Mencast

Creating energy with infinite possibilities.

Annual Report 2017

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CORPORATE PROFILE

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 has grown into a leader in the manufacture and repair of propellers and sterngear equipment and has built on its core competencies to steadily expand business into new areas. Today, through organic growth and acquisitions, Mencast is a complete Engineering and MRO solutions provider with three business segments, being Offshore & Engineering, Marine and Energy Services.

COMPLETE MRO SOLUTIONS PROVIDER


Mencast
MENCAST HOLDINGS LTD

VISION

Most admired MRO partner and employer in the world

MISSION & STRATEGY

STRATEGY

REVENUE
- Seek new revenue streams
- Cross-selling
- Leverage existing capabilities into new markets

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

On behalf of the Board of Directors, we present the Annual Report of Mencast (the "**Company**" or "**Group**") for the financial year ended 31 December 2017 ("**FY2017**").

A YEAR OF EXTRAORDINARY CHALLENGE

Mencast had perhaps the most difficult year in our 36 years in business. The offshore and marine sector experienced tremendous pressure due to the simultaneous impact of slumping demand, tight credit conditions and slow customer payments.

The Group reported a net loss of $80.7 million after taking large asset write-downs to reflect our expectation of a slow recovery in the Oil and Gas ("**O & G**") industry.

Mencast generated $16.6 million cashflow from operations during the year, primarily from stringent working capital management, including the collection of long outstanding trade receivables.

SEGMENT PERFORMANCE

Group revenue for the year declined 14% to $51.7 million. The bulk of the decline was attributable to the Offshore and Engineering segment, where sales fell 34% as low oil prices depressed demand for O&G related services.

Our Marine segment saw a small decline in sales of 7% to $22.3 million. This segment was supported by strong transportation activity around Singapore and the region and relatively robust demand for ship servicing.

Our Energy Services segment performed robustly, with revenue inching up 2% to $15.4 million during the year. In the year ahead, we expect to recycle capital from the Offshore and Engineering segment to grow our business in this segment.

The operating environment for each of our businesses segments is not expected to strengthen significantly in the year ahead. To weather this period, we will continue to improve our operational efficiency as well as tighten cost control and capital management.

BALANCE SHEET RESTRUCTURING

Though crude oil prices rose last year, price volatility has been high and the sporadic price rallies are being viewed with caution by most market participants. OPEC's patchy production discipline and the rapidity at which shale oil producers are able to increase production have added to concerns that oil may be significantly oversupplied in the year ahead.

The budgets of oil majors are unlikely to return to the same levels as prior to the downturn in the foreseeable future. As such, a strong recovery in our Offshore and Engineering segment is unlikely in the short term.

Asset values are being depressed and we have written down carrying values to reflect this. During the year, we have recognised impairment losses on a number of O&G related assets. In particular, we wrote off $35.1 million in goodwill, as well as recorded impairment charges on assets such as plant and equipment, receivables and inventory.

THE ROUTE AHEAD

Even before the downturn, we have been leveraging Mencast's capabilities, platforms and relationships into new business opportunities. As well as adding revenue and growth potential, new revenue streams enhance earnings quality by providing diversification and resiliency through the industry cycles.

Our Energy Services segment is an example of how effective this strategy has been. Established in 2009, Mencast Energy leveraged our O&G knowledge and familiarity to build a successful environmental remediation business, specialising in waste management and green initiatives. Though only a few years old, this division generated 30% of Group revenue last year.

Early last year, to gain access to innovative technologies, Mencast signed a MOU with Houston Technology Centre-Asia ("**HTC-Asia**") for technology innovation, incubation, accelerator and commercialization assistance to hard science technology companies. HTC-Asia has a collaborative relationship with Houston Technology Center (USA), which FORBES International Business Magazine has called "1 of 10 Technology Incubators Changing the World".

Mencast Innovation Centre Pte. Ltd. ("**MIC**") was also established last year as a platform to manage these new business and revenue initiatives. To defray operating costs, MIC applied for and received approval for support under the SPRING Singapore's "Startup SG Accelerator" program. MIC will provide mentorship, equipment, working space, and networking opportunities and work closely with the Group's business units to drive opportunities for growth.

> With your support, we are confident that we will ride out the challenges and be solidly positioned for future growth.

The target areas are technology driven green solutions that lower environmental impact and could include energy technology, life and agricultural sciences, nanotechnology and/or industrial IT sectors.

The markets for such products may be within Singapore or the region. Our business and expertise is already in an economically fast-growing region. China's Belt-and-Road Initiative is likely to generate substantial further economic growth and opportunity in the region.

APPRECIATION AND THANKS

I express my sincere gratitude to our customers, bankers and business partners for their strong support through these difficult times. We also wish to recognise the determination and outstanding efforts of our entire workforce in overcoming the challenges of the last few years. I also convey my sincere appreciation to the Board for their support and guidance over a difficult period.

The year ahead will remain challenging. With your support, we are confident that we will ride out the challenges and be solidly positioned for future growth.

We look forward to meeting you at the upcoming Annual General Meeting. Thank you all for your unwavering support.

Sim Soon Ngee Glenndle

Executive Chairman and Chief Executive Officer

主席致词

我们谨代表董事会，向全体股东呈上明铸造（“**本公司**”或“**本集团**”）截至2017年12月31日止财政年度（“**2017财年**”）的年度报告。

非凡挑战的一年

明铸造可能面临36年商业生涯中经营最困难的一年。需求下降、信贷紧缩和客户拖欠款项等因素，使离岸和海事部门同时面临巨大的压力。

在大量资产减值后，本集团录得净亏损8070万新元，反映出我们对石油及天然气行业复苏缓慢的预期结果。

明铸造去年在营运中产生了1660万新元的现金流量，主要来自严格的营运资金管理，包括收取长期未偿还的贸易应收账款。

分部表现

本集团本年度实际收入5170万新元，同比下降了14%。低油价降低了对石油及天然气相关服务的需求，从而导致离岸和工程部门的收入急剧下降，销售额同比减少34%。

本集团的海事部门销售额为2230万新元，同比下降7%。这要归功于新加坡和本区域周边昌盛的运输业务，以及对船舶服务持续强劲的需求，这为海事部门的销售业绩起到了巨大的帮助。

本集团的能源服务部门表现最佳，本年度收入为1540万新元，同比增长2%。在未来一年，我们预计将从离岸与工程部门回收资本，扩大该部门的业务。

展望2018年，预计新的一年中，本集团每个业务部门的经营处境都不会有太多显著改善。为了渡过这段时期，我们将继续提高营运效率，并加强成本控制和资本管理。

资产负债表重组

去年尽管原油价格上涨，但价格波动依然很大，多数市场参与者对零星的价格涨幅持谨慎态度。令人担忧的是OPEC不完善的生产纪律以及页岩油生产商可否提高产量的速度，未来一年可能会出现明显的石油供应过剩。

石油巨头的预算在可预见的未来里，不太可能恢复到经济低迷之前的相同水平。因此，本集团的离岸与工程部门在短期内不太可能出现强劲复苏的迹象。

资产价值正在减少，我们通过减记账面价值来反映这一点。一年来，我们已经确认了一些石油和天然气相关资产的减值损失。记录了资产相关资产确认减值亏损。特别是，我们注销了3510万新元的商誉，并录得工厂和设备、应收账款和库存等资产的减值费用。

展望未来

回首过往，即便在经济衰退之前，我们就一直在借力明铸造的能力、平台和关系来开拓新的商机。除了增加收入和提升潜力外，新收入来源通过在产业领域中提供多样化和弹性来体改收益质量。

本集团的能源服务部门是这一战略的成功例子。明铸造能源有限公司成立于2009年，利用其熟悉的油气相关知识，成功地展开了环境修复的业务，专门从事废物管理和环保项目。虽然只有几年时间，但这个部门去年创造了集团30%的收入。

去年年初，为了获得创新技术，明铸造与休斯顿亚洲技术中心（“**HTC-Asia**”）签署了谅解备忘录，向硬科技公司提供技术创新、孵化、加速和商业化的援助。HTC-Asia与休斯顿技术中心（美国）有合作关系，国际商业杂志《福布斯》称其为“改变世界的十大技术孵化器之一”。

明铸造创新中心有限公司（“**MIC**”）也于去年成立，作为管理这些新业务和收入渠道的平台。为了支付营运成本，MIC申请参与新加坡标新局的“起新一加速”计划并获得批准和支持。MIC将提供指导、设备、工作空间和交流机会，并与本集团业务部门紧密合作以推动公司的业务和提供商业机会。

目标领域是技术驱动的绿色解决方案，可降低对环境的影响，并可包括能源技术、生命与农业科学、纳米技术和/或科技业部门。

这些产品将来会在新加坡或本区域有很大的市场。本集团的业务和专业知识已经处于经济快速发展的地区。中国的一带一路倡议可能会为本区域带来经济增长和更多的机遇。

感谢

本人在此向集团的客户、合作银行和商业伙伴在困难时期对本集团的关心和支持表示衷心地感谢。本公司也在此向全体员工在过去几年中所表现出克服困难和努力工作的精神加以认可和感谢。本人也要衷心感谢董事会在困难时期给予的支持和指导。

未来的一年仍然充满挑战。在各位的支持下，我们坚信一定能迎刃而解，并为未来发展奠定坚实的基础。

我们期待在即将举行的年度大会上与各位见面。感谢大家一如既往的支持。

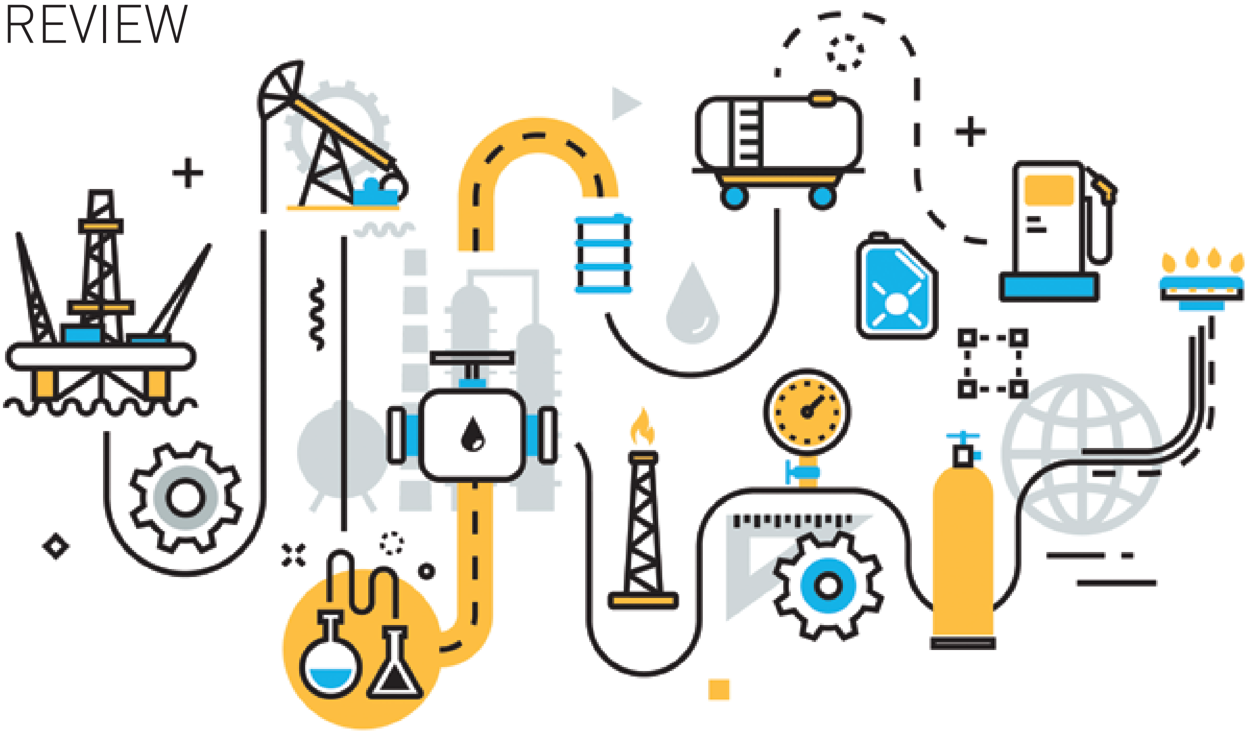
沈询益
执行主席兼行政总裁

FINANCIAL HIGHLIGHTS

$'000	2013	2014	2015	2016	2017
Revenue	99,211	130,609	90,622	60,091	51,715
Gross Profit/(loss)	30,434	37,906	18,944	7,194	(4,162)
Net Profit/(loss)	16,175	18,199	2,154	(26,370)	(80,664)
Profit/(loss) before income tax	16,850	19,933	2,315	(26,324)	(80,189)
Total Assets	295,077	345,594	355,620	342,378	259,617
Property, plant and equipment	156,793	181,936	208,066	225,625	205,642
Cash and cash equivalents	22,669	19,686	10,896	7,416	14,741
Total Liabilities	188,481	216,050	221,847	220,380	219,502
Total Equity	106,596	129,544	133,773	121,998	40,115

AN EXTREMELY CHALLENGING YEAR

FINANCIAL REVIEW



REVENUE AND GROSS PROFIT

The challenges in the Oil and Gas industry intensified and Group revenue in FY2017 decreased by 14% to $51.7 million. 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 a 34% fall in revenue to $14.1 million. The order book at the start of FY2017 was lower than the start of FY2016 as uncertainty about oil prices reduced demand from major customers.

Marine segment revenue for FY2017 declined by 7% to $22.3 million due to lower demand for diving services as well as repairs and maintenance services. Revenue from the Energy Services segment for FY2017 was $15.4 million, edging up 2% as compared to the prior year.

The Group reported a gross loss of $4.2 million for the year ended 31 December 2017 as compared to a gross profit of $7.2 million in previous year. This was primarily due to revenue from Offshore & Engineering being lower than that required to cover fixed running costs.

The Group also recorded other losses amounting to $54.2 million in FY2017. These were primarily comprised of non-recurring items, which included $35.1 million in the write-down of goodwill, $9.5 million of impairment charges on property, plant & equipment and $5.4 million for losses on a customer cancellation.

EXPENSES

The Group's administrative expenses for FY2017 increase by 4% to $16.0 million in FY2017, primarily due to additional professional and legal fees arising from ongoing corporate exercise and legal cases. Finance expenses increased 14% to $5.8 million mainly due to interest incurred on additional borrowings.

NET LOSS

As a result of the above, the Group incurred a net loss attributable to Equity holders of the Company of $82.0 million in FY2017.

CASHFLOW

The Group's cash and cash equivalents increased from $2.6 million to $11.6 million as at 31 December 2017.

The Group generated net cash inflow from operating activities of $16.6 million in FY2017 due to intensive collection efforts in trade and other receivables of $14.5 million and increase in trade and other payables of $9.5 million.

The Group scaled back capital expenditure to $2.9 million for FY2017, the bulk of which was in the Energy segment for its expansion of services to customers.

Net cash used in financing activities for FY2017 amounted to $14.4 million, mainly due to the repayment of bank borrowings, finance lease liabilities and interest payments totalling to $38.8 million, offset by proceeds from new bank borrowings of $24.9 million.

BOARD OF DIRECTORS

1 **SIM SOON NGEE GLENNDLE**
Executive Chairman &
Chief Executive Officer

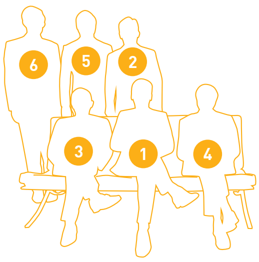
2 **WONG BOON HUAT**
Executive Director

3 **SUNNY WONG FOOK CHOY**
Lead Independent Director

4 **HO CHEW THIM, RAYMOND**
Independent Director

5 **LEOW DAVID IVAN**
Independent Director

6 **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 $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 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 with several 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 Director of MEC Asian Fund, Chartered Accountants Australia and New Zealand (Singapore) Private Limited as well as Arcturus Capital Limited. He is also a 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 7 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. He is also an Independent Director of Samudera Shipping Line Ltd, Jurong Port Jakarta Holding Pte Ltd, Jurong Port Marunda Holding Pte Ltd and Rizhao Jurong Port Terminals Co. Ltd. and a Board member of JTC Corporation. He joined our Board on 9 October 2009.

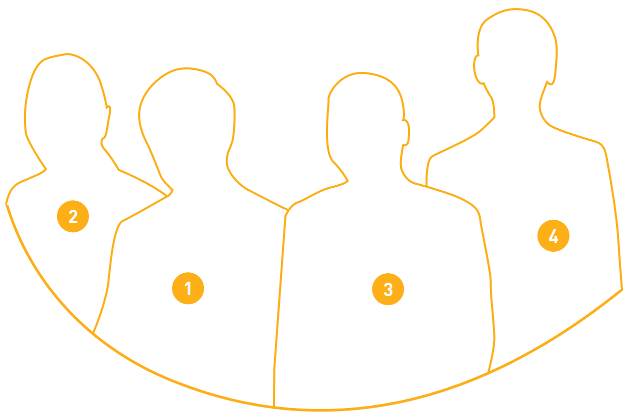
KEY MANAGEMENT

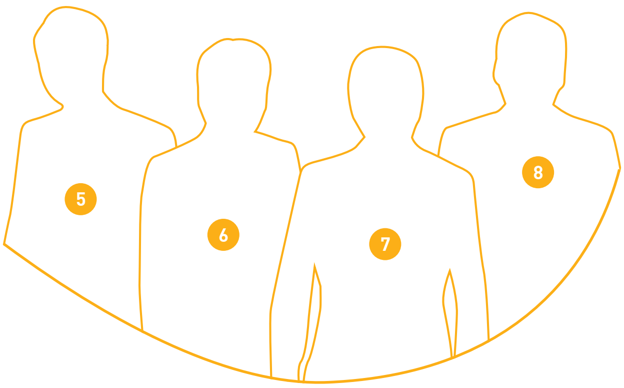
1 **CHRIS SAN**
Chief Financial Officer

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

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

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





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

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

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

8 **CHRISTOPHER WOO TUCK WAI**
Director of Mencast Subsea Pte Ltd

KEY MANAGEMENT

CHRIS SAN

Chief Financial Officer

Mr. Chris San is a senior professional with over 20 years of experience in accounting, financial and corporate matters. From 2006 to early 2017, he served as Chief Financial Officer at two SGX listed companies, being New Toyo International Holdings Ltd and Superior Multi-Packaging Limited. Prior to this, he held the position of Group Financial Controller at New Toyo International Holdings Ltd.

He holds a Bachelor of Business degree in Accountancy from the Edith Cowan University, Western Australia and is a Fellow of CPA Australia.

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

PHUA POH CHENG, JACK

Vice President, Mencast Marine Division
Director, Sterngear Services

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

CHENG SHAO RONG

Senior Manager, Operations of Mencast Engineering Pte Ltd

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

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

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

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.

CORPORATE SOCIAL RESPONSIBILITY

As a firm that helps other firms meet their CSR goals through our waste treatment, recycling and remediation services, Corporate Social Responsibility is one of the Core Values of Mencast. We strive for an exemplary company culture and achieve high employee satisfaction rates.

HEALTH AND SAFETY

Mencast strives to build a working environment in which the greatest possible consideration is shown for safety and the environment. We take all steps to ensure that our company complies with all relevant safety and environmental legislation.

An example of how we continue to fulfil CSR objectives while transforming to be innovative is the automation of our subsea inspection operations with the use of remotely operated vehicles (ROV), operated by teams of ROV pilots and support technicians. This innovation leverages on ROV technology and robotics to complement manual diving activities. The use of ROVs makes work safer while being able to perform jobs that would be too dangerous for human divers.

"MENCAST LENDS A HAND"

Volunteering has a positive effect on our community as well as help to build a strong culture of contribution.

Doing even small things can have a big impact on others. As with our past initiative to support worthwhile causes and charities, Mencast continued to volunteer our service and time by distributing meals and spending quality time with the residents of Banyan Home @ Pelangi Village. We arranged Karaoke sessions for our volunteers to entertain the residents who enjoyed themselves tremendously.

PEOPLE DEVELOPMENT

STRENGTHENING COMPETENCIES AND COMPETITIVENESS

Amidst extremely challenging industry conditions, Mencast strives to be an employer of choice through recognising the contributions of each employee, providing opportunities for staff to grow their abilities, maximise their potential and look beyond this cycle to seek opportunities that will position them for success in their careers.

In conjunction with Workforce Singapore and with assistance from the Association of Singapore Marine Industries, Mencast is helping our local Professionals, Managers, Executives and Technicians build their capabilities and enhance productivity through the Skills Framework for Marine & Offshore-Professional Conversion Programmes ("**PCP**").

The PCP programs provide timely assistance during this downturn and will help us retain core engineering expertise, redeploy talent and prevent the loss of knowhow that has been painstakingly built up over decades. This program also supports Mencast's advance into new business areas by assisting existing personnel to acquire the knowledge and skill sets needed in these new areas. This also allows our employees to find new ways to create value and develop their careers. The PCP has been a valuable and effective in preparing Mencast to be ready for future growth.

Mencast is also focussed on developing a culture of innovation and productivity, as well as building a talent pool with deep knowledge of regional and global markets to support our growth and expansion. While undertaking all these measures, Mencast continues to streamline operations and aggressively cut overheads and excess costs.

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.

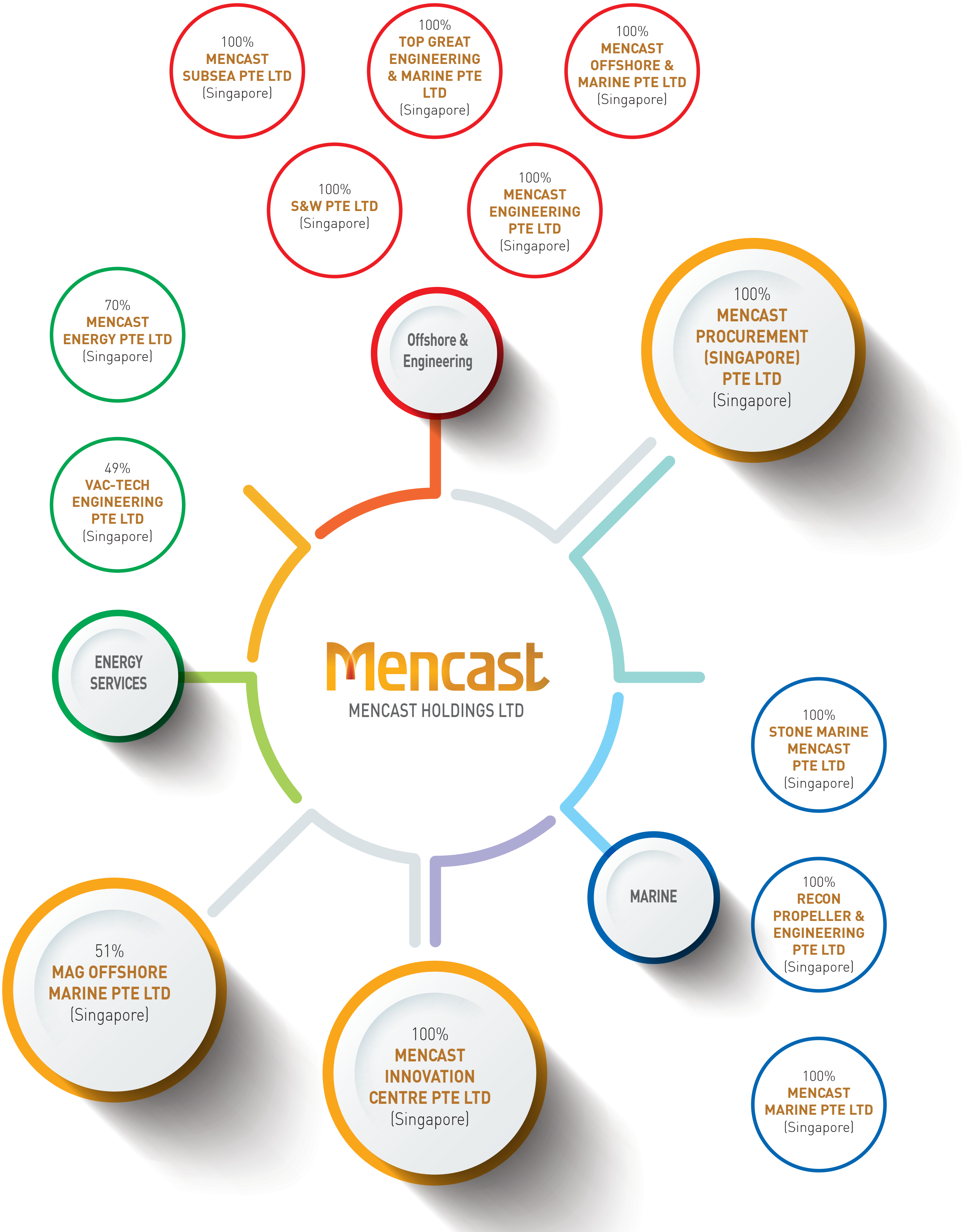
Total Shareholder Returns

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 -4% equivalent to an annual TSR of -0.4%.

FINANCIAL CALENDAR

2018	Full Yearly Results	23/02
	Enters First MOU under Spring "Startup Sg" Accelerator Program	01/02
	Grant from Spring Singapore	29/01
2017	Disposal of Leasehold Industrial Property - Completion	05/12
	Third Quarter Results	11/11
	Secures Contract from an Oil Supermajor	08/08
	Half Yearly Results	08/08
	Incorporation of a New Wholly-Owned Subsidiary, Mencast Innovation Centre Pte. Ltd. in Singapore	23/06
	Grant of Share Awards	22/06
	First Quarter Results	15/05
	Annual General Meeting	26/04

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 objectives 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 (including ethical standards), and ensure that obligations to shareholders and other stakeholders 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 and social factors, as part of its strategic formulation and governance factors as part of the Board's strategic formulation.

Each member of the Board owes a fiduciary duty to the Company 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.

CORPORATE GOVERNANCE STATEMENT

To facilitate effective management, certain functions have been delegated by the Board to the following committees ("**Board 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 all 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 2017 ("**FY2017**") 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
Wong Boon Huat	4	4*	1*	1*	1
Sunny Wong Fook Choy	4	4	1	1	1*
Ho Chew Thim, Raymond	4	4	1	1	1*
Leow David Ivan	4	4	1*	1	1
Ng Chee Keong	4	4	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.

CORPORATE GOVERNANCE STATEMENT

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-thirds 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.

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.

In determining the independence of Mr. Sunny Wong Fook Choy and Mr. Ho Chew Thim, Raymond as directors, each of whom having served on the Board for more than nine years, the Board and the NC, with Mr. Sunny Wong Fook Choy and Mr. Ho Chew Thim, Raymond reclusing themselves, had conducted a rigorous review which took into consideration, among others, that neither Director has or had any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with his exercise of independent business judgement. The Board also notes that neither Director had any interested party transactions with the Group or the substantial shareholders that might affect his independence. The Board has further observed their performance at Board meetings, Board Committees' meetings and other occasions and has no reasons to doubt their independence in the course of discharging their duties.

Therefore, the Board is of the view that Mr. Sunny Wong Fook Choy and Mr. Ho Chew Thim, Raymond should still be considered independent despite having been on the Board for more than nine years as there are no circumstances which might affect their independent judgement and that the Board wishes to retain them for their substantial knowledge and relevant experience which would enable them to be effective independent directors to the Board.

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 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 Executive 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 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, 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, CEO after such meetings.

CORPORATE GOVERNANCE STATEMENT

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 Sim Soon Ngee Glenndle and Wong Boon Huat 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 their 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* Mencast Innovation Centre Pte. Ltd.*	Nil

* Subsidiaries of Mencast Holdings Ltd.

CORPORATE GOVERNANCE STATEMENT

Wong Boon Huat
Executive Director
Date of first appointment as a director: 4 August 2011
Date of last re-election as a director: 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	Chinyee Engineering & Machinery Pte Ltd* Mencast Procurement (Singapore) Pte Ltd* Mencast Energeers Pte Ltd* Mencast Offshore & Marine group of Companies* Stone Marine Mencast Pte. Ltd. (formerly known as Mencast Centre of Excellence Pte Ltd*) Mencast Energy Pte Ltd* Mencast Engineering Pte Ltd* Mencast Innovation Centre Pte. Ltd.* Mencast Marine Pte Ltd* Mencast Subsea group of companies* Recon Propeller & Engineering Pte Ltd* S&W group of Companies* Top Great group of Companies* Vac-Tech Engineering Pte Ltd*	Nil

* 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	Civmec Limited Excelpoint Technology Ltd. InnoTek Limited KTL Global Limited Wong Tan & Molly Lim LLC WTML Management Services Pte Ltd	China Medical (International) Group Limited (formerly known as Albedo Limited)

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	Nil

Leow David Ivan
Independent Director
Date of first appointment as a director: 7 June 2013
Date of last re-election as a director: 26 April 2017

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 Chartered Accountants Australia and New Zealand (Singapore) Private Limited Arcturus Capital Limited	Nil

Ng Chee Keong
Independent Director
Date of first appointment as a director: 9 October 2009
Date of last re-election as a director: 26 April 2017

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 Samudera Shipping Line Ltd Jurong Port Jakarta Holding Pte Ltd Jurong Port Marunda Holding Pte Ltd Rizhao Jurong Port Terminals Co Ltd. JTC Corporation	Jasper Investments Ltd Centre of Maritime Studies, NUS PT Pelabuhan Tegar Indonesia

CORPORATE GOVERNANCE STATEMENT

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

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, such as Mencast Performance Share Award Scheme ("**PSAS**").

The rationale of PSAS is 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.

The PSAS is structured to link rewards to corporate and individual performance and is aligned with the interests of shareholders and promotes the long term success of the Company.

During FY2017, the Company has granted 501,000 shares under the PSAS.

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 FY2017.

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.

CORPORATE GOVERNANCE STATEMENT

No Directors participate in decisions on their own remuneration.

For the Independent Directors' Fees in FY2017, they are receiving $90,368 in cash and the remaining $90,368 in share awards granted pursuant to the performance share award.

Cash Component in the Directors' Fees
Each independent director receives a basic retainer fee.
Independent directors who perform additional services in Board committees receive additional fees.

Share Component in the Directors' Fees
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 the 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 number of shares to be awarded will be rounded 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 last renewed in November 2017.

The following table shows a breakdown of the annual remuneration of the Directors of the Group for FY2017.

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
$250,000 and below					
Wong Boon Huat	100	-	-	-	100

Name of Non- Executive Director	Salary and Other Benefits	Performance Bonus[1]	Directors' Fees[2]		Total
			Cash-Based	Share Based	
	%	%	%	%	%
$250,000 and below					
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

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 2018.

CORPORATE GOVERNANCE STATEMENT

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			
Chris San	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	100	-	100
Aung Wunna, Edward	100	-	100
Christopher Woo Tuck Wai	100	-	100

Notes:
(1) Performance bonus is determined in accordance with the respective employment contract/service agreement

The total remuneration paid to the 8 key executives (who are not Directors or the CEO) of the Company in FY 2017 is $1,163,000.

The breakdown of the total remuneration of employees who are immediate family members of the executive directors for the year ended 31 December 2017 is set out below:

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

Notes:
(1) Performance bonus is determined in accordance with the respective employment contract/service agreement

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 FY2017.

For FY2017, there is no termination, retirement and post-employment benefits granted to Directors, the CEO and the Key Executives.

CORPORATE GOVERNANCE STATEMENT

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.

The Board and AC are assisted by the Enterprise Risk Management Committee ("**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
Chris San	Corporate	CFO	ERM Champion
Janis Anne Mojica	Corporate	Financial Controller	ERM Co-ordinator
Wong Boon Huat	Corporate/ Offshore & Engineering	Executive Director	Member
Susan Tan	Corporate	Head of Admin & HR	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	Member
Sun Nai Jiang	Offshore & Engineering	Senior Manager – Upstream Operations	Member
Samuel Ho Gim Hai	Energy Services	Managing Director – Vac-Tech	Member

CORPORATE GOVERNANCE STATEMENT

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 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 2017 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 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 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.

CORPORATE GOVERNANCE STATEMENT

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;

- Evaluates 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.

During the year under review, the aggregate amount of fees paid to the Independent Auditor for the audit and non-audit services amounted to $185,000 and $19,000 respectively. 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 Chairman 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.

CORPORATE GOVERNANCE STATEMENT

Principle 14: Shareholder Rights

The company 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) clear 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

The Company 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**") comprises 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. 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 may, from time to time, 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

The company 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 poll. 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.

CORPORATE GOVERNANCE STATEMENT

Interested Person Transactions

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

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

Material Contracts

Save for the service agreements between the Executive Directors and the Company, there were no material contracts of the Company or its subsidiaries involving the interest of any Director or controlling Shareholder either still subsisting as at the financial year under review or if not subsisting, were entered into at the end of the financial year ended 31 December 2017.

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 2017

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2017 and the balance sheet of the Company as at 31 December 2017.

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 49 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 2017 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, after considering the matters as described in Note 2.1 to the financial statements with respect to the Group's and the Company's ability to continue as going concerns, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due if the plans can be successfully implemented.

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 42 to 43 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 31.12.2017**	At 1.1.2017	**At 31.12.2017**	At 1.1.2017
(No. of ordinary shares)				
Sim Soon Ngee Glenndle	**83,001,100**	75,669,100	**146,403,900**	70,734,800
Wong Boon Huat	**28,005,306**	28,005,306	**-**	-
Sunny Wong Fook Choy	**288,000**	150,000	**-**	-
Ho Chew Thim, Raymond	**281,000**	150,000	**-**	-
Leow David Ivan	**6,126,000**	6,012,000	**-**	-
Ng Chee Keong	**118,000**	-	**-**	-

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

Directors' interests in shares or debentures (continued)

The directors' interests in the ordinary shares of the Company as at 21 January 2018 were the same as those as at 31 December 2017.

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).

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.

Share options (continued)

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

The ESOS will expire on 29 May 2018, being 10 years from the date on which the ESOS was adopted, and the management has decided not to renew or replace the same.

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 RC, 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 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).

DIRECTORS' STATEMENT

For the financial year ended 31 December 2017

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 were 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 2017 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.

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

4 April 2018

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit 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 2017, 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 49 to 117.

We do not express an opinion on the accompanying financial statements of the Group and the balance sheet of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

As disclosed in Note 2.1 to the financial statements, in preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding that the Group and the Company incurred a net loss of $80,664,000 and $18,103,000 for the financial year ended 31 December 2017 respectively (2016: $26,370,000 and $2,961,000) and as at that date, the Group and the Company are in net current liabilities position of $166,787,000 and $7,660,000 respectively (2016: Net current assets position of $5,843,000 and $47,669,000). Furthermore, as disclosed in Note 22 to the financial statements, the Group has breached certain financial covenant clauses on most of its loan agreements.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is still appropriate after taking into consideration the following measures and assumptions:

(a) During the financial year, the Group appointed a financial advisor to carry out a review of the financial position of the Group and to assist the Group in developing alternative options and solutions in formulating a debt restructuring plan which will include, among others, moratorium of loan principal repayment for a certain period and longer repayment terms. As at the date of the financial statements, the Group has commenced and is in the midst of discussion with its banks.

(b) The Group is in discussions and/or looking for potential parties in respect of its assets divestment plan to pare down its borrowings.

(c) The Group is able to generate positive cash flow from operations for the next twelve months. With a moratorium of loan principal repayment, the Group would have sufficient cash to meet its other obligations as and when they fall due for the next twelve months.

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Basis for Disclaimer of Opinion (continued)

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge 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 Group and 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.

The ability of the Group and of the Company to continue as going concerns depends on the successful outcome of the measures and assumptions set out above which cannot be determined at present. As at the date of this report, certain banks have indicated that they will need more information before deciding on the proposed debt restructuring plan. As such, we are unable to obtain sufficient audit evidence to form an opinion as to the appropriateness of the use of going concern basis in the preparation of the accompanying financial statements of the Group and the Company.

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 responsibility is to conduct an audit of the Group's financial statements in accordance with Singapore Standards of Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the 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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Mencast Holdings Ltd

Report on Other Legal and Regulatory Requirements

In our opinion, except for those matters described in the *Basis for Disclaimer of Opinion* section of our report, 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

4 April 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	**2017**	2016
		$'000	$'000
Revenue	4	**51,715**	60,091
Cost of sales		**(55,877)**	(52,897)
Gross (loss)/profit		**(4,162)**	7,194
Other losses – net	5	**(54,193)**	(13,037)
Expenses			
- Administrative		**(16,008)**	(15,370)
- Finance	8	**(5,826)**	(5,111)
Loss before income tax		**(80,189)**	(26,324)
Income tax expense	9	**(475)**	(46)
Net loss		**(80,664)**	(26,370)
Other comprehensive loss, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Fair value gains/(losses) on available-for-sale financial assets	16	**18**	(78)
Currency translation differences arising from consolidation		**(727)**	(1,422)
Total comprehensive loss		**(81,373)**	(27,870)
Net loss attributable to:			
Equity holders of the Company		**(81,988)**	(26,914)
Non-controlling interests		**1,324**	544
		(80,664)	(26,370)
Total comprehensive (loss)/gain attributable to:			
Equity holders of the Company		**(82,697)**	(28,414)
Non-controlling interests		**1,324**	544
		(81,373)	(27,870)
Loss per share attributable to equity holders of the Company (cents per share)			
- Basic and diluted	10	**(19.43)**	(6.45)

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

BALANCE SHEETS

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Current assets					
Cash and cash equivalents	11	**14,741**	7,416	**828**	425
Trade and other receivables	12	**20,691**	46,778	**71,088**	75,466
Inventories	13	**8,704**	10,065	**-**	-
		44,136	64,259	**71,916**	75,891
Assets of disposal group classified as held-for-sale	15	**-**	6,350	**-**	-
		44,136	70,609	**71,916**	75,891
Non-current assets					
Available-for-sale financial assets	16	**109**	91	**-**	-
Investments in subsidiary corporations	17	**-**	-	**69,879**	82,030
Investment in a joint venture	18	**-**	-	**-**	-
Property, plant and equipment	19	**205,642**	225,625	**1**	10
Deposits for purchase of property, plant and equipment		**9**	1,193	**-**	-
Intangible assets	20	**9,661**	44,800	**-**	-
Club memberships		**60**	60	**-**	-
Deferred income tax assets	24	**-**	-	**-**	524
		215,481	271,769	**69,880**	82,564
Total assets		**259,617**	342,378	**141,796**	158,455
LIABILITIES					
Current liabilities					
Trade and other payables	21	**20,195**	14,733	**25,054**	28,222
Borrowings	22	**190,389**	46,693	**54,522**	-
Current income tax liabilities		**339**	815	**-**	-
		210,923	62,241	**79,576**	28,222
Liabilities directly associated with disposal group classified as held-for-sale	15	**-**	2,525	**-**	-
		210,923	64,766	**79,576**	28,222

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

BALANCE SHEETS

As at 31 December 2017

	Note	Group		Company	
		2017	2016	**2017**	2016
		$'000	$'000	**$'000**	$'000
Non-current liabilities					
Borrowings	22	**3,238**	151,136	**-**	50,000
Deferred income tax liabilities	24	**5,341**	4,478	**-**	-
		8,579	155,614	**-**	50,000
Total liabilities		**219,502**	220,380	**79,576**	78,222
NET ASSETS		**40,115**	121,998	**62,220**	80,233
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	**91,747**	91,657	**91,747**	91,657
Fair value reserve		**32**	14	**-**	-
Translation reserve		**(4,700)**	(3,973)	**-**	-
Other reserve		**509**	509	**-**	-
(Accumulated losses)/retained profits		**(54,788)**	27,200	**(29,527)**	(11,424)
		32,800	115,407	**62,220**	80,233
Non-controlling interests	17	**7,315**	6,591	**-**	-
Total equity		**40,115**	121,998	**62,220**	80,233

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	← Attributable to equity holders of the Company					→		
		Share capital	Fair value reserve*	Translation reserve*	Other reserve*[1]	(Accumulated losses)/ Retained profits**	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
2017									
Beginning of financial year		**91,657**	**14**	**(3,973)**	**509**	**27,200**	**115,407**	**6,591**	**121,998**
Shares for Directors' fees (in lieu of cash)	25	90	-	-	-	-	90	-	90
Dividends paid to non-controlling interests	17	-	-	-	-	-	-	(600)	(600)
Total comprehensive income/(loss) for the year		-	18	(727)	-	(81,988)	(82,697)	1,324	(81,373)
End of financial year		**91,747**	**32**	**(4,700)**	**509**	**(54,788)**	**32,800**	**7,315**	**40,115**
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 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**

* 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 2017

	Note	**2017 $'000**	2016 $'000
Cash flows from operating activities			
Net loss		**(80,664)**	(26,370)
Adjustments for:			
- Income tax expense	9	**475**	46
- Depreciation of property, plant and equipment	6	**15,527**	13,997
- Claim against former shareholder of a subsidiary corporation	5	**(306)**	-
- Impairment loss on joint venture	5	**-**	207
- Impairment loss on property, plant and equipment	5	**9,517**	11,482
- Impairment loss on goodwill arising on acquisition of business	5	**3,108**	380
- Impairment loss on goodwill arising on consolidation	5	**32,031**	-
- Gain on bargain purchase	5	**-**	(1,025)
- Loss/(gain) on disposal of property, plant and equipment	5	**374**	(94)
- Loss on disposal of non-current assets held-for-sale	5	**310**	-
- Loss on cancellation of customer's contract	5	**5,361**	-
- Write-down of fair values of disposal group classified as held-for-sale	5	**-**	936
- Dividend income from available-for-sale financial assets	5	**(5)**	(5)
- Award of performance shares to employees	25	**-**	12
- Interest income	5	**(12)**	(44)
- Interest expense	8	**5,826**	5,111
- Currency translation differences		**(158)**	(1,741)
		(8,616)	2,892
Changes in working capital			
- Trade and other receivables		**14,479**	14,695
- Inventories		**1,361**	(726)
- Trade and other payables		**9,500**	(7,685)
Cash generated from operations		**16,724**	9,176
Interest received		**12**	44
Income tax paid		**(88)**	(6)
Net cash provided by operating activities		**16,648**	9,214
Cash flows from investing activities			
Acquisition of business		**-**	(1,643)
Dividend received from available-for-sale financial assets		**5**	5
Proceeds from disposal of property, plant and equipment		**3,647**	1,606
Proceeds from disposal of non-current assets classified as held-for-sale		**6,040**	-
Payments of other payables relating to prior financial years' acquisitions		**(675)**	(700)
Purchase of property, plant and equipment		**(2,914)**	(4,138)
Release/(placement) of short-term bank deposits pledged		**678**	(677)
Net cash provided by/(used in) investing activities		**6,781**	(5,547)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from financing activities			
Interest paid		**(7,899)**	(7,945)
Repayment of bank borrowings		**(27,527)**	(71,974)
Repayment of finance lease liabilities		**(3,347)**	(6,069)
Proceeds from bank borrowings		**24,925**	62,959
Proceeds from private placements	25	**-**	14,708
Dividends paid to non-controlling interests	17	**(600)**	-
Net cash used in financing activities		**(14,448)**	(8,321)
Net increase/(decrease) in cash and cash equivalents		**8,981**	(4,654)
Cash and cash equivalents			
Beginning of financial year		**2,620**	7,274
End of financial year	11	**11,601**	2,620

Reconciliation of liabilities arising from financing activities

	1 January 2017 $'000	Principal and interest payments $'000	Non-cash changes $'000 Interest Expense	Non-cash changes $'000 Foreign exchange movement	31 December 2017 $'000
Bank borrowings	189,983	(6,761)	6,684	-	189,906
Finance lease liabilities	6,445	(3,385)	248	(10)	3,298
Bank overdraft	1,401	(978)	-	-	423

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 the Board of Directors of Mencast Holdings Ltd on 4 April 2018.

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 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations to FRS ("**INT FRS**") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

FRS 7 Statement of cash flows

The amendments to FRS 7 Statement of cash flows (Disclosure initiative) sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Statement of Cash Flows to the Financial Statement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Going concern

In preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding that the Group and the Company incurred a net loss of \$80,664,000 and \$18,103,000 for the financial year ended 31 December 2017 respectively (2016: \$26,370,000 and \$2,961,000) and as at that date, the Group and the Company are in net current liabilities position of \$166,787,000 and \$7,660,000 respectively (2016: Net current assets position of \$5,843,000 and \$47,669,000) and has also breached certain financial covenants for most of its loan agreements.

The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2017 is still appropriate after taking into consideration the following assumptions and measures:

(a) During the financial year, the Group appointed a financial advisor to carry out a review of the financial position of the Group and to assist the Group in developing alternative options and solutions in formulating a debt restructuring plan which will include, among others, moratorium of loan principal repayment for a certain period and longer repayment terms. As at the date of the financial statements, the Group has commenced and is in the midst of discussion with its banks.

(b) The Group is in discussions and/or looking for potential parties in respect of its assets divestment plan to pare down its borrowings.

(c) The Group is able to generate positive cash flow from operations for the next twelve months. With a moratorium of loan principal repayment, the Group would have sufficient cash to meet its other obligations as and when they fall due for the next twelve months.

In the event that the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge 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 Group and 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:

(a) *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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.2 Revenue recognition (continued)

(b) *Rendering of services*

Repair and overhaul services

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

Maintenance services

Revenue from maintenance services 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".

(c) *Construction contracts*

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

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

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

(f) *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.

(g) *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 losses - net.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.4 Group accounting

(a) Subsidiary corporations

(i) Consolidation

Subsidiary corporations are entities (including structured 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 to direct the activities of the entity. Subsidiary corporations are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, intercompany 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 transferred asset. Accounting policies of subsidiary corporations have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the Note 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 Note 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 a joint venture equals to or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred 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) Disposals

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 Note 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 9 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 losses – net'.

2.6 Club memberships

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

2.7 Intangible assets

Goodwill

Goodwill on acquisitions of subsidiary corporations and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) 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 acquisitions of joint venture represents the excess of the cost of the acquisition over the Group's share of the fair value 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.8 Borrowing costs

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

The actual borrowing costs incurred during the period up to the asset being ready for its intended use 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 and contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and they are capable of being reliably measured.

Variations in contract work, claims and incentive payments 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, and these amounts are capable of being reliably measured.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.12 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(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" (Note 12) and "cash and cash equivalents" (Note 11) 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 debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. 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.

2. Significant accounting policies (continued)

2.12 Financial assets (continued)

(d) *Impairment*

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

(i) *Loans and receivables*

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

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

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

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

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

If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity 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 repayment and amortisation) and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. Significant accounting policies (continued)

2.14 Financial guarantees (continued)

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.

2.15 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. Significant accounting policies (continued)

2.18 Leases

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

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

(i) *Lessee – Finance leases*

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

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

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

(ii) *Lessee – Operating leases*

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

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

(b) *When the Group is the lessor:*

The Group leases office and workshop space under operating leases.

Lessor – Operating leases

Leases 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 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.

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 and have been rounded to the nearest thousand ("$'000").

(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 losses – 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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. Significant accounting policies (continued)

2.27 Dividends to Company's shareholders

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

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 $35,139,000 (2016: $380,000) during the financial year which resulted in the carrying amount of goodwill as at 31 December 2017 to be reduced to $9,661,000 (2016: $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 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.

For goodwill attributable to Recon and Vac-Tech CGU, the change in the estimated recoverable amount from any reasonably possible change in the key estimates does not materially cause the recoverable amount to be lower than its carrying amount.

(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 and VIU. The carrying amounts of property, plant and equipment at the balance sheet date are disclosed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

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

An impairment charge of $2,200,000 (2016: $11,482,000) and $7,317,000 (2016: $Nil) was recognised for property, plant and equipment for the financial year ended 31 December 2017 based on estimated recoverable amount determined by external valuation and VIU calculation respectively.

The estimated recoverable amount determined by external valuation is lower than carrying amounts of certain property, plant and equipment has resulted in a reduction in the carrying amounts from $15,000,000 to $12,800,000 (2016: $29,882,000 to $18,400,000). If the estimated recoverable amount of property, plant and equipment determined by external valuation had been lower by 10%, the Group would have reduced the carrying amount of property, plant and equipment by $1,280,000 (2016: $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 2017 was $205,642,000 (2016: $225,625,000). 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 $243,000 and $497,000 (2016: $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 $455,000 and $413,000 (2016: $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	
	2017	2016
	$'000	$'000
Revenue from construction contracts	**8,840**	17,106
Service income from maintenance, repair and overhaul	**31,853**	30,107
Sale of goods	**11,022**	12,878
	51,715	60,091

5. Other losses – net

Following are the other income and gains/(losses) recognised during the financial year:

	Group	
	2017	2016
	$'000	$'000
Allowance for impairment of trade receivables (Note 28(b)(ii))	**(1,869)**	(1,866)
Claim against former shareholder of subsidiary corporation	**306**	-
Dividend income from available-for-sale financial assets	**5**	5
Foreign currency translation loss – net	**(343)**	(26)
Gain on bargain purchase	**-**	1,025
Government grants	**337**	785
Impairment loss on joint venture (Note 18)	**-**	(207)
Impairment loss on property, plant and equipment (Note 19)	**(9,517)**	(11,482)
Impairment loss on goodwill arising on acquisition of business (Note 20(a))	**(3,108)**	(380)
Impairment loss on goodwill arising on consolidation (Note 20(b))	**(32,031)**	-
Write-off of trade receivables	**(2,205)**	(1,081)
Interest income – bank deposits	**12**	44
Loss on cancellation of customer's contract	**(5,361)**	-
Loss on disposal of non-current assets held-for-sale (Note 15)	**(310)**	-
(Loss)/gain on disposal of property, plant and equipment	**(374)**	94
Rental income on operating lease	**652**	414
Sales of scrap	**533**	217
Write-back of long-outstanding payables and accruals	**141**	169
Write-back of allowance for impairment of trade receivables (Note 28(b)(ii))	**216**	32
Write down of fair values of disposal group classified as held-for-sale (Note 15)	**-**	(936)
Write down of inventories	**(1,325)**	-
Other income	**48**	156
	(54,193)	(13,037)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

6. Expenses by nature

	Group	
	2017	2016
	$'000	$'000
Purchases of raw materials	**6,138**	9,675
Advertisement	**36**	66
Fees on audit services paid/payable to:		
- Auditor of the Company	**185**	189
- Other auditors*	**22**	16
Fees on non-audit services paid/payable to:		
- Auditor of the Company	**19**	-
- Other auditors*	**63**	63
Commission	**121**	140
Depreciation of property, plant and equipment (Note 19)	**15,527**	13,997
Directors' fees	**181**	226
Donation	**46**	40
Employee compensation (Note 7)	**21,468**	22,018
Employee welfare	**515**	645
Entertainment and refreshment	**188**	184
Freight and handling charges	**421**	439
Insurance	**839**	736
Property tax	**1,537**	1,005
Printing and stationery	**134**	145
Professional fees	**1,671**	1,133
Repairs and maintenance	**2,597**	1,510
Rental expense on operating leases	**3,806**	4,081
Security fees	**50**	81
Subcontractors' cost	**8,022**	8,170
Surveyor and testing fees	**692**	716
Telephone	**227**	287
Transportation	**392**	456
Travelling	**320**	448
Utilities	**2,059**	1,927
Other	**3,248**	1,164
Changes in inventories	**1,361**	(1,290)
Total cost of sales and administrative expenses	**71,885**	68,267

* Includes the network member firms of Nexia International.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

7. Employee compensation

	Group	
	2017	2016
	$'000	$'000
Wages and salaries	**18,392**	18,636
Employers' contribution to defined contribution plans including Central Provident Fund	**2,793**	3,010
Other short-term benefits	**283**	360
Performance shares expense (Note 25)	**-**	12
	21,468	22,018

8. Finance expenses

	Group	
	2017	2016
	$'000	$'000
Interest expense on:		
- Bank borrowings	**6,684**	3,359
- Finance lease liabilities	**248**	525
- Series 1 Notes	**-**	2,819
	6,932	6,703
Less: Borrowing costs capitalised in property, plant and equipment	**(1,106)**	(1,592)
	5,826	5,111

9. Income taxes

	Group	
	2017	2016
	$'000	$'000
<u>Income tax expenses</u>		
Tax expense attributable to loss is made up of:		
Loss for the financial year		
- Current income tax - Singapore	**350**	96
- Current income tax - Malaysia	**-**	13
- Deferred income tax (Note 24)	**(207)**	-
	143	109
(Over)/under provision in prior financial years		
- Current income tax - Singapore	**(735)**	(63)
- Current income tax - Malaysia	**(3)**	-
- Deferred income tax (Note 24)	**1,070**	-
	475	46

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For the financial year ended 31 December 2017

9. Income taxes (continued)

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

	Group	
	2017	2016
	$'000	$'000
Loss before income tax	**(80,189)**	(26,324)
Tax calculated at tax rate of 17% (2016: 17%)	**(13,632)**	(4,475)
Effects of:		
- different tax rates in other countries	**(264)**	(29)
- statutory tax exemption	**(26)**	(26)
- tax incentive under Productivity and Innovation Credit	**(59)**	-
- expenses not deductible for tax purposes	**9,726**	3,804
- income not subject to tax	**(220)**	(196)
- tax rebate	**(25)**	-
- deferred income tax asset not recognised	**4,658**	1,117
- under/(over) provision in prior financial years	**332**	(63)
- other	**(15)**	(86)
Tax charge	**475**	46

10. Loss per share

(a) Basic loss per share

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

(b) Diluted loss per share

For the purpose of calculating diluted loss per share, loss 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.

There are no dilutive potential ordinary shares.

	Group	
	2017	2016
Net loss attributable to equity holders of the Company ($'000)	**(81,988)**	(26,914)
Weighted average number of ordinary shares outstanding for basic and diluted loss per share ('000)	**422,002**	417,276
Basic and diluted loss per share (cents per share)	**(19.43)**	(6.45)

11. Cash and cash equivalents

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**11,855**	4,125	**828**	425
Short-term bank deposits	**2,886**	3,291	**-**	-
	14,741	7,416	**828**	425

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

	Group	
	2017	2016
	$'000	$'000
Cash and cash equivalents (as above)	**14,741**	7,416
Less: Short-term bank deposits and cash at bank pledged	**(2,717)**	(3,395)
Less: Bank overdrafts (Note 22)	**(423)**	(1,401)
Cash and cash equivalents per consolidated statement of cash flows	**11,601**	2,620

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

12. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade receivables				
- Non-related parties	**17,578**	23,045	**-**	-
Less: Allowance for impairment of trade receivables - non-related parties (Note 28(b)(ii))	**(4,297)**	(3,101)	**-**	-
Trade receivables – net	**13,281**	19,944	**-**	-
Construction contracts				
- Due from customers (Note 14)	**882**	14,520	**-**	-
Non-trade amounts due from subsidiary corporations	**-**	-	**68,085**	70,716
Accrued revenue	**2,752**	6,042	**563**	736
Advances to suppliers	**186**	160	**28**	6
Advances to staff	**33**	35	**-**	-
Deposits	**244**	412	**31**	5
Prepayments	**1,659**	2,371	**772**	1,561
Other receivables				
- Non-related parties	**124**	1,324	**1,609**	2,442
- Related party	**1,530**	1,970	**-**	-
	20,691	46,778	**71,088**	75,466

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For the financial year ended 31 December 2017

12. Trade and other receivables (continued)

Certain subsidiary corporations of the Group have factored trade receivables with carrying amounts of $386,000 (2016: $Nil) to a bank in exchange for cash during the financial year ended 31 December 2017. The transaction has been accounted for as a collateralised borrowing as the bank has recourse to those subsidiary corporations in the event of default by the debtors (Note 22(a)).

The non-trade amounts due from subsidiary corporations and other receivable from related party are unsecured, repayable on demand and interest-free, except for certain advances to subsidiary corporations amounting to $34,442,000 (2016: $35,523,000) which bear interest at 4% (2016: 5.75%) per annum.

13. Inventories

	Group	
	2017	2016
	$'000	$'000
Raw materials	**3,034**	4,486
Work-in-progress	**3,582**	3,482
Finished goods	**1,948**	1,505
Deferred costs	**140**	592
	8,704	10,065

The cost of inventories recognised as an expense and included in "cost of sales" amounted to $7,499,000 (2016: $8,385,000).

14. Construction contracts

	Group	
	2017	2016
	$'000	$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**9,736**	21,690
Less: Progress billings	**(11,284)**	(7,175)
	(1,548)	14,515
Presented as:		
Due from customers on construction contracts (Note 12)	**882**	14,520
Due to customers on construction contracts (Note 21)	**(2,430)**	(5)
	(1,548)	14,515

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
2017				
Beginning of financial year	**6,266**	**-**	**84**	**6,350**
Disposal	**(6,266)**	**-**	**(84)**	**(6,350)**
End of financial year	**-**	**-**	**-**	**-**
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

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 (property plant and equipment of $20,511,000 and borrowings of $5,522,000) as part of the key initiatives of management to dispose some under-utilised assets for cost savings and to improve the cash flow position.

In 2016, certain assets previously classified as disposal group held-for-sale were reclassified back to property, plant and equipment as the sale of such assets was no longer highly probable.

On 4 December 2017, the sale of the remaining assets classified as held-for-sale was completed and a loss on disposal of non-current assets held-for-sale of $310,000 was recognised in other losses – net (Note 5).

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

	Group	
	2017	2016
	$'000	$'000
Bank borrowings:		
- Secured	**-**	2,525

In 2016, the bank borrowings include secured liabilities of $2,525,000 for the Group's building on leasehold land.

In 2017, the bank borrowings included in the disposal group classified as held-for-sale were fully repaid.

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For the financial year ended 31 December 2017

16. Available-for-sale financial assets

	Group	
	2017	2016
	$'000	$'000
Beginning of financial year	**91**	169
Fair value gains/(losses) recognised in other comprehensive income	**18**	(78)
End of financial year	**109**	91

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

17. Investments in subsidiary corporations

	Company	
	2017	2016
	$'000	$'000
Equity investments at cost		
Beginning and end of financial year	**82,030**	82,030
Accumulated impairment		
Beginning of financial year	**-**	-
Impairment charge	**(12,151)**	-
End of financial year	**(12,151)**	-
Net book value		
End of financial year	**69,879**	82,030

The impairment charge of $12,151,000 (2016: $Nil) was made to write down the carrying amount of investment in certain subsidiary corporations to its estimated recoverable amounts. The recoverable amount of investment in certain subsidiary corporations have been determined based on value-in-use calculation.

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For the financial year ended 31 December 2017

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	
			2017	2016	**2017**	2016	**2017**	2016
			%	%	**%**	%	**%**	%
Mencast Marine Pte Ltd[a]	Manufacture, supply and refurbishment and reconditioning of sterngear	Singapore	**100**	100	**100**	100	**-**	-
Mencast Engineering Pte Ltd[a] ("MEPL")	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]	Investment holding	Singapore	**70**	70	**70**	70	**30**	30
Stone Marine Mencast Pte Ltd)[a]	Repair of ships, tankers and other ocean-going vessels and wholesale of marine equipment and accessories	Singapore	**-**	-	**100**	100	**-**	-
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	**-**	-
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	**-**	-
Mencast Innovation Centre Pte Ltd. [a]	Engineering design & consultancy services	Singapore	**100**	-	**100**	-	**-**	-

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For the financial year ended 31 December 2017

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	
			2017	2016	**2017**	2016	**2017**	2016
			%	%	**%**	%	**%**	%
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[a] ("Chinyee")	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[g]	Struck off	Malaysia	**-**	-	**-**	100	**-**	-
Unidive Marine Services (Malaysia) Sdn Bhd[c]	Underwater commercial diving services provider	Malaysia	**-**	-	**100**	100	**-**	-
Unidive Offshore Private Limited[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	**-**	-

17. Investments in subsidiary corporations (continued)

Details of subsidiary corporations are as follows (continued):

(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.
(g) Officially struck off on 17 April 2017.

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

Significant restrictions

Cash in bank of $67,000 (2016: $141,000) 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.

Carrying value of non-controlling interests

	2017 $'000	2016 $'000
Vac-Tech Engineering Pte Ltd	**6,995**	6,341
Other subsidiary corporations with immaterial non-controlling interest	**320**	250
Total	**7,315**	6,591

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 2017.

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For the financial year ended 31 December 2017

17. Investments in subsidiary corporations (continued)

Summarised Balance Sheet

	Vac-Tech	
	2017	2016
	$'000	$'000
Current		
Assets	**11,882**	8,942
Liabilities	**(8,074)**	(7,155)
Total current net assets	**3,808**	1,787
Non-current		
Assets	**11,820**	13,349
Liabilities	**(1,912)**	(2,702)
Total non-current net assets	**9,908**	10,647
Net assets	**13,716**	12,434

Summarised Income Statement

	Vac-Tech	
	2017	2016
	$'000	$'000
Revenue	**15,373**	15,091
Profit before income tax	**3,697**	1,533
Income tax expense	**(415)**	(94)
Total comprehensive income, representing net profit	**3,282**	1,439
Total comprehensive income allocated to non-controlling interests	**1,674**	734
Dividends paid to non-controlling interests	**600**	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

17. Investments in subsidiary corporations (continued)

Summarised Cash Flows

	Vac-Tech	
	2017	2016
	$'000	$'000
Cash flows from operating activities		
Cash generated from operations	**8,324**	1,002
Income tax paid	**(80)**	(47)
Net cash provided by operating activities	**8,244**	955
Net cash used in investing activities	**(629)**	(2,713)
Net cash used in financing activities	**(3,516)**	(1,075)
Net increase in cash and cash equivalents	**4,099**	(2,833)
Cash and cash equivalents at beginning of year	**705**	3,538
Cash and cash equivalents at end of year	**4,804**	705

18. Investment in a joint venture

	Group	
	2017	2016
	$'000	$'000
Equity investment		
Beginning of financial year	**-**	207
Impairment loss (Note 5)	**-**	(207)
End of financial year	**-**	-

Details of joint venture are as follows:

Name of company	Principal activities	Country of business/ incorporation	Effective equity holding	
			2017	2016
			%	%
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.

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For the financial year ended 31 December 2017

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
2017										
Cost										
Beginning of financial year	85,041	96,268	1,469	1,068	5,428	35,531	2,008	1,706	60,370	288,889
Currency translation differences	(327)	172	67	6	(20)	-	40	(6)	-	(68)
Additions	4	2,393	4	13	383	380	118	38	6,327	9,660
Reclassification	-	-	-	2	-	-	-	480	-	482
Disposals	(2,902)	(2,631)	(293)	-	(139)	(2,357)	(2)	-	-	(8,324)
End of financial year	81,816	96,202	1,247	1,089	5,652	33,554	2,164	2,218	66,697	290,639
Accumulated depreciation and impairment losses										
Beginning of financial year	14,223	29,821	1,096	814	2,445	12,269	1,721	875	-	63,264
Currency translation differences	375	30	(8)	(6)	(6)	-	69	(4)	-	450
Depreciation charge (Note 6)	3,343	9,067	161	98	624	1,829	162	243	-	15,527
Impairment loss (Note 5)	-	6,221	-	-	-	3,296	-	-	-	9,517
Reclassification	-	-	-	2	-	-	-	480	-	482
Disposals	-	(1,782)	(203)	-	(100)	(2,157)	(1)	-	-	(4,243)
End of financial year	17,941	43,357	1,046	908	2,963	15,237	1,951	1,594	-	84,997
Net book value										
End of financial year	**63,875**	**52,845**	**201**	**181**	**2,689**	**18,317**	**213**	**624**	**66,697**	**205,642**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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
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	-	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**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

19. Property, plant and equipment (continued)

Company	Office equipment	Computers	Renovation	Total
2017	$'000	$'000	$'000	$'000
Cost				
Beginning of financial year	2	88	24	114
Disposal	-	(3)	-	(3)
End of financial year	2	85	24	111
Accumulated depreciation				
Beginning of financial year	2	83	19	104
Depreciation charge	-	3	5	8
Disposal	-	(2)	-	(2)
End of financial year	2	84	24	110
Net book value				
End of financial year	**-**	**1**	**-**	**1**
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**

Additions during the financial year included machinery and equipment and motor vehicles acquired under finance leases amounting to $210,000 (2016: $2,793,000).

Additions during the financial year included in construction-in-progress financed by construction loan amounted to $1,116,000 (2016: $17,162,000).

The carrying amounts of machinery and equipment and motor vehicles held under finance leases are $7,491,000 (2016: $19,666,000) at the balance sheet date.

Certain bank borrowings are secured property, plant and equipment of the Group with carrying amounts of $137,790,000 (2016: $141,721,000) (Note 22).

During the financial year ended 31 December 2017, impairment charges of $9,517,000 (2016: $11,482,000) was recognised for property, plant and equipment as the carrying amounts exceeded the estimated recoverable amount based on the valuation report from independent valuers and value-in-use calculation. The decrease in value was mainly 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 seven 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 seven properties:

Location	Description	Land area (sqm)	Latest valuation date	Net book value as at 31 December 2017 ($'000)	Fair values ($'000)	Excess of fair values over net book value ($'000)
7 Tuas View Circuit	Office building, dormitory & workshop	8,501	Feb 2018	8,375	16,000	7,625
12 Kwong Min Road	Office building, dormitory & workshop	4,623	Oct 2017	3,230	6,500	3,270
42A Penjuru Road	Office building, canteen & workshop	15,091	Feb 2018	62,788	81,000	18,212
42E Penjuru Road	Waterfront, office building & workshop	19,266	Oct 2017	19,361	30,000	10,639
42B Penjuru Road	Office building & workshop	16,200	Feb 2018	18,123	25,000	6,877
107 Gul Circle	Office building & workshop	12,618	Oct 2017	3,426	5,700	2,274
No.6 Xinghua Gangqu Dadao Changshu, Jiangsu, China	Office building & workshop	34,433	Nov 2016	6,335	6,650	315
Total		**110,732**		**121,638**	**170,850**	**49,212**

The basis of valuation to determine the fair value of the properties was based on "as is" basis using direct comparison approach. The estimated market values are presented for information purposes only and are not recognised in the Group's financial statements.

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

20. Intangible assets

Composition:	Group 2017 $'000	Group 2016 $'000
Goodwill arising on acquisition of business (Note 20(a))	**-**	3,108
Goodwill arising on consolidation (Note 20(b))	**9,661**	41,692
	9,661	44,800

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20. Intangible assets (continued)

(a) Goodwill arising on acquisition of business

	Group	
	2017	2016
	$'000	$'000
Cost		
Beginning and end of financial year	**3,488**	3,488
Accumulated impairment		
Beginning of financial year	**(380)**	-
Impairment charge (Note 5)	**(3,108)**	(380)
End of financial year	**(3,488)**	(380)
Net book value	**-**	3,108

(b) Goodwill arising on consolidation

	Group	
	2017	2016
	$'000	$'000
Cost		
Beginning and end of financial year	**41,692**	41,692
Accumulated impairment		
Beginning of financial year	**-**	-
Impairment charge (Note 5)	**(32,031)**	-
End of financial year	**(32,031)**	-
Net book value	**9,661**	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	
	2017	2016
	$'000	$'000
Recon	**4,781**	4,781
Top Great/Offshore	**-**	17,513
Subsea	**-**	12,777
MEPL/Chinyee	**-**	4,849
Vac-Tech	**4,880**	4,880
	9,661	44,800

The recoverable amount of a CGU was determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

20. Intangible assets (continued)

Key assumptions used for value-in-use calculations:

	2017		2016	
	Growth rate[1]	**Discount rate[2]**	Growth rate[1]	Discount rate[2]
Recon	**2%**	**11%**	2%	12%
Top Great/Offshore	**2%**	**12%**	2%	14%
Subsea	**3%**	**9%**	3%	12%
MEPL/Chinyee	**2%**	**10%**	2%	14%
Vac-Tech	**2%**	**11%**	3%	12%

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

Impairment charges of $35,139,000 (2016: $380,000) were included within "Other losses - net" in the statement of comprehensive income. These impairment charges arose from Top Great/Offshore, Subsea and MEPL/Chinyee CGU due to slow recovery in oil and gas and marine industry.

21. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Trade payables				
- Non-related parties	**7,584**	9,829	**-**	-
Construction contracts				
- Due to customers (Note 14)	**2,430**	5	**-**	-
Advances from customers	**1,317**	673	**-**	-
Deferred revenue	**78**	11	**-**	-
Amount due to subsidiary corporations (non-trade)	**-**	-	**23,996**	25,430
Amount due to former shareholder of Chinyee (non-trade)	**-**	675	**-**	675
Accruals for operating expenses	**1,164**	2,229	**688**	1,472
Other payables – non-related parties	**7,622**	1,311	**370**	645
	20,195	14,733	**25,054**	28,222

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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 2017, the amounts due to former shareholders of Chinyee for the balance purchase consideration has been fully settled (2016: $675,000). These amounts were settled in accordance with the terms and conditions of the sales and purchase agreements and supplemental agreements.

Included in other payables - non-related parties as at 31 December 2017 is $6,160,000 receipt from an insurance company for the call of performance bond related to breaches of contract and delays.

22. Borrowings

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Current				
Bank borrowings	**188,168**	41,970	**54,522**	-
Bank overdraft (Note 11)	**423**	1,401	**-**	-
Finance lease liabilities (Note 23)	**1,798**	3,322	**-**	-
	190,389	46,693	**54,522**	-
Non-current				
Bank borrowings	**1,738**	148,013	**-**	50,000
Finance lease liabilities (Note 23)	**1,500**	3,123	**-**	-
	3,238	151,136	**-**	50,000
Total borrowings	**193,627**	197,829	**54,522**	50,000

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
6 months or less	**172,871**	184,783	**50,000**	50,000
6 - 12 months	**173**	1,966	**-**	-
1 - 5 years	**6,015**	6,852	**-**	-
Over 5 years	**14,568**	4,228	**4,522**	-
	193,627	197,829	**54,522**	50,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

22. Borrowings (continued)

(a) Security granted

Bank borrowings include secured liabilities of $177,322,000 (2016: $183,974,000) over certain short-term bank deposits (Note 11), trade receivables (Note 12) and certain buildings on leasehold land, vessels and construction in progress (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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Bank borrowings	**1,599**	143,231	**-**	48,696
Finance lease liabilities	**1,500**	3,123	**-**	-

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	
	2017	2016	**2017**	2016
	%	%	**%**	%
Bank borrowings	**2.18**	3.60	**-**	4.02
Finance lease liabilities	**3.29**	3.46	**-**	-

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

(c) Breaches of financial covenant

The Group's loan agreements are subjected to financial covenant clauses whereby the Group is required to meet certain key financial ratios. The Group did not fulfil the gearing ratio, interest coverage ratio, minimum tangible net worth and loan to asset value ratio as required in some of the Group's loan agreements.

Due to these breaches of financial covenant clause, the banks are contractually entitled to demand for immediate repayment of these bank borrowings of $187,145,000, bank overdraft of $423,000 and finance lease liabilities of $773,000. These loan amounts were presented in the balance sheet as current liabilities as at 31 December 2017.

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For the financial year ended 31 December 2017

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	
	2017	2016
	$'000	$'000
Minimum lease payments due		
- Not later than one year	**1,974**	3,567
- Between one and five years	**1,636**	3,407
	3,610	6,974
Less: Future finance charges	**(312)**	(529)
Present value of finance lease liabilities	**3,298**	6,445

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

- Not later than one year (Note 22)	**1,798**	3,322
- Between one and five years (Note 22)	**1,500**	3,123
	3,298	6,445

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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Deferred income tax assets to be recovered after one year	**-**	-	**-**	(524)
Deferred income tax liabilities to be settled after one year	**5,341**	4,478	**-**	-
	5,341	4,478	**-**	(524)

24. Deferred income taxes (continued)

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

	Accelerated tax depreciation	Tax losses	Total
	$'000	$'000	$'000
Group			
2017			
Beginning of financial year	5,817	(1,339)	4,478
Charged to profit and loss (Note 9)	34	(241)	(207)
Under provision in prior financial years (Note 9)	6	1,064	1,070
End of financial year	5,857	(516)	5,341
2016			
Beginning and end of financial year	5,817	(1,339)	4,478
Company			
2017			
Beginning of financial year	(3)	(521)	(524)
Charged to profit and loss	3	521	524
End of financial year	-	-	-
2016			
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 $37,288,000 (2016: $21,223,000) and capital allowance of $1,690,000 (2016: $1,690,000) 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	Treasury shares	Total	Share capital	Treasury shares	Total
	'000	'000	'000	$'000	$'000	$'000
Group and Company						
2017						
Beginning of financial year	**422,194**	**(455)**	**421,739**	**91,860**	**(203)**	**91,657**
Shares for Directors' fees (in lieu of cash)	501	-	501	90	-	90
End of financial year	**422,695**	**(455)**	**422,240**	**91,950**	**(203)**	**91,747**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Share capital and treasury shares (continued)

	No. of ordinary shares			Amount		
	Issued share capital '000	Treasury shares '000	Total '000	Share capital $'000	Treasury shares $'000	Total $'000
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 of business in prior years	2,742	-	2,742	1,375	-	1,375
Award of performance shares to employees (Note 7)	88	-	88	12	-	12
End of financial year	**422,194**	**(455)**	**421,739**	**91,860**	**(203)**	**91,657**

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.

2017

On 22 June 2017, pursuant to the Mencast Performance Share Award Scheme (the "**Awards**"), the Company granted (and automatically vests on date of grant) 501,000 shares to the independent directors of the Company in accordance with the independent director's fee arrangement for the financial year ended 31 December 2016 (as approved by shareholders of the Company at the annual general meeting held on 26 April 2017), whereby the independent directors shall receive $90,368 in cash and the remaining $90,368 in shares.

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(b)).

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

25. Share capital and treasury shares (continued)

(a) 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)

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.

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

The ESOS will expire on 29 May 2018, being 10 years from the date on which the ESOS was adopted, and the management has decided not to renew or replace the same.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Share capital and treasury shares (continued)

(b) 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) tranche which have been completed and awarded on 11 September 2014; 17 September 2015 and 22 August 2016 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

25. Share capital and treasury shares (continued)

(b) Performance shares (continued)

On 22 June 2017, pursuant to the Mencast Performance Share Award Scheme (the "**Awards**"), the Company granted (and automatically vests on date of grant) 501,000 shares to the independent directors of the Company in accordance with the independent director's fee arrangement for the financial year ended 31 December 2016 (as approved by shareholders of the Company at the annual general meeting held on 26 April 2017), whereby the independent directors shall receive $90,368 in cash and the remaining $90,368 in shares.

26. 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 $13,007,000 (2016: $13,855,000*) (Note 28(b)) at the balance sheet date.

During the current financial year, the Company issued a corporate guarantee to one of the multinational customers of a subsidiary corporation as a performance guarantee for a secured order project of approximately $1,569,000. The project is expected to be completed by 2nd quarter of 2018.

The directors estimated that the fair value of the corporate guarantees is negligible in the view that consequential benefits to be derived from its guarantee are not material and therefore not recognised.

* This includes the 2016 unsecured liabilities directly associated with disposal group classified as held-for-sale.

27. Commitments

(a) Capital commitments

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

	Group	
	2017	2016
	$'000	$'000
Property, plant and equipment	**2,059**	10,148

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

27. Commitments (continued)

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

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

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

	Group	
	2017	2016
	$'000	$'000
Not later than one year	**1,978**	2,325
Later than one year but not later than five years	**7,914**	9,301
Later than five years	**30,819**	32,937
	40,711	44,563

(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	
	2017	2016
	$'000	$'000
Not later than one year	**1,114**	427
Later than one year but not later than five years	**835**	241
	1,949	668

28. Financial risk management

Financial risk factors

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

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

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

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

(a) Market risk

(i) Currency risk

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

	Group			
	SGD $'000	USD $'000	Other $'000	Total $'000
At 31 December 2017				
Financial assets				
Cash and cash equivalents and available-for-sale financial assets	**12,905**	**1,437**	**508**	**14,850**
Trade and other receivables	**15,180**	**3,373**	**292**	**18,845**
Intercompany balances	**168,564**	**1,233**	**134**	**169,931**
	196,649	**6,043**	**934**	**203,626**
Financial liabilities				
Trade and other payables	**(8,054)**	**(1,860)**	**(296)**	**(10,210)**
Intercompany balances	**(168,564)**	**(1,233)**	**(134)**	**(169,931)**
Borrowings	**(192,736)**	**(846)**	**(45)**	**(193,627)**
	(369,354)	**(3,939)**	**(475)**	**(373,768)**
Net financial (liabilities)/assets	**(172,705)**	**2,104**	**459**	**(170,142)**
Add: Net non-financial assets	**194,466**	**-**	**15,791**	**210,257**
Currency profile including non-financial assets	**21,761**	**2,104**	**16,250**	**40,115**
Currency exposure of net financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	**(255)**	**2,070**	**103**	**1,918**

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For the financial year ended 31 December 2017

28. Financial risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

	Group			
	SGD	USD	Other	Total
	$'000	$'000	$'000	$'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 assets net of those denominated in the respective entities' functional currencies	3	2,360	1,056	3,419

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

If the USD change against the SGD by 5% (2016: 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 2017 and 2016 are denominated in Singapore Dollar.

28. Financial risk management (continued)

(a) Market risk (continued)

(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.

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% (2016: 0.5%) with all other variables including tax rate being held constant, the net profit would have been lower/higher by $774,000 (2016: $286,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. Financial risk management (continued)

(b) Credit risk (continued)

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	
	2017	2016
	$'000	$'000
Corporate guarantees provided to banks on subsidiary corporations' loans (Note 26)	**13,007**	13,855
Corporate guarantees provided to a subsidiary corporation's customer on a project (Note 26)	**1,569**	-

The trade receivables of the Group include 2 debtors (2016: 2 debtors) that collectively represented 29% (2016: 18%) of trade receivables.

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

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

	Group	
	2017	2016
	$'000	$'000
By types of customers		
Non-related parties		
– Multi-national companies	**10,360**	11,113
– Other companies	**2,921**	8,831
	13,281	19,944

(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.

28. Financial risk management (continued)

(b) Credit risk (continued)

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

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

	Group	
	2017	2016
	$'000	$'000
Past due less than 3 months	**3,052**	5,748
Past due 3 to 6 months	**2,149**	2,620
Past due over 6 months	**2,214**	7,975
	7,415	16,343

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

	Group	
	2017	2016
	$'000	$'000
Gross amount	**4,297**	3,101
Less: Allowance for impairment	**(4,297)**	(3,101)
	-	-
Beginning of financial year	**3,101**	1,267
Currency translation difference	**2**	-
Allowance made (Note 5)	**1,869**	1,866
Write-back of allowance (Note 5)	**(216)**	(32)
Allowance utilised	**(459)**	-
End of financial year	**4,297**	3,101

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. Financial risk management (continued)

(c) Liquidity risk (continued)

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group	$'000	$'000	$'000	$'000
At 31 December 2017				
Trade and other payables	(10,210)	-	-	-
Borrowings	(190,389)	(2,110)	(1,339)	-
At 31 December 2016				
Trade and other payables	(14,044)	-	-	-
Borrowings*	(49,218)	(17,456)	(102,902)	(58,729)
Company				
At 31 December 2017				
Trade and other payables	(25,054)	-	-	-
Borrowings	(54,522)	-	-	-
Financial guarantees	(14,576)	-	-	-
At 31 December 2016				
Trade and other payables	(60,088)	-	-	-
Borrowings	-	-	(51,135)	-
Financial guarantees**	(13,855)	-	-	-

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

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

28. Financial risk management (continued)

(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 (2016: 3.20 times).

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

	Group		Company	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Borrowings*	**193,627**	200,354	**54,522**	50,000
Total equity	**28,480**	75,085	**62,220**	79,709
Debt to equity ratio (times)	**6.80**	2.67	**0.88**	0.63

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

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

The Group and the Company did not fulfil the gearing ratio and minimum tangible net worth as required in some of the Group's loan agreements for the financial year ended 31 December 2017.

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

(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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. Financial risk management (continued)

(e) Fair value measurements (continued)

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

	Group	
	2017	2016
	$'000	$'000
Assets		
Available-for-sale financial assets (Note 16)	**109**	91

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 approximate their fair values.

(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	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Loans and receivables	**33,587**	51,663	**71,116**	74,324
Financial liabilities at amortised cost	**203,837**	214,398	**79,576**	78,222

29. Related party transactions

Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2017	2016
	$'000	$'000
Wages and salaries	**1,893**	2,040
Employer's contribution to defined contribution plans, including Central Provident Fund	**139**	172
	2,032	2,212

Key management personnel compensation includes directors' remuneration amounting to $722,000 (2016: $710,000).

30. Segment information

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

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

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

The Group's activities comprise the following segments:

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Segment information (continued)

The segment information are as follows:

	Group			
	Offshore & Engineering $'000	Marine $'000	Energy Services $'000	Total $'000
2017				
Revenue				
Total segment revenue	14,580	23,821	15,519	53,920
Inter-segment revenue	(515)	(1,534)	(156)	(2,205)
Revenue from external parties	14,065	22,287	15,363	51,715
Gross (loss)/profit	(11,446)	2,177	5,107	(4,162)
Other losses - net				
– impairment loss on goodwill arising on acquisition of business	(3,108)	-	-	(3,108)
– impairment loss on goodwill arising on consolidation	(19,254)	(12,777)	-	(32,031)
– impairment loss on property, plant and equipment	(8,421)	(1,096)	-	(9,517)
– loss from cancellation of customers contract	(5,361)	-	-	(5,361)
– loss on disposal of non-current assets held-for-sale	(310)	-	-	(310)
– claim against former shareholder of subsidiary	306	-	-	306
– write down of inventories	(1,325)	-	-	(1,325)
– other losses, net				(2,847)
Other losses - net				(54,193)
Expenses				
– Administrative				(16,008)
– Finance				(5,826)
Loss before income tax				(80,189)
Income tax expense				(475)
Net loss for the financial year				(80,664)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Segment information (continued)

	Group			
	Offshore & Engineering	Marine	Energy Services	Total
	$'000	$'000	$'000	$'000
2016				
Revenue				
Total segment revenue	25,029	24,813	15,091	64,933
Inter-segment revenue	(3,811)	(956)	(75)	(4,842)
Revenue from external parties	21,218	23,857	15,016	60,091
Gross (loss)/profit	(4,787)	8,439	3,542	7,194
Other loss - 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 losses, net				(1,993)
Other losses – net				(13,037)
Expenses				
Administrative				(15,370)
Finance				(5,111)
Loss before income tax				(26,324)
Income tax expense				(46)
Net loss for the financial year				(26,370)

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	
	2017	2016
	$'000	$'000
Singapore	**42,816**	51,388
Asia [1]	**7,601**	8,013
Rest of the world [2]	**1,298**	690
Total	**51,715**	60,091

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

30. Segment information (continued)

Revenue of $10,112,000 (2016: $7,661,000) is derived from one (2016: one) external customer. This revenue is attributable to energy services segment (2016: Singapore energy services segment).

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	
	2017	2016
	$'000	$'000
Singapore	**200,265**	248,487
Asia [1]	**15,216**	23,282
Total	**215,481**	271,769

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

31. Comparative figures

Significant balances which were reclassified to improve clarity and conform to FY2017 presentation are as below:

(a) Reclassification between other losses – net and administrative expenses

	2016 (as currently reported)	**2016 (as previously reported)**	**Increase/ (decrease)**
	$'000	**$'000**	**$'000**
Consolidated statement of comprehensive income			
Other losses – net	(13,037)	(10,122)	(2,915)
Administrative expenses	(15,370)	(18,285)	2,915
Breakdown of reclassification:			
Impairment loss on trade receivables			(1,866)
Write-off of trade receivables			(1,081)
Write-back of allowance for impairment of trade receivables			32
			(2,915)

31. Comparative figures (continued)

(b) Offset of inter-company balances

The comparative figures of the Company for amounts due from subsidiary corporations and amounts due to subsidiary corporations were adjusted as a result of inter-company offsetting amounting to $31,866,000.

	2016 (as currently reported) $'000	2016 (as previously reported) $'000	Increase/ (decrease) $'000
Balance sheets			
Trade and other receivables	75,466	107,332	(31,866)
- Non-trade amounts due from subsidiary corporations	70,716	102,582	(31,866)
Trade and other payables	28,222	60,088	(31,866)
- Non-trade amounts due to subsidiary corporations	25,430	57,296	(31,866)

32. New or revised accounting standards and interpretations

Below are the mandatory standards and 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 2018 and which the Group has not early adopted.

Effective for annual periods beginning on or after 1 January 2018

- FRS 109 Financial Instruments

FRS 109 replaces FRS 39 Financial Instruments: Recognition and Measurement and its relevant interpretations.

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 (FVOCI). Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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

There is also now a new expected credit losses impairment 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.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 33). The new accounting framework has similar requirements of FRS 109 and the management does not expect significant adjustments to the Group's financial statements.

- FRS 115 Revenue from Contracts with Customers

FRS 115 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.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 33). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 33.

- Amendments to FRS 40: Transfers of Investment Property
- Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions
- Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts
- 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

<u>Effective for annual periods beginning on or after 1 January 2019</u>

- FRS 116 Leases

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.

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

Some of the commitments of the Group 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.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 33). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and liability for future payments and how this will affect the Group's profit and classification of cash flows.

The Group has elected to apply FRS 116 Leases for the first time in the 2018 financial report (initial application date: 1 January 2018), as permitted under the specific transition provisions in the standard. In accordance with the transition provisions in FRS 116 (C5)(b) the new rules will be adopted retrospectively with the cumulative effect of initially applying the new standard recognised on 1 January 2018 (i.e. limited retrospective application). Comparatives for the 2017 financial year have therefore not been restated and as a consequence, a third balance sheet is not required in the year of adoption.

- Amendments to FRS 109: Prepayment Features with Negative Compensation
- Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures

<u>Effective date: to be determined</u>*

- 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.

The management anticipates that the adoption of the above FRS and amendments to FRS in the future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

33. Adoption of SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ("**SFRS(I)**") hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018 in May 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1. The Group plans to elect to relevant optional exemptions and the exemptions resulting in signficant adjustments to the Group's financial statements prepared under SFRS are as follows:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

33. Adoption of SFRS(I) (continued)

(a) Application of SFRS(I) equivalent of IFRS 1 (continued)

(i) Cumulative translation differences

The Group plans to elect to set the cumulative translation differences to be zero as at the date of transition to SFRS (1) on 1 January 2017. As a result, translation reserve and retained profits as at 1 January 2017 as at 1January 2017 and 31 December 2017 was increased/reduced by $3,973,000 respectively.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 Financial Instruments: Recognition and Measurement will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. Expected significant adjustments to the Group's balance sheet line items as a result of management's assessment are as follows:

- Equity investments reclassified from AFS to FVOCI

  The Group has elected to recognise changes in the fair value of all its equity investments not held for trading and previously classified as available-for-sale in other comprehensive income.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss impairment model under SFRS(I) equivalent of IFRS 9:

- trade receivables and contract assets recognised under SFRS(I) equivalent of IFRS 15; and
- loans to related parties and other receivables at amortised cost.

Management does not expect significant adjustments to the Group's balance sheet line items from the application of the expected credit loss impairment model.

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

(iii) Accounting for costs incurred to fulfil a contract

Under SFRS, training costs incurred on staff working specifically on certain contracts to construct specialised equipment are expensed to the profit or loss as they do not qualify for recognition as an asset under any SFRS.

Under SFRS(I) equivalent of IFRS 15, as these costs relate directly to the Group's contracts with customers and are expected to be recovered, they will be capitalised as "contract assets - costs to fulfil a contract".

33. Adoption of SFRS(I) (continued)

(c) Adoption of SFRS(I) equivalent of IFRS 15 (continued)

(iv) Accounting for contracts with multiple performance obligations

Under SFRS, each contract for construction of specialised equipment has been assessed to be one contract with revenue recognised progressively by reference to the stage of completion of the contract activity at the balance sheet date.

The Group has assessed each contract under the requirements of SFRS(I) equivalent of IFRS 15 and concluded that for each of these contracts there are two distinct performance obligations which are satisfied at different timings. This will result in different timings of revenue recognition for each performance obligation under each contract.

(v) Presentation of contract assets and liabilities

The Group is expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Amounts due from customers arising from construction contracts, accrued revenue, construction contract work-in-progress and deferred costs under SFRS will be reclassified to be presented as part of contract assets.
- The expected volume discounts and refunds to customers which have been presented as current provisions under SFRS, will be classified as contract liabilities.
- Advances received from customers arising from construction contracts and amounts due to customers arising from construction contracts under SFRS will be reclassified to be presented as part of contract liabilities.

(d) Summary of provisional financial impact

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I) as described above are summarised below:

	As at 31 December 2017 reported under SFRS $ $'000	(Provisional) As at 1 January 2018 under SFRS(I) $ $'000	As at 1 Jan 2017 reported under SFRS $ $'000	(Provisional) As at 1 Jan 2017 reported under SFRS(I) $ $'000
Financial assets, available-for-sale	109	-	91	91
Inventories	8,704	8,564	10,065	9,473
Trade and other receivables	20,691	17,057	46,778	26,216
Contract assets	-	3,634	-	20,562
Financial assets, at FVOCI	-	109	-	-
Trade and other payables	20,195	17,765	14,733	14,728
Contract liabilities	-	2,430	-	5
Translation reserve	(4,700)	(727)	(3,973)	-
(Accumulated losses)/retained profits	(54,788)	(58,761)	27,200	23,227

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2018

SHARE CAPITAL

Number of ordinary shares (excluding treasury shares and subsidiary holding)	:	422,239,524
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	2.05	144	0.00
100 - 1,000	38	5.57	31,359	0.01
1,001 - 10,000	172	25.22	918,969	0.22
10,001 - 1,000,000	425	62.32	43,072,698	10.20
1,000,001 AND ABOVE	33	4.84	378,216,354	89.57
TOTAL	**682**	**100.00**	**422,239,524**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	102,674,302	24.32
2	WONG SWEE CHUN	49,102,550	11.63
3	CHUA KIM CHOO	41,716,800	9.88
4	DBS NOMINEES (PRIVATE) LIMITED	33,030,024	7.82
5	SIM SOON YING (SHEN SHUNYING)	21,686,000	5.14
6	RAFFLES NOMINEES (PTE) LIMITED	13,184,063	3.12
7	WONG CHEE HERNG	12,544,400	2.97
8	ORCHID 1 INVESTMENTS PTE LTD	10,511,000	2.49
9	GOH KAI KUI	9,706,000	2.30
10	SIM SOON NGEE GLENNDLE	7,401,100	1.75
11	TAT LEE HOLDINGS PTE LTD	6,931,235	1.64
12	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,914,300	1.64
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	6,849,700	1.62
14	VENSTAR INVESTMENTS LTD	5,712,000	1.35
15	HUANG ZHIYONG	5,179,000	1.23
16	NG KENG TEONG	4,291,550	1.02
17	PANG YOKE MIN	4,278,800	1.01
18	GAY CHEE CHEONG	3,858,000	0.91
19	SONG BONG JOO	3,837,632	0.91
20	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,631,987	0.86
	TOTAL	**353,040,443**	**83.61**

STATISTICS OF SHAREHOLDINGS
AS AT 20 MARCH 2018

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 20 March 2018)

	Direct Interest	%	Deemed Interest	%
Sim Soon Ngee Glenndle[1]	83,001,100	19.66	63,402,800	15.01
Chua Kim Choo[1]	41,716,800	9.88	104,687,100	24.79
Sim Soon Ying[1]	21,686,000	5.14	124,717,900	29.53
Wong Swee Chun[2]	49,102,550	11.36	1,509,900	0.36
Gay Chee Cheong[3]	11,358,000	2.69	7,675,000	5.01
Chua Siok Lan[3]	21,000,000	4.97	25,033,000	2.73
Ni Weiming[3]	175,000	0.04	32,358,000	7.66
Wong Boon Huat[4]	28,005,306	6.63	–	–

Notes:

(1) The following shares are registered under Sim Soon Ngee Glenndle:
- (b) 64,600,000 shares in Citibank Nominees Singapore Pte Ltd; and
- (c) 11,000,000 in DBS Nominees (Private) Limited.

Sim Soon Ngee Glenndle is deemed interested in the shares of Chua Kim Choo and Sim Soon Ying. Sim Soon Ngee Glenndle is the son of Chua Kim Choo and the brother of 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.

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 2018, approximately 37.39% 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 2018.

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 Thursday, 26 April 2018 at 10.30 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 2017 together with the Auditors' 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 Sim Soon Ngee Glenndle **(Resolution 2)**
   (b) Mr Wong Boon Huat **(Resolution 3)**

3. To approve the payment of Directors' fees for the financial year ended 31 December 2017 comprising:

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (**excluding treasury shares and subsidiary holding**) 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 and subsidiary holding**) 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 and subsidiary holding**) shall be based on the total number of issued shares (**excluding treasury shares and subsidiary holding**) 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 Performance Share Award Scheme**

That pursuant to Section 161 of the Companies Act, the Directors be and are hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Mencast Performance Share Award Scheme (the "**Scheme**') and to allot and issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the Awards under the Scheme, provided that the aggregate number of Shares to be allotted and issued pursuant to the Scheme, when added to the number of Shares issued and issuable in respect of all Awards, and all Shares issued and issuable in respect of all options granted or awards granted under any other share incentive schemes or share plans adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total issued Shares (**excluding treasury shares and subsidiary holding**) 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)**

By Order of the Board

Cho Form Po
Company Secretary
Singapore, 11 April 2018

NOTICE OF ANNUAL GENERAL MEETING

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 and subsidiary holding**) 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 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 and subsidiary holding**) from time to time.

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 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.

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 Annual General Meeting ("**Meeting**") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Thursday, 26 April 2018 at 10.30 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:**	**No. of Votes For[1]**	**No. of Votes Against[1]**
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2017		
2	Re-election of Mr Sim Soon Ngee Glenndle as a Director		
3	Re-election of Mr Wong Boon Huat 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 Performance Share Award Scheme		

[1] *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 _________________ 2018

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 2018.

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.

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

MENCAST HOLDINGS LTD

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