-
Purchase of treasury shares	25	**-**	(10)
Net cash used in financing activities		**(8,321)**	(29,357)
Net decrease in cash and cash equivalents		**(4,654)**	(6,896)
Cash and cash equivalents at beginning of financial year		**7,274**	14,170
Cash and cash equivalents at end of financial year	11	**2,620**	7,274

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

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

These financial statements were authorised for issue in accordance with a resolution of Board of Directors of Mencast Holdings Ltd on 30 March 2017.

1. General information

Mencast Holdings Ltd (the "**Company**") is listed on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**") and incorporated and domiciled in Singapore. The address of its registered office is 42E Penjuru Road, Mencast Central, Singapore 609161.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiary corporations are disclosed in Note 17 to the financial statements.

2. Significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2016

On 1 January 2016, the Group adopted the new or amended FRS and Interpretations to FRS ("**INT FRS**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Going concern

In preparing the financial statements, the Directors have considered the operations of the Group as a going concern notwithstanding that the Group incurred a net loss of $26,370,000 (2015: Net profit of $2,154,000) for the financial year ended 31 December 2016. The Directors have prepared the financial statements of the Group on a going concern basis as they believe the Group will be able to meet its obligations as and when they fall due because of the following measures:

(i) Leveraging on Group's capabilities, platforms and relationships into other business opportunities such as engineering works for the construction industry;

(ii) Planned disposal of subsidiary corporation's building on leasehold land and other non-core and under utilised assets;

(iii) Continuous streamlining of operations to cut costs and overhead; and

(iv) The Group has received letters of offer for additional banking facilities of $22,900,000 for working capital purposes.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern (continued)

In the event that the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet. In addition, the Company may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The financial statements do not include any adjustment which may arise from these uncertainties.

2.2 Revenue recognition

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

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

(i) *Sale of goods*

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

(ii) *Rendering of services*

<u>Repair and overhaul services</u>

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

<u>Maintenance service</u>

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

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(iii) Construction contracts

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

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividend income

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

(vi) Rental income

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

(vii) Sales of scrap

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

2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other gains - net.

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

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

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

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiary corporations (continued)

(i) Consolidation (continued)

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(a) Subsidiary corporations (continued)

(iii) Disposals

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

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

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

(b) Transactions with non-controlling interests

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

(c) Joint venture

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

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

(i) Acquisitions

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

2. Significant accounting policies (continued)

2.4 Group accounting (continued)

(c) Joint venture (continued)

(ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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

(iii) Disposal

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

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

2.5 Property, plant and equipment

(a) Measurement

(i) Buildings on leasehold land

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

(ii) Other property, plant and equipment

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

(iii) Components of costs

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

2. Significant accounting policies (continued)

2.5 Property, plant and equipment (continued)

(b) Depreciation

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

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

No depreciation is provided on construction in progress.

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

(c) Subsequent expenditure

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

(d) Disposal

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

2.6 Club memberships

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

2.7 Intangible assets

Goodwill on acquisitions

Goodwill on acquisitions of subsidiary corporations and businesses on or after 1 January 2010 represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over (b) the fair value of the identifiable net assets acquired. Goodwill on subsidiary corporations is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

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

2. Significant accounting policies (continued)

2.7 Intangible assets (continued)

Goodwill on acquisitions of joint ventures and associated companies represents the excess of the cost of the acquisition over the Group's share of the identifiable net assets acquired. Goodwill on joint venture is included in the carrying amount of the investments.

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

2.8 Borrowing costs

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

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

2.9 Construction contracts

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

A variation or a claim are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

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

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

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

2.10 Investments in subsidiary corporations and joint venture

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

2. Significant accounting policies (continued)

2.11 Impairment of non-financial assets

(a) *Goodwill*

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

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

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

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

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

(b) *Property, plant and equipment*
Investments in subsidiary corporations and joint venture

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

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

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

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is the treated as a revaluation decrease.

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

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss unless the asset is carried at revalued amount in which case, such reversal is treated as a revaluation increase.

2. Significant accounting policies (continued)

2.12 Financial assets

(a) Classification

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

(b) Recognition and derecognition

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

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

(c) Initial and subsequent measurement

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

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

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

(d) Impairment

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

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(d) Impairment (continued)

(i) Loans and receivables

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

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

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

(ii) Available-for-sale financial assets

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

If there is objective evidence of impairment exists, the cumulative loss that had been recognised in other comprehensive income is reclassified to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent period.

2.13 Offsetting financial instruments

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

2.14 Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation.

2. Significant accounting policies (continued)

2.15 Borrowings

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

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

2.16 Trade and other payables

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

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

2.17 Fair value estimation of financial assets and liabilities

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

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

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

2.18 Leases

(a) When the Group is the lessee:

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

(i) Lessee – Finance leases

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

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

2. Significant accounting policies (continued)

2.18 Leases (continued)

(a) When the Group is the lessee: (continued)

(i) Lessee – Finance leases (continued)

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

(ii) Lessee – Operating leases

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

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

(b) When the Group is the lessor:

The Group leases office and workshop space under operating leases.

Lessor – Operating leases

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

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

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

2.19 Inventories

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

2. Significant accounting policies (continued)

2.20 Income taxes

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

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

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

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

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

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

2.21 Provisions

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

2.22 Employee compensation

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

(a) Defined contribution plans

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

2. Significant accounting policies (continued)

2.22 Employee compensation (continued)

(b) *Profit sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

(c) *Performance shares*

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

(d) *Employee leave entitlement*

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

2.23 Currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

2. Significant accounting policies (continued)

2.23 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.24 Segment reporting

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

2.25 Cash and cash equivalents

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

2.26 Share capital and treasury shares

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

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

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

2.27 Dividends to Company's shareholders

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

2. Significant accounting policies (continued)

2.28 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting estimates, assumptions and judgements

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

(a) Impairment test for goodwill

The Group has recognised an impairment charge on its goodwill of $380,000 during the financial year which resulted in the carrying amount of goodwill as at 31 December 2016 reduced to $44,800,000.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 20, the recoverable amounts of the CGUs in which goodwill has been attributable to, are determined using value-in-use (VIU) calculation.

Significant judgements are used to estimate the gross margin, weighted average growth rates and the pre-tax discount rates applied in computing the recoverable amounts of the different CGUs. In making these estimates, management has relied on past performance, its expectations of market developments and the industry trends. Specific estimates are disclosed in Note 20.

Sensitivity analysis:
- if the estimated EBITDA margin used in the VIU calculation had been 5% lower than management's estimates, the Group would have recognised a further impairment charge on goodwill of $2,700,000 for MEPL/Chinyee, $3,227,000 for Subsea;
- if the estimated weighted average growth rate used had been 0.5% lower than management's estimates, the Group would have recognised a further impairment charge on goodwill of $277,000 for MEPL/Chinyee, $610,000 for Subsea; and
- if the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been 0.5% higher than management's estimates, the Group would have recognised a further impairment charge on goodwill of $359,000 for MEPL/Chinyee and $810,000 for Subsea.

(b) Impairment of property, plant and equipment

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

The recoverable amounts of these assets and, where applicable CGU, have been determined based on fair value less costs to sell calculations which is from the viewpoint of independent market participants. The carrying amounts of property, plant and equipment at the balance sheet date are disclosed in Note 19.

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

(b) *Impairment of property, plant and equipment* (continued)

An impairment charge of $11,482,000 (2015: Nil) was recognised for property, plant and equipment for the financial year ended 31 December 2016 based on estimated recoverable amount determined from external valuation and price bid from the third party, which reduced the carrying amount of property, plant and equipment from $29,882,000 to $18,400,000. If the recoverable amount of property, plant and equipment had been lower by 10%, the Group would have reduced the carrying amount of property, plant and equipment by $1,840,000.

(c) *Depreciation of property, plant and equipment*

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 60 years. The carrying amount of the Group's property, plant and equipment as at 31 December 2016 was $225,625,000 (2015: $208,066,000). Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(d) *Construction contracts*

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

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

If the percentage of completion of uncompleted contracts at the balance sheet date had been higher/lower by 10% from management's estimates, the Group's profit would have been higher/lower by $567,000 and $1,286,000 respectively.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit would have been lower/higher by $602,000 and $1,169,000 respectively.

(e) *Impairment of loans and receivables*

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

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

4. Revenue

	Group	
	2016	2015
	$'000	$'000
Revenue from construction contracts	**17,106**	35,363
Service income from maintenance, repair and overhaul	**30,107**	33,672
Sale of goods	**12,878**	21,587
	60,091	90,622

5. Other (losses)/gains – net

	Group	
	2016	2015
	$'000	$'000
Dividend income on available-for-sale financial assets	**5**	2
Foreign currency exchange (loss)/gain – net	**(26)**	93
Gain on bargain purchase (Note 32)	**1,025**	-
Gain on disposal of property, plant and equipment	**94**	4,183
Government grants	**785**	478
Impairment loss on joint venture (Note 18)	**(207)**	-
Impairment loss on property, plant and equipment (Note 19)	**(11,482)**	-
Impairment loss on goodwill arising on acquisition of business (Note 20)	**(380)**	-
Interest income – bank deposits	**44**	19
Rental income on operating lease	**414**	395
Sales of scrap	**217**	255
Write-back of deferred consideration on a previous acquisition	**-**	1,892
Write-back of long-outstanding payables and accruals	**169**	104
Write down of fair values of disposal group classified as held-for-sale (Note 15)	**(936)**	-
Other income	**156**	325
	(10,122)	7,746

6. Expenses by nature

	Group	
	2016	2015
	$'000	$'000
Purchases of raw materials	**9,675**	9,338
Advertisement	**66**	79
Fees on audit services paid/payable to:		
- Auditor of the Company	**189**	189
- Other auditors*	**16**	43
Fees on non-audit services paid/payable to other auditors*	**63**	75
Impairment loss on trade receivables, net - non-related parties (Note 29(b)(ii))	**1,866**	712
Write-off of trade receivables - non-related parties	**1,081**	-
Commission	**140**	349
Depreciation of property, plant and equipment (Note 19)	**13,997**	13,695
Directors' fees	**226**	226
Donation	**40**	31
Employee compensation (Note 7)	**22,018**	32,785
Employee welfare	**645**	1,282
Entertainment and refreshment	**184**	252
Freight and handling charges	**439**	454
Insurance	**736**	1,092
Property tax	**1,005**	1,431
Printing and stationery	**145**	224
Professional fees	**1,133**	1,547
Repairs and maintenance	**1,510**	2,376
Rental expense on operating leases	**4,081**	4,217
Security fees	**81**	264
Subcontractors' cost	**8,170**	11,574
Surveyor and testing fees	**716**	1,114
Telephone	**287**	392
Transportation	**456**	575
Travelling	**448**	550
Utilities	**1,927**	2,367
Write-back of allowance for impairment of trade receivables (Note 29(b)(ii))	**(32)**	(333)
Other	**1,164**	1,944
Changes in inventories	**(1,290)**	1,553
Total cost of sales and administrative expenses	**71,182**	90,397

* Includes the network member firms of Nexia International.

7. Employee compensation

	Group	
	2016	2015
	$'000	$'000
Wages and salaries	**18,636**	28,196
Employers' contribution to defined contribution plans including Central Provident Fund	**3,010**	4,196
Other short-term benefits	**360**	323
Performance shares expense (Note 25)	**12**	70
	22,018	32,785

8. Finance expenses

	Group	
	2016	2015
	$'000	$'000
Interest expense on:		
- Bank borrowings	**3,359**	3,277
- Finance lease liabilities	**525**	525
- Series 1 Notes	**2,819**	3,101
	6,703	6,903
Less: Borrowing costs capitalised in property, plant and equipment	**(1,592)**	(1,247)
	5,111	5,656

9. Income taxes

	Group	
	2016	2015
	$'000	$'000
<u>Income tax expenses</u>		
Tax expense attributable to (loss)/profit is made up of:		
(Loss)/profit for the financial year		
- Current income tax - Singapore	**96**	246
- Current income tax - Malaysia	**13**	-
- Deferred income tax (Note 24)	**-**	351
	109	597
Over provision in prior financial years		
- Current income tax - Singapore	**(63)**	(110)
- Deferred income tax (Note 24)	**-**	(326)
	46	161

9. Income taxes (continued)

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

	Group	
	2016	2015
	$'000	$'000
(Loss)/profit before income tax	**(26,324)**	2,315
Tax calculated at tax rate of 17% (2015: 17%)	**(4,475)**	394
Effects of:		
- different tax rates in other countries	**(29)**	30
- statutory tax exemption	**(26)**	(52)
- tax incentive under Productivity and Innovation Credit	**–**	(251)
- expenses not deductible for tax purposes	**3,804**	1,545
- income not subject to tax	**(196)**	(1,033)
- tax rebate	**–**	(40)
- deferred income tax asset not recognised	**1,117**	–
- over provision in prior financial years	**(63)**	(436)
- other	**(86)**	4
Tax charge	**46**	161

10. (Loss)/earnings per share

(a) Basic (loss)/earnings per share

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

	Group	
	2016	2015
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(26,914)**	1,582
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share ('000)	**417,276**	361,035
Basic (loss)/earnings per share (cents per share)	**(6.45)**	0.44

10. (Loss)/earnings per share (continued)

(b) Diluted (loss)/earnings per share

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

As at 31 December 2015, the Company has Performance Share Award as dilutive potential ordinary shares.

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

	Group	
	2016	2015
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(26,914)**	1,582
Weighted average number of ordinary shares outstanding for basic (loss)/earnings per share ('000)	**417,276**	361,035
Adjustment for		
- Performance Share Award	**-**	53
	417,276	361,088
Diluted (loss)/earnings per share (cents per share)	**(6.45)**	0.44

11. Cash and cash equivalents

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**4,125**	7,827	**425**	410
Short-term bank deposits	**3,291**	3,069	**-**	-
	7,416	10,896	**425**	410

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

	Group	
	2016	2015
	$'000	$'000
Cash and bank balances (as above)	**7,416**	10,896
Less : Short-term bank deposits and cash at bank pledged	**(3,395)**	(2,718)
Less : Bank overdrafts (Note 22)	**(1,401)**	(904)
Cash and cash equivalents per consolidated statement of cash flows	**2,620**	7,274

Certain short-term bank deposits are pledged to secure certain bank borrowings (Note 22).

12. Trade and other receivables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Non-related parties	**23,045**	32,520	**-**	-
Less: Allowance for impairment of trade receivables - non-related parties (Note 29(b)(ii))	**(3,101)**	(1,267)	**-**	-
Trade receivables – net	**19,944**	31,253	**-**	-
Construction contracts				
- Due from customers (Note 14)	**14,520**	17,404	**-**	-
Non-trade amounts due from subsidiary corporations	**-**	-	**102,582**	91,575
Accrued revenue	**6,042**	6,952	**736**	1,783
Advances to suppliers	**160**	894	**6**	-
Advances to staff	**35**	47	**-**	-
Deposits	**412**	547	**5**	11
Prepayments	**2,371**	1,190	**1,561**	68
Other receivables				
- Non-related parties	**1,324**	1,216	**2,442**	2,294
- Related party	**1,970**	1,970	**-**	-
	46,778	61,473	**107,332**	95,731

The non-trade amounts due from subsidiary corporations and other receivables from related party are unsecured, repayable on demand and interest-free, except for certain advances to subsidiary corporations amounting to $35,523,000 (2015: $30,929,000) which bear interest at 5.75% (2015: 5.75%) per annum.

13. Inventories

	Group	
	2016	2015
	$'000	$'000
Raw materials	**4,486**	5,511
Work-in-progress	**3,482**	1,547
Finished goods	**1,505**	983
Deferred costs	**592**	734
	10,065	8,775

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $8,385,000 (2015: $10,891,000).

14. Construction contracts

	Group	
	2016	2015
	$'000	$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**21,690**	40,690
Less: Progress billings	**(7,175)**	(23,356)
	14,515	17,334
Presented as:		
Due from customers on construction contracts (Note 12)	**14,520**	17,404
Due to customers on construction contracts (Note 21)	**(5)**	(70)
	14,515	17,334

15. Disposal group classified as held-for-sale

Details of the assets in disposal group classified as held-for-sale are as follows:

	Buildings on leasehold land	**Renovation**	**Furniture and Fixtures**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
2016				
Beginning of financial year	**19,871**	**535**	**105**	**20,511**
Reclassified back to property, plant, and equipment (Note 19)	**(12,669)**	**(535)**	**(21)**	**(13,225)**
Write-down of fair values (Note 5)	**(936)**	**-**	**-**	**(936)**
End of financial year	**6,266**	**-**	**84**	**6,350**
2015				
Beginning of financial year	–	–	–	–
Reclassification from property, plant and equiment (Note 19)	19,871	535	105	20,511
End of financial year	19,871	535	105	20,511

15. Disposal group classified as held-for-sale (continued)

Details of the liabilities directly associated with disposal group classified as held-for-sale is as follows:

	Group	
	2016	2015
	$'000	$'000
Bank borrowings:		
Secured	**2,525**	2,355
Unsecured	**-**	3,167
	2,525	5,522

In 2015, the Group reclassified certain assets and liabilities under disposal group as held-for-sale with a net asset amount of $14,989,000 as part of the key initiatives of management to dispose some under-utilised assets for cost savings and to improve the cash flow position.

Certain assets previously classified as disposal group held-for-sale were reclassified back to property, plant and equipment as the sale of such assets is no longer highly probable.

Bank borrowings include secured liabilities of $2,525,000 for the Group's building on leasehold land.

Unsecured liabilities in 2015 of $3,167,000 pertains to bank borrowings to finance the construction of office building & workshop in Changshu, Jiangsu, China (Note 19). The Company has issued corporate guarantees to banks on these unsecured borrowings.

16. Available-for-sale financial assets

	Group	
	2016	2015
	$'000	$'000
Beginning of financial year	**169**	172
Fair value loss recognised in other comprehensive loss	**(78)**	-
Disposal	**-**	(3)
End of financial year	**91**	169

Available-for-sale financial assets are equity securities listed in Malaysia.

17. Investments in subsidiary corporations

	Company	
	2016	2015
	$'000	$'000
Equity investments at cost		
Beginning of financial year	**82,030**	94,251
Disposal of investment in subsidiary corporation without loss of control	**-**	(12,221)
End of financial year	**82,030**	82,030

17. Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015
			%	%	**%**	%	**%**	%
Mencast Marine Pte Ltd[a]	Manufacture, supply and refurbishment and reconditioning of sterngear	Singapore	**100**	100	**100**	100	**-**	-
Mencast Engineering Pte Ltd ("MEPL")[a]	Supply of oil & gas equipment and precision engineering services	Singapore	**100**	100	**100**	100	**-**	-
Mencast Offshore & Marine Pte Ltd[a]	Provision of mechanical engineering works, and repair of ships, tankers and other ocean-going vessels	Singapore	**100**	100	**100**	100	**-**	-
Mencast Energy Pte Ltd[a]	Manufacture of marine parts & equipment	Singapore	**70**	70	**70**	70	**30**	30
Recon Propeller & Engineering Pte Ltd[a]	Sterngear services	Singapore	**100**	100	**100**	100	**-**	-
Mencast Procurement (Singapore) Pte Ltd[a]	Trading of materials and equipment for the marine oil & gas	Singapore	**100**	100	**100**	100	**-**	-
Top Great Engineering & Marine Pte Ltd ("Top Great")[a]	Provision of mechanical engineering works, and repair of ships, tankers and other ocean going vessels	Singapore	**100**	100	**100**	100	**-**	-
Mencast Subsea Pte Ltd ("Subsea")[a]	Provision of underwater commercial diving and top side (rope access) services	Singapore	**100**	100	**100**	100	**-**	-

17. Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows (continued):

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015
			%	%	**%**	%	**%**	%
S&W Pte Ltd ("S&W")[a]	Fabrication of heat exchanger, pressure vessel, air cooler heat exchanger and skid packager	Singapore	**100**	100	**100**	100	**-**	-
MAG Offshore Marine Pte. Ltd.[e]	Inactive	Singapore	**51**	51	**51**	51	**49**	49
Mencast Marine (HK) Limited[e]	Inactive	Hong Kong	**-**	-	**100**	100	**-**	-
Mencast Energeers Pte Ltd[a]	Inactive	Singapore	**-**	-	**70**	70	**30**	30
Vac-Tech Engineering Pte Ltd[a]	Sludge treatment, catalyst handling, environmental services and industrial cleaning services	Singapore	**-**	-	**49**	49	**51**	51
Chinyee Engineering & Machinery Pte Ltd ("Chinyee")[a]	Supply of oil & gas equipment and precision engineering services	Singapore	**-**	-	**100**	100	**-**	-
PT. Mencast Offshore & Marine[b]	Fabrication of steel structure, ship building and repairs	Indonesia	**-**	-	**100**	100	**-**	-
Mencast Engineering Sdn Bhd[c]	Engineering construction and development work	Malaysia	**-**	-	**100**	100	**-**	-
Top Great Holdings Pte Ltd[a]	Investment holding	Singapore	**-**	-	**100**	100	**-**	-
Top Great Engineering Services LLC[d]	Inactive	Sultanate of Oman	**-**	-	**100**	100	**-**	-
Mencast Offshore Sdn Bhd[c]	In the process of strike off	Malaysia	**-**	-	**100**	100	**-**	-

17. Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows (continued):

Name of companies	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held by parent		Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests	
			2016	2015	**2016**	2015	**2016**	2015
			%	%	**%**	%	**%**	%
Unidive Marine Services (Malaysia) Sdn Bhd[c]	Underwater commercial diving services provider	Malaysia	**-**	-	**100**	100	**-**	-
Unidive Offshore Pte Ltd[a]	Inactive	Singapore	**-**	-	**100**	100	**-**	-
Changshu Honghua Equipment Co., Ltd[f]	Inactive	China	**-**	-	**100**	100	**-**	-
S&W Process Equipment (Changshu) Co. Ltd.[f]	Fabrication of heat exchanger, pressure vessel, air cooler heat exchanger and skid packager	China	**-**	-	**100**	100	**-**	-
Stone Marine Mencast Pte Ltd (fka Centre of Excellence Pte Ltd)[a]	Repair of ships, tankers and other ocean-going vessels and wholesale of marine equipment and accessories	Singapore	**-**	100	**100**	100	**-**	-

(a) Audited by Nexia TS Public Accounting Corporation, Singapore.
(b) Audited by Riyanto, SE, AK, Indonesia.
(c) Audited by SSY Partners, Malaysia, a member firm of Nexia International.
(d) Audited by MHMY Auditors, Sultanate of Oman.
(e) Not required to be audited under the laws of the country of incorporation. Audited by Nexia TS Public Accounting Corporation, Singapore for consolidation purposes.
(f) Audited by Shanghai Nexia TS CPAS, China, managed by Nexia TS Public Accounting Corporation, a member firm of Nexia International.

In accordance to Rule 716 of SGX-ST – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiary corporations would not compromise the standard and effectiveness of the audit of the Company.

Significant restrictions

Cash in bank of $141,000 (2015: $108,000) is held in the People's Republic of China and are subject to local exchange control regulations. These local exchange regulations provide for restrictions on remitting capital from the country, other than through normal dividends.

17. Investments in subsidiary corporations (continued)

Carrying value of non-controlling interests

	2016	2015
	$'000	$'000
Vac-Tech Engineering Pte Ltd (representing 51% (2015: 51%) non-controlling interest)	**6,341**	5,607
Other subsidiary corporations with immaterial non-controlling interest	**250**	440
Total	**6,591**	6,047

Summarised financial information of subsidiary corporation with material non-controlling interests

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

There were no transactions with non-controlling interests for the financial year ended 31 December 2016.

In 2015, the Group partially disposed of its investment in Vac-Tech Engineering Pte Ltd without losing its control. This transaction was treated as transaction with non-controlling interests.

Summarised Balance Sheet

	Vac-Tech	
	2016	2015
	$'000	$'000
Current		
Assets	**8,942**	8,752
Liabilities	**(7,155)**	(7,171)
Total current net assets	**1,787**	1,581
Non-current		
Assets	**13,349**	12,790
Liabilities	**(2,702)**	(3,376)
Total non-current net assets	**10,647**	9,414
Net assets	**12,434**	10,995

Summarised Income Statement

	Vac-Tech	
	2016	2015
	$'000	$'000
Revenue	**15,091**	13,293
Profit before income tax	**1,533**	1,891
Income tax expense	**(94)**	(473)
Total comprehensive income, representing net profit	**1,439**	1,418
Total comprehensive income allocated to non-controlling interests	**734**	723

17. Investments in subsidiary corporations (continued)

Summarised Cash Flows

	Vac-Tech	
	2016	2015
	$'000	$'000
Cash flows from operating activities		
Cash generated from operations	**1,002**	4,825
Income tax paid	**(47)**	(187)
Net cash provided by operating activities	**955**	4,638
Net cash used in investing activities	**(1,828)**	(2,016)
Net cash used in financing activities	**(1,960)**	(1,513)
Net (decrease)/increase in cash and cash equivalents	**(2,833)**	1,109
Cash and cash equivalents at beginning of year	**3,538**	2,429
Cash and cash equivalents at end of year	**705**	3,538

18. Investment in joint venture

	Group	
	2016	2015
	$'000	$'000
Equity investment		
Beginning of financial year	**207**	881
Impairment loss (Note 5)	**(207)**	-
Dividend received	**-**	(674)
End of financial year	**-**	207

Details of joint venture are as follows:

Name of company	Principal activities	Country of business/ incorporation	Effective equity holding	
			2016	2015
			%	%
Towell Top Great Engineering Services LLC[a]	Inactive	Sultanate of Oman	**50**	50

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

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

19. Property, plant and equipment

Group	Buildings on leasehold land $'000	Machinery and equipment $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Vessels $'000	Computers $'000	Renovation $'000	Construction in progress $'000	Total $'000
2016										
Cost										
Beginning of financial year	69,766	82,261	1,176	958	5,392	11,543	2,028	993	70,771	244,888
Currency translation differences	(264)	446	1	(1)	10	–	10	1	–	203
Acquisition of assets (Note 32)	–	3,176	–	–	–	–	–	–	–	3,176
Additions	902	7,205	123	117	194	3,202	30	49	16,008	27,830
Reclassified from disposal group (Note 15)	14,637	–	240	–	–	–	–	672	–	15,549
Reclassification	–	4,614	–	–	1,009	20,786	–	–	(26,409)	–
Disposals	–	(1,434)	(71)	(6)	(1,177)	–	(60)	(9)	–	(2,757)
End of financial year	85,041	96,268	1,469	1,068	5,428	35,531	2,008	1,706	60,370	288,889
Accumulated depreciation and impairment losses										
Beginning of financial year	8,584	20,843	735	610	2,617	1,559	1,462	412	–	36,822
Currency translation differences	(69)	(33)	(4)	(4)	(3)	–	(6)	3	–	(116)
Depreciation charge (Note 6)	3,740	8,175	200	212	617	449	273	331	–	13,997
Impairment loss (Note 5)	–	1,221	–	–	–	10,261	–	–	–	11,482
Reclassified from disposal group (Note 15)	1,968	–	219	–	–	–	–	137	–	2,324
Disposals	–	(385)	(54)	(4)	(786)	–	(8)	(8)	–	(1,245)
End of financial year	14,223	29,821	1,096	814	2,445	12,269	1,721	875	–	63,264
Net book value										
End of financial year	**70,818**	**66,447**	**373**	**254**	**2,983**	**23,262**	**287**	**831**	**60,370**	**225,625**

19. Property, plant and equipment (continued)

Group	Buildings on leasehold land $'000	Machinery and equipment $'000	Furniture and fittings $'000	Office equipment $'000	Motor vehicles $'000	Vessels $'000	Computers $'000	Renovation $'000	Construction in progress $'000	Total $'000
2015										
Cost										
Beginning of financial year	95,939	79,482	1,708	733	4,453	6,118	1,847	1,497	22,613	214,390
Currency translation differences	(267)	(65)	2	46	170	-	14	(3)	-	(103)
Additions	1,670	12,371	37	179	1,499	5,711	181	469	48,158	70,275
Reclassified to disposal group (Note 15)	(23,637)	-	(493)	-	-	-	-	(672)	-	(24,802)
Reclassification	(1,761)	1,761	-	-	-	-	-	-	-	-
Disposals	(2,178)	(11,288)	(78)	-	(730)	(286)	(14)	(298)	-	(14,872)
End of financial year	69,766	82,261	1,176	958	5,392	11,543	2,028	993	70,771	244,888
Accumulated depreciation										
Beginning of financial year	8,608	17,141	715	494	2,431	1,344	1,093	628	-	32,454
Currency translation differences	33	348	222	5	180	-	-	(3)	-	785
Depreciation charge (Note 6)	4,076	7,880	257	111	510	267	383	211	-	13,695
Reclassified to disposal group (Note 15)	(3,766)	-	(388)	-	-	-	-	(137)	-	(4,291)
Disposals	(367)	(4,526)	(71)	-	(504)	(52)	(14)	(287)	-	(5,821)
End of financial year	8,584	20,843	735	610	2,617	1,559	1,462	412	-	36,822
Net book value										
End of financial year	**61,182**	**61,418**	**441**	**348**	**2,775**	**9,984**	**566**	**581**	**70,771**	**208,066**

19. Property, plant and equipment (continued)

Company	Office equipment $'000	Computers $'000	Renovation $'000	Total $'000
2016				
Cost				
Beginning of financial year	2	86	24	112
Additions	-	2	-	2
End of financial year	2	88	24	114
Accumulated depreciation				
Beginning of financial year	1	64	14	79
Depreciation charge	1	19	5	25
End of financial year	2	83	19	104
Net book value				
End of financial year	**-**	**5**	**5**	**10**
2015				
Cost				
Beginning of financial year	2	84	24	110
Additions	-	2	-	2
End of financial year	2	86	24	112
Accumulated depreciation				
Beginning of financial year	-	37	10	47
Depreciation charge	1	27	4	32
End of financial year	1	64	14	79
Net book value				
End of financial year	**1**	**22**	**10**	**33**

Additions during the financial year included machinery and equipment and motor vehicles acquired under finance leases amounting to $2,793,000 (2015: $1,290,000).

Additions during the financial year included in construction in progress financed by construction loan amounted to $17,162,000 (2015: $25,630,000).

The carrying amounts of machinery and equipment and motor vehicles held under finance leases are $19,666,000 (2015: $22,475,000) at the balance sheet date.

Certain bank borrowings are secured by property, plant and equipment of the Group with carrying amounts of $141,721,000 (2015: $127,704,000) (Note 22).

During the financial year ended 31 December 2016, impairment losses of $11,482,000 (2005: Nil) was recognised for property, plant and equipment as the estimated recoverable amount based on valuation report from independent valuers and price bid from a third party ship broker of $18,400,000 is lower than carrying amount of $29,882,000. This has decreased due to gloomy energy industry leading to lower demand and pressure on selling prices.

19. Property, plant and equipment (continued)

Included in the Group's property, plant and equipment are eight leasehold properties which are carried at cost less accumulated depreciation. The Group engaged third-party valuers to carry out valuation of the Group's properties. Set out below are the fair values of the eight properties:

Location	Description	Land Area (sqm)	Latest valuation date	Net book value as at 31 December 2016 ($'000)	Fair values ($'000)	Excess of fair values over net book value ($'000)
7 Tuas View Circuit	Office building, dormitory & workshop	8,501	Jan 2016	8,565	15,000	6,435
12 Kwong Min Road	Office building, dormitory & workshop	4,623	Nov 2015	3,562	8,500	4,938
42A Penjuru Road	Office building, canteen & workshop	15,091	Jun 2016	60,370	81,000	20,630
42E Penjuru Road	Waterfront, office building & workshop	19,266	Nov 2015	20,270	34,000	13,730
42B Penjuru Road	Office building & workshop	16,200	Aug 2016	18,881	29,000	10,119
107 Gul Circle	Office building & workshop	12,618	Jan 2016	4,861	7,500	2,639
11 Tuas Basin Close*	Waterfront, office building & workshop	14,730	Dec 2016*	6,350	6,350	-
No.6 Xinghua Gangqu Dadao Changshu, Jiangsu, China	Office building & workshop	34,433	Nov 2016	6,409	6,780	371
Total		**125,462**		**129,268**	**188,130**	**58,862**

The basis of valuation to determine the fair value of the properties was based on properties' highest-and-best-use. The estimated market values are presented for information purposes only and are not recognised in the Group's financial statements.

* This property is included in the "Assets of disposal group classified as held-for-sale" on the balance sheet as at 31 December 2016 (Note 15). The fair value of this property is based on the Option to Purchase signed on 22 December 2016 as previously announced by the Group.

The fair values above are within level 3 of the fair value hierarchy (Note 29(e)).

20. Intangible assets

Composition:	Group 2016 $'000	Group 2015 $'000
Goodwill arising on acquisition of business (a)	**3,108**	3,488
Goodwill arising on consolidation (b)	**41,692**	41,692
	44,800	45,180

(a) Goodwill arising on acquisition of business

	Group 2016 $'000	Group 2015 $'000
Cost		
Beginning and end of financial year	**3,488**	3,488
Accumulated impairment		
Beginning of financial year	-	-
Impairment charge (Note 5)	**(380)**	-
End of financial year	**(380)**	-
Netbook value	**3,108**	3,488

(b) Goodwill arising on consolidation

	Group 2016 $'000	Group 2015 $'000
Beginning and end of financial year	**41,692**	41,692

Impairment tests for goodwill

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

	Group 2016 $'000	Group 2015 $'000
Recon	**4,781**	4,781
Top Great/Offshore	**17,513**	17,513
Subsea	**12,777**	12,777
MEPL/Chinyee	**4,849**	5,229
Vac-Tech	**4,880**	4,880
	44,800	45,180

The impairment charge of $380,000 (2015: Nil) is included within "Other (losses)/gains- net" in the statement of comprehensive income. The impairment charge came from MEPL/Chinyee as a result of decline in customer demand due to a slowdown in oil and gas and marine industry.

20. Intangible assets (continued)

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

Key assumptions used for value-in-use calculations:

	2016			2015		
	EBITDA margin[1]	**Growth rate[2]**	**Discount rate[3]**	EBITDA margin[1]	Growth rate[2]	Discount rate[3]
Recon	**18**	**2%**	**11%**	38%	3%	11%
Top Great/Offshore	**12**	**2%**	**13%**	31%	3%	13%
Subsea	**3**	**3%**	**11%**	33%	3%	11%
MEPL/Chinyee	**14**	**2%**	**13%**	34%	3%	13%
Vac-Tech	**25**	**3%**	**11%**	30%	3%	11%

1 Budgeted EBITDA margin (Earnings before interest, tax, depreciation and amortisation divided by revenue)
2 Weighted average growth rate used to extrapolate cash flows beyond the budget period
3 Pre-tax discount rate applied to the pre-tax cash flow projections

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

21. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Trade payables				
- non-related parties	**9,829**	9,761	**-**	-
Construction contracts				
- Due to customers (Note 14)	**5**	70	**-**	-
Advances from customers	**673**	430	**-**	-
Deferred revenue	**11**	675	**-**	-
Amount due to subsidiary corporations (non-trade)	**-**	-	**57,296**	56,979
Amount due to former shareholder of Chinyee (non-trade)	**675**	2,750	**675**	2,750
Accruals for operating expenses	**2,229**	1,808	**1,472**	1,336
Other payables – non-related parties	**1,311**	6,271	**645**	721
	14,733	21,765	**60,088**	61,786

21. Trade and other payables (continued)

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

As at 31 December 2016, the amounts due to former shareholders of Chinyee pertains to the balance of purchase consideration of $675,000 (2015: $2,750,000), and to be settled by cash (2015: $1,375,000 in cash and $1,375,000 in ordinary shares of the Company). These amounts are to be settled in accordance with the terms and conditions of the sales and purchase agreements and supplemental agreements. These amounts are unsecured and interest-free.

22. Borrowings

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Current				
Series 1 Notes	**-**	49,843	**-**	49,843
Bank borrowings	**41,970**	46,938	**-**	-
Bank overdraft (Note 11)	**1,401**	904	**-**	-
Finance lease liabilities (Note 23)	**3,322**	5,499	**-**	-
	46,693	103,184	**-**	49,843
Non-current				
Bank borrowings	**148,013**	81,901	**50,000**	-
Finance lease liabilities (Note 23)	**3,123**	4,222	**-**	-
	151,136	86,123	**50,000**	-
Total borrowings	**197,829**	189,307	**50,000**	49,843

In 2013, the Company issued fixed rate notes denominated in Singapore dollar with a total nominal value of $50,000,000 under the $200,000,000 Multicurrency Medium Term Note Programme ("Series 1 Notes") entered by the Company. The Series 1 Notes were issued at an issue price of 100% of the principal amount in denominations of $250,000 with interest at a fixed rate of 5.75% per annum payable semi-annually in arrears. The Series 1 Notes matured and redeemed on 12 September 2016 through bank debt refinancing.

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
6 months or less	**93,226**	41,541	**50,000**	-
6 - 12 months	**5,269**	11,800	**-**	-
1 - 5 years	**50,712**	63,823	**-**	-
Over 5 years	**48,622**	22,300	**-**	-
	197,829	139,464	**50,000**	-

22. Borrowings (continued)

(a) Security granted

Bank borrowings include secured liabilities of $183,974,000 (2015: $126,177,000) for the Group.

Bank borrowings of the Group are secured over certain short-term bank deposits (Note 11) and property, plant and equipment (Note 19).

Finance lease liabilities of the Group are effectively secured over the leased machinery and equipment, and motor vehicles (Note 19), as the legal title is retained by the lessor and will be transferred to the Group upon full settlement of the finance lease liabilities.

(b) Fair value of non-current borrowings

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Bank borrowings	**143,231**	80,200	**48,696**	-
Finance lease liabilities	**3,123**	4,222	**-**	-

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

	Group		Company	
	2016	2015	**2016**	2015
	%	%	**%**	%
Bank borrowings	**3.60**	3.85	**4.02**	-
Finance lease liabilities	**3.46**	3.27	**-**	-

The fair values above are within level 3 of the fair values hierarchy (Note 29(e)).

23. Finance lease liabilities

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

	Group	
	2016	2015
	$'000	$'000
Minimum lease payments due		
- Not later than one year	**3,567**	5,830
- Between one and five years	**3,407**	4,554
	6,974	10,384
Less: Future finance charges	**(529)**	(663)
Present value of finance lease liabilities	**6,445**	9,721

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

	Group	
	2016	2015
	$'000	$'000
- Not later than one year (Note 22)	**3,322**	5,499
- Between one and five years (Note 22)	**3,123**	4,222
	6,445	9,721

24. Deferred income taxes

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

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Deferred income tax assets to be recovered after one year	**-**	-	**(524)**	(524)
Deferred income tax liabilities to be settled after one year	**4,478**	4,478	**-**	-
	4,478	4,478	**(524)**	(524)

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

	Accelerated tax depreciation	Tax losses	Total
	$'000	$'000	$'000
Group			
2016			
Beginning and end of financial year	5,817	(1,339)	4,478
2015			
Beginning of financial year	5,122	(669)	4,453
Tax charged to profit or loss (Note 9)	1,021	(670)	351
Over provision in prior financial years (Note 9)	(326)	-	(326)
End of financial year	5,817	(1,339)	4,478
Company			
2016			
Beginning and end of financial year	(3)	(521)	(524)
2015			
Beginning and end of financial year	(3)	(521)	(524)

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $17,228,000 (2015: $5,027,000) and capital allowance of $17,067,000 (2015: $7,713,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements. The tax losses have no expiry date.

25. Share capital and treasury shares

	No. of ordinary shares			Amount		
	Issued share capital '000	Treasury shares '000	Total '000	Share capital $'000	Treasury shares $'000	Total $'000
Group and Company						
2016						
Beginning of financial year	**364,724**	**(455)**	**364,269**	**75,765**	**(203)**	**75,562**
Shares issued for private placement	54,640	-	54,640	14,708	-	14,708
Shares issued for acquisition in prior financial years	2,742	-	2,742	1,375	-	1,375
Award of performance shares to employees	88	-	88	12	-	12
End of financial year	**422,194**	**(455)**	**421,739**	**91,860**	**(203)**	**91,657**
2015						
Beginning of financial year	357,496	(405)	357,091	72,220	(193)	72,027
Shares issued for acquisitions in prior financial years	6,882	-	6,882	3,475	-	3,475
Award of performance shares to employees	346	-	346	70	-	70
Purchase of treasury shares	-	(50)	(50)	-	(10)	(10)
End of financial year	364,724	(455)	364,269	75,765	(203)	75,562

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

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

2016

On 25 January 2016 the Company has allotted and issued an aggregate of 54,640,000 new shares at an issue price of S$0.27 per new share for cash totaling to $14,752,800 pursuant to Subscription Agreement entered on 3 December 2015. Transaction cost incurred amounted to $45,000, therefore the net proceeds from this issuance amounted to $14,707,800. The net proceeds were used to pay off certain borrowings of the Group.

The Company has issued and allotted on 30 March 2016 an aggregate of 2,741,774 as 3rd Tranche consideration shares for total consideration of $1,375,000 pursuant to acquisition of Chinyee Engineering & Machinery Pte Ltd.

On 22 August 2016, the Company has allotted and issued an aggregate of 87,658 ordinary shares in the Company to eligible employees of the Group (Note 25(c)).

2015

On 21 April 2015, the Company issued and allotted an aggregate of 2,302,464 consideration shares, comprising the 1st Tranche consideration shares of 1,203,080 and the 2nd Tranche consideration shares of 1,099,384 for total consideration of $625,000 each pursuant to acquisition of S & W and S & W Process Equipment.

The Company has issued and allotted on 7 May 2015 an aggregate of 2,741,774 as 2nd Tranche consideration shares for total consideration of $1,375,000 pursuant to acquisition of Chinyee Engineering & Machinery Pte Ltd.

On 29 September 2015, pursuant to acquisition of Vac -Tech Engineering Pte Ltd, the Company has allotted and issued 1,838,235 2nd Tranche - Part 2 consideration shares (as adjusted to take into account the Bonus Issue shares of 367,647) for total consideration of $850,000.

On 17 September 2015, the Company has allotted and issued an aggregate of 345,781 ordinary shares in the Company to eligible employees of the Group (Note 25(c)).

25. Share capital and treasury shares (continued)

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

(a) Treasury shares

The Company acquired nil (2015: 50,000) ordinary shares in the Company in the open market during the financial year. The total amount paid to acquire the ordinary shares was nil (2015: $10,000) and this was presented as a component within share capital.

(b) Share options

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

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

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

(i) at a price equal to the average of the last dealt prices for the five consecutive Market Days immediately preceding the relevant date of grant of the relevant option; or

(ii) at a price which is set at a discount to the Market Price provided that the maximum discount shall not exceed 20% of the Market Price.

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

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

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

The lapsing of option is provided for upon the occurrence of certain events, which include:
(a) termination of the participant's employment;
(b) bankruptcy of the participant;
(c) death of the participant;
(d) take-over of the Company; and
(e) the winding-up of the Company (voluntary or otherwise)

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

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

25. Share capital and treasury shares (continued)

(b) Share options (continued)

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

(c) Performance shares

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

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

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

(a) reward, retain and motivate employees to achieve increased performance;

(b) provide Company with comprehensive set of remuneration tools and further strengthen its competitiveness in attracting and retaining superior local and foreign talent; and

(c) encourage greater dedication and loyalty by enabling the Company to give recognition for past contributions and services as well as motivating Scheme Participants generally to contribute towards the Group's long-term prosperity.

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

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

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

(i) issuance of new shares; and/or

(ii) delivery of existing shares purchased from the market or shares held in treasury

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

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

On 22 August 2014, the Company, pursuant to the Mencast Performance Share Award Scheme, granted $168,000 worth of Share Awards to eligible employees of the Company over three (3) tranches which have been completed and awarded on 11 September 2014; 17 September 2015 and 22 August 2016 respectively.

26. Dividends

	Group and Company	
	2016	2015
	$'000	$'000
Ordinary dividends paid		
First and final exempt dividend paid in respect of the previous financial year of nil (2015: $0.01) per share	**-**	3,621

27. Contingencies

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

The Company has issued corporate guarantees to banks for borrowings of certain subsidiary corporations which are not secured over the assets of the subsidiary corporations. These bank borrowings* amount to $13,855,000 (2015: $20,430,000) (Note 29(b)) at the balance sheet date.

The directors estimated that the fair value of the corporate guarantee is negligible in the view that consequential benefits to be derived from its guarantee are not material and therefore not recognised. The subsidiary corporations which the guarantee are provided are in favorable equity position with no default in the payment of borrowings.

* This includes the unsecured liabilities directly associated with disposal group classified as held-for-sale.

28. Commitments

(a) Capital commitments

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

	Group	
	2016	2015
	$'000	$'000
Property, plant and equipment	**10,148**	30,145

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

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

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

	Group	
	2016	2015
	$'000	$'000
Not later than one year	**2,325**	2,567
Later than one year but not later than five years	**9,301**	11,150
Later than five years	**32,937**	40,226
	44,563	53,943

28. Commitments (continued)

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

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

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

	Group	
	2016	2015
	$'000	$'000
Not later than one year	**427**	380
Later than one year but not later than five years	**241**	888
	668	1,268

29. Financial risk management

Financial risk factors

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

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

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

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

29. Financial risk management (continued)

(a) Market risk

(i) Currency risk

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

	SGD $'000	USD $'000	Other $'000	Total $'000
At 31 December 2016				
Financial assets				
Cash and cash equivalents and available-for-sale financial assets	**6,420**	**454**	**633**	**7,507**
Trade and other receivables	**39,061**	**1,907**	**3,279**	**44,247**
Intercompany balances	**237,842**	**-**	**2,543**	**240,385**
	283,323	**2,361**	**6,455**	**292,139**
Financial liabilities				
Trade and other payables	**(7,143)**	**(2,087)**	**(4,814)**	**(14,044)**
Intercompany balances	**(237,842)**	**-**	**(2,543)**	**(240,385)**
Borrowings*	**(198,365)**	**-**	**(1,989)**	**(200,354)**
	(443,350)	**(2,087)**	**(9,346)**	**(454,783)**
Net financial (liabilities)/assets	**(160,027)**	**274**	**(2,891)**	**(162,644)**
Add: Net non-financial assets	**263,947**	**-**	**20,695**	**284,642**
Currency profile including non-financial assets	**103,920**	**274**	**17,804**	**121,998**
Currency exposure of net financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**3**	**2,360**	**1,056**	**3,419**

29. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	SGD $'000	USD $'000	Other $'000	Total $'000
At 31 December 2015				
Financial assets				
Cash and cash equivalents and available-for-sale financial assets	9,712	896	457	11,065
Trade and other receivables	50,892	4,533	3,964	59,389
Intercompany balances	206,704	189	1,951	208,844
	267,308	5,618	6,372	279,298
Financial liabilities				
Trade and other payables	(13,651)	(2,740)	(4,199)	(20,590)
Intercompany balances	(206,704)	(189)	(1,951)	(208,844)
Borrowings *	(194,632)	-	(197)	(194,829)
	(414,987)	(2,929)	(6,347)	(424,263)
Net financial (liabilities)/assets	(147,679)	2,689	25	(144,965)
Add: Net non-financial assets	251,147	-	27,591	278,738
Currency profile including non-financial assets	103,468	2,689	27,616	133,773
Currency exposure of net financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	(2,256)	2,689	(1,722)	(1,289)

**Borrowings include the liabilities directly associated with disposal group classified as held-for-sale.*

If the USD change against the SGD by 5% (2015: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset position to the net profit and equity of the Group will not be significant.

The Company is not exposed to currency risk since all its financial assets and liabilities as at 31 December 2016 and 2015 are denominated in Singapore Dollar.

(ii) Price risk

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

Further details of these equity investments can be found in Note 16 to the financial statements.

Equity price sensitivity

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

29. Financial risk management (continued)

(a) Market risk (continued)

(ii) Price risk (continued)

Cash flow and fair value interest rate risks

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

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

If the SGD variable interest rates had been higher/lower by 0.5% (2015: 0.5%) with all other variables including tax rate being held constant, the net profit would have been lower/higher by $286,000 (2015:$434,000) as a result of higher/lower interest expense on these borrowings.

(b) Credit risk

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

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

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

	Company	
	2016	2015
	$'000	$'000
Corporate guarantees provided to banks on subsidiary corporations' loans (Note 27)	**13,855**	20,430

The trade receivables of the Group include 2 debtors (2015: 1 debtor) that individually represented 18% (2015: 12%) of trade receivables.

At the balance sheet date, the Company has no significant concentration of credit risk.

29. **Financial risk management** (continued)

(b) Credit risk (continued)

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

	Group	
	2016	2015
	$'000	$'000
By types of customers		
- Non-related parties		
- Multi-national companies	**11,113**	14,137
- Other companies	**8,831**	17,116
	19,944	31,253

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

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

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

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

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

	Group	
	2016	2015
	$'000	$'000
Past due less than 3 months	**5,748**	11,894
Past due 3 to 6 months	**2,620**	2,850
Past due over 6 months	**7,975**	9,110
	16,343	23,854

29. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Group	
	2016	2015
	$'000	$'000
Gross amount	**3,101**	2,918
Less: Allowance for impairment (Note 12)	**(3,101)**	(1,267)
	-	1,651
Beginning of financial year	**1,267**	1,851
Allowance made (Note 6)	**1,866**	712
Write-back of allowance (Note 6)	**(32)**	(333)
Allowance utilised	**-**	(963)
End of financial year	**3,101**	1,267

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

(c) Liquidity risk

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

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

29. Financial risk management (continued)

(c) Liquidity risk (continued)

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

Group	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
At 31 December 2016				
Trade and other payables	**(14,044)**	**-**	**-**	**-**
Borrowings*	**(49,218)**	**(17,456)**	**(102,902)**	**(58,729)**
At 31 December 2015				
Trade and other payables	(19,215)	-	-	-
Borrowings*	(108,706)	(23,310)	(51,058)	(23,790)

**Borrowings include the liabilities directly associated with disposal group classified as held-for-sale.*

Company	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000
At 31 December 2016				
Trade and other payables	**(60,088)**	**-**	**-**	**-**
Borrowings	**-**	**-**	**(51,135)**	**-**
Financial guarantees	**(13,855)**	**-**	**-**	**-**
At 31 December 2015				
Trade and other payables	(60,411)	-	-	-
Borrowings	(49,843)	-	-	-
Financial guarantees*	(20,430)	-	-	-

**The financial guarantees include the unsecured liabilities directly associated with disposal group classified as held-for-sale.*

(d) Capital risk

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

Management monitors capital based on debt to equity ratio. The Group and the Company are also required by the banks to maintain debt to equity ratio not exceeding 3.20 times (2015: 1.50 times). The Group's and the Company's strategies which remain unchanged since 2014 are to maintain debt to equity ratio in compliance with certain bank's requirements.

29. Financial risk management (continued)

(d) Capital risk (continued)

Debt to equity ratio is calculated as borrowings divided by total equity. Borrowings comprised bank borrowings, bank overdraft, finance lease liabilities and Series 1 Notes. Total equity is defined as equity attributable to equity shareholders plus any deferred income tax liabilities, net minus intangible assets.

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Borrowings*	**200,354**	194,829	**50,000**	49,843
Total Equity	**75,085**	87,024	**79,709**	66,575
Debt to equity ratio (times)	**2.67**	2.24	**0.63**	0.75

*Borrowings include the liabilities directly associated with disposal group classified as held-for-sale (Note 15).

For comparative purposes, the total equity have been adjusted to align with bank's requirement.

The Group and the Company have complied with externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

(e) Fair value measurements

The following table presents assets measured and carried at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices) Level 2; and

(iii) inputs for the asset that are not based on observable market data (unobservable inputs) (Level 3).

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

	Group	
	2016	2015
	$'000	$'000
Assets		
Available-for-sale financial assets (Note 16)	**91**	169

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

The carrying amount less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying amount of current borrowings approximates their fair value.

29. Financial risk management (continued)

(f) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 16 to the financial statements except for the following:

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	**$'000**	$'000
Loans and receivables	**51,663**	70,285	**106,190**	96,073
Financial liabilities at amortised cost	**214,308**	215,419	**110,088**	110,254

30. Related party transactions

<u>Key management personnel compensation</u>

Key management personnel compensation is as follows:

	Group	
	2016	2015
	$'000	$'000
Wages and salaries	**2,040**	2,583
Employer's contribution to defined contribution plans, including Central Provident Fund	**172**	177
	2,212	2,760

Key management personnel compensation includes directors' remuneration amounting to $710,000 (2015: $873,000).

31. Segment information

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

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

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

31. Segment information (continued)

The Group's activities comprise the following segments:

(a) Offshore & Engineering - Includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.

(b) Marine - Includes sterngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.

(c) Energy Services - Includes oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior for landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

The segment information are as follows:

	Group			
	Offshore & Engineering	Marine	Energy Services	Total
	$'000	$'000	$'000	$'000
2016				
Revenue				
Revenue from external parties	**21,218**	**23,857**	**15,016**	**60,091**
Gross (loss)/profit	**(4,787)**	**8,439**	**3,542**	**7,194**
Other (losses)/gains - net				
- gain on bargain purchase	-	1,025	-	1,025
- impairment loss on joint venture	(207)	-	-	(207)
- Impairment loss on property, plant and equipment	(9,021)	(2,461)	-	(11,482)
- Impairment loss on goodwill arising on acquisition of business	(380)	-	-	(380)
- other gains	-	-	-	922
Other (losses)/gains-net				**(10,122)**
Expenses				
- Administrative				**(18,285)**
- Finance				**(5,111)**
Loss before income tax				**(26,324)**
Income tax expense				**(46)**
Net loss for the financial year				**(26,370)**

31. Segment information (continued)

	Group			
	Offshore & Engineering $'000	Marine $'000	Energy Services $'000	Total $'000
2015				
Revenue				
Revenue from external parties	40,138	37,322	13,162	90,622
Gross profit	3,727	12,654	2,563	18,944
Other gains - net				7,746
Expenses				
- Administrative				(18,719)
- Finance				(5,656)
Profit before income tax				2,315
Income tax expenses				(161)
Net profit for the financial year				2,154

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

	Group	
	2016 $'000	2015 $'000
Singapore	**51,388**	69,184
Asia [(1)]	**8,013**	15,698
Rest of the world [(2)]	**690**	5,740
Total	**60,091**	90,622

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

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

Revenue of $7,661,000 (2015: $10,932,000) is derived from one (2015: one) external customer. This revenue is attributable to Singapore energy services segment (2015: Singapore offshore & engineering and marine segments).

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

	Group	
	2016 $'000	2015 $'000
Singapore	**248,487**	236,103
Asia [(1)]	**23,282**	17,647
Middle East	**-**	215
Total	**271,769**	253,965

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

32. Business combination

On 15 July 2016, the Group completed the acquisition of certain target assets of Stone Marine Singapore Private Limited ("**Stone Marine**") for a total consideration of $2,715,000. The principal activities of Stone Marine is involved in the business of manufacturing and repair of marine propellers and associated stern gear and seals.

Details of the consideration paid and the assets acquired at the acquisition date are as follows:

	Group $'000
Purchase consideration	2,715
Less: Fair values of assets acquired	
Property, plant and equipment (Note 19)	(3,176)
Inventories	(564)
Gain on bargain purchase (Note 5)	(1,025)

The purchase consideration is payable in cash and to be paid in several tranches.

As at 31 December 2016, the outstanding payable is $1,072,000.

As at completion date, the Group also signed and completed the charge of Debenture in favour of Stone Marine as a security for any outstanding payable of the Group.

The Group also signed on 15 July 2016 a 3-year Supply and License Agreement with Stone Marine Propulsion Limited, being the owner of all intellectual property rights in connection with the Stone Marine and the Stone Marine seals, trademarks and the designs of certain propellers. Such license may be renewed for successive periods of two years upon mutual agreement between the parties.

The incidental costs related to business combination of $21,000 are included in "administration expenses" in the consolidated statement of comprehensive income and in operating cash flows in the consolidated sttement of cash flows.

Since the date of acquisition, the acquired business has not contributed to the Group's revenue or profit for the financial year ended 31 December 2016.

33. New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2017 and which the Group has not early adopted:

<u>Effective for annual periods beginning on or after 1 January 2017</u>

- Amendments to FRS 7 Disclosure Initiative
- Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses
- Improvements to FRSs (December 2016)
- Amendments to FRS 112 Disclosure of Interest in Other Entities

These amendments are not expected to have any significant impact on the financial statements of the Group.

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

Effective for annual periods beginning on or after 1 January 2018

FRS 115 Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 2018)

This is the converged standard on revenue recognition. It replaces FRS 11 Construction contracts, FRS 18 Revenue, and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises 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. An entity recognises revenue in accordance with that core principle by applying the following steps:

- 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

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

At this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

FRS 109 *Financial instruments (effective for annual periods beginning on or after 1 January 2018)*

The complete version of FRS 109 replaces most of the guidance in FRS 39. FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI.

Accordingly, the Group does not expect the new guidance to have a significant impact on the classification of its financial assets.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in OCI, for liabilities designed at fair value through profit or loss. There will be no impact on the Group's accounting for financial liabilities as the Group does not have any such liabilities.

There is now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 Revenue from contracts with customers, lease receivables, loan commitments and certain financial guarantee contracts. While the Groups has not yet undertaken a detailed assessment of how its impaired provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

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

Effective for annual periods beginning on or after 1 January 2018 (continued)

- Amendments to FRS 40: Transfers of Investment Property
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers
- Improvements to FRSs (December 2016)
  - Amendment to FRS 28 Investments in Associates and Joint Ventures
  - Amendment to FRS 101 First-Time Adoption of Financial Reporting Standards
- INT FRS 122 Foreign Currency Transactions and Advance Consideration

These amendments are not expected to have any significant impact on the financial statements of the Group.

FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $44,563,000 (Note 28(b)). However, the Group has yet to determine to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

This amendments are not expected to have any significant impact on the financial statements of the Group.

Effective date: to be determined*

- Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

* *The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the Accounting Standards Council Singapore ("**ASC**") in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.*

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2017

SHARE CAPITAL

Number of ordinary shares (excluding treasury shares)	:	421,738,524
Number of treasury shares held	:	455,025
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	14	2.09	144	0.00
100 - 1,000	38	5.67	33,159	0.01
1,001 - 10,000	171	25.52	896,524	0.21
10,001 - 1,000,000	414	61.79	41,058,462	9.74
1,000,001 AND ABOVE	33	4.93	379,750,235	90.04
TOTAL	**670**	**100.00**	**421,738,524**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	67,174,302	15.93
2	RAFFLES NOMINEES (PTE) LIMITED	63,006,563	14.94
3	WONG SWEE CHUN	47,931,000	11.37
4	CHUA KIM CHOO	41,716,800	9.89
5	DBS NOMINEES (PRIVATE) LIMITED	18,300,324	4.34
6	ESTATE OF SIM WEI WEI (SHEN WEI WEI), DECEASED	14,664,000	3.48
7	SIM SOON YING (SHEN SHUNYING)	14,354,000	3.40
8	WONG CHEE HERNG	12,544,400	2.97
9	UOB KAY HIAN PRIVATE LIMITED	12,069,000	2.86
10	GOH KAI KUI	9,706,000	2.30
11	PANG YOKE MIN	7,500,000	1.78
12	TAT LEE HOLDINGS PTE LTD	6,931,235	1.64
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,820,600	1.62
14	VENSTAR INVESTMENTS LTD	5,712,000	1.35
15	NG KENG TEONG	5,463,100	1.30
16	HUANG ZHIYONG	5,179,000	1.23
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	3,846,000	0.91
18	SONG BONG JOO	3,837,632	0.91
19	GAY CHEE CHEONG	3,708,000	0.88
20	CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,644,003	0.86
	TOTAL	**354,107,959**	**83.96**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Sim Soon Ngee Glenndle[1]	**75,669,100**	**17.94**	**70,734,800**	**16.77**
Chua Kim Choo[1]	**41,716,800**	**9.89**	**104,687,100**	**24.82**
Estate of Sim Wei Wei (Shen Wei Wei), deceased[1][5]	**14,664,000**	**3.48**	**131,739,900**	**31.24**
Sim Soon Ying[1]	**14,354,000**	**3.40**	**132,049,900**	**31.31**
Wong Swee Chun[2]	**47,931,000**	**11.36**	**1,509,900**	**0.36**
Gay Chee Cheong[3]	**23,373,000**	**5.54**	**9,175,000**	**2.18**
Chua Siok Lan[3]	**9,000,000**	**2.13**	**23,548,000**	**5.58**
Ni Wei Ming[3]	**175,000**	**0.04**	**32,373,000**	**7.68**
Wong Boon Huat[4]	**28,005,306**	**6.64**	**–**	**–**

Notes:

(1) The following shares are registered under Sim Soon Ngee Glenndle:
(a) 35,500,000 shares in Raffles Nominees (Pte) Limited;
(b) 29,100,000 shares in Citibank Nominees Singapore Pte Ltd; and
(c) 11,000,000 in DBS Nominees (Pte) Limited.

Sim Soon Ngee Glenndle is deemed interested in the shares of Chua Kim Choo, the estate of Sim Wei Wei (Shen Wei Wei), deceased, and Sim Soon Ying. Sim Soon Ngee Glenndle is the son of Chua Kim Choo and the brother of Sim Wei Wei and Sim Soon Ying. Each is deemed to have an interest in the shares held by each other.

(2) Wong Swee Chun is deemed interested in the shares of S C Wong Holdings Pte. Ltd.

(3) Gay Chee Cheong is deemed interested in the shares of Chua Siok Lan and Ni Weiming. Gay Chee Cheong is the husband of Chua Siok Lan and father of Ni Weiming. Each is deemed to have an interest in the shares held by each other.

(4) 28,005,306 shares registered in the name of Citibank Nominees Singapore Pte Ltd.

(5) Estate of Sim Wei Wei (Shen Wei Wei), deceased, is deemed to have an interest in the shares held by Chua Kim Choo, Sim Soon Ngee Glenndle and Sim Soon Ying.

COMPLIANCE WITH RULE 723 OF THE SGX-ST LISTING MANUAL

Based on information available and to the best knowledge of the Company, as at 20 March 2017, approximately 37.71% of the ordinary shares of the Company are held by the public. The Company is therefore in compliance with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

The Company has 455,025 treasury shares as at 20 March 2017.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Mencast Holdings Ltd. (the "**Company**") will be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Wednesday, 26 April 2017 at 10.00 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 for the financial year ended 31 December 2016 together with the Auditor's Report thereon. **(Resolution 1)**

2. To re-elect the following directors of the Company ("Directors") retiring pursuant to Article 89 of the Constitution of the Company:

   (a) Mr Ng Chee Keong **(Resolution 2)**
   (b) Mr Leow David Ivan **(Resolution 3)**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2016 comprising:

   (a) $90,368 to be paid in cash (previous year: S$225,920).
   (b) $90,368 to be paid in shares (previous year: Nil). **(Resolution 4)**

4. To re-appoint Nexia TS Public Accounting Corporation as the Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

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

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

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (**excluding treasury shares**) shall be based on the total number of issued shares (**excluding treasury shares**) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 6)**

7. Authority to issue shares under the Mencast Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, Cap.50, the Directors of the Company be authorised and empowered to offer and grant options ("**Options**") under the prevailing Mencast Employee Share Option Scheme (the "**ESOS**") and to issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the exercise of Options, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of Shares to be allotted and issued pursuant to the ESOS, when added to the number of Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

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

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Mencast Performance Share Award Scheme (the "**Scheme**') and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the Awards under the Scheme, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme, when added to the number of Shares issued and issuable in respect of all Awards, and all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total issued Shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 8)**

9. Renewal of Share Buy-Back Mandate

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be authorised to make purchases or otherwise acquire issued Shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares) (as ascertained as at the date of AGM) at the price of up to but not exceeding the Maximum Price as defined in the Appendix attached, and this authority shall, unless revoked or varied by the Company in general meeting, continue in force until the date on which the next AGM is held or required by law to be held; the date on which the purchase(s) of Share(s) by the Company is carried out to the full extent mandated; or the date on which the authority contained in the Share Buy-Back Mandate is revoked or varied by shareholders of the Company in general meeting.

[See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 11 April 2017

Explanatory Notes:

i. The Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, 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, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

ii. The Ordinary Resolution 7, if passed, will empower the Directors, to issue Shares pursuant to the exercise of Options granted or to be granted under the ESOS. The aggregate number of Shares which may be issued pursuant to the ESOS and any other share-based schemes (if applicable) shall not exceed in aggregate (for the entire duration of the ESOS) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) from time to time.

iii. The Ordinary Resolution 8, if passed, will empower the Directors to offer and grant Awards under the Scheme in accordance with the provisions of the Scheme and to issue from time to time such number of fully paid Shares as may be required to be issued pursuant to the vesting of the Awards subject to the maximum number of Shares prescribed under the terms and conditions of the Scheme. The aggregate number of Shares which may be issued pursuant to the Scheme and any other share-based schemes (if applicable) shall not exceed in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued Shares (excluding treasury shares) from time to time.

iv. The Ordinary Resolution 9 is to renew the Share Buy-Back Mandate and to permit the Company to purchase or acquire Shares at the Maximum Price as defined in the Appendix attached. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial statements of the Group for the financial year ended 31 December 2016 are set out in greater detail in the Appendix attached.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "**Meeting**").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

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

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

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(FOR SINGAPORE INCORPORATED LISTED COMPANIES)

MENCAST HOLDINGS LTD.

Company Registration No. 200802235C

(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We,____

of____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

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

No.	**Resolutions relating to:**	**Number of Votes For[1]**	**Number of Votes Against[1]**
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Re-election of Mr Ng Chee Keong as a Director		
3	Re-election of Mr Leow David Ivan as a Director		
4	Approval of Directors' fees		
5	Re-appointment of Nexia TS Public Accounting Corporation as Independent Auditor of the Company		
6	Authority to issue new shares in the capital of the Company		
7	Authority to issue shares under the Mencast Employee Share Option Scheme		
8	Authority to issue shares under the Mencast Performance Share Award Scheme		
9	Renewal of Share Buy-Back Mandate		

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

Dated this __________day of _______________ 2017

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

____

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

*Delete where inapplicable

Notes:

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

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

(a) a banking corporation licensed under the Banking Act (Cap. 19) 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) and who holds shares in that capacity; or
(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), 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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 not less than forty-eight (48) hours before the time appointed for the Meeting.

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

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2017.

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

MENCAST HOLDINGS LTD

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