



EMBRACING  
NEW  
POSSIBILITIES

ANNUAL REPORT 2017

## CORPORATE PROFILE

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

The Group is an established engineering solutions provider, providing its customers with comprehensive energy supply chain solutions. It designs, manufactures and installs engineering solutions and products such as drilling and well intervention systems. The Group is also providing water and wastewater treatment services in Vietnam.

On 28 September 2016, the Company along with these two subsidiaries, EES and KIPL, applied to High Court for schemes of arrangement.

The scheme of arrangement of the Company was approved by creditors on 28 July 2017 and

subsequently sanctioned by the High Court on 8 September 2017.

The scheme of arrangement of KIPL was withdrawn on 28 July 2017 due to a condition precedent not met. Following the withdrawal of the scheme of arrangement, KIPL has been placed under creditors’ voluntary liquidation on 24 October 2017.

As for EES, the meeting of creditors was held on 11 May 2018 and its scheme of arrangement was approved by majority of the creditors. A further hearing has been fixed for 13 July 2018 at the High Court of Singapore.

The Group aims to improve its financial position upon the successful outcome of the Company’s scheme of arrangement with the debt to equity conversion. It is also exploring a fund-raising exercise to strengthen its cash position.

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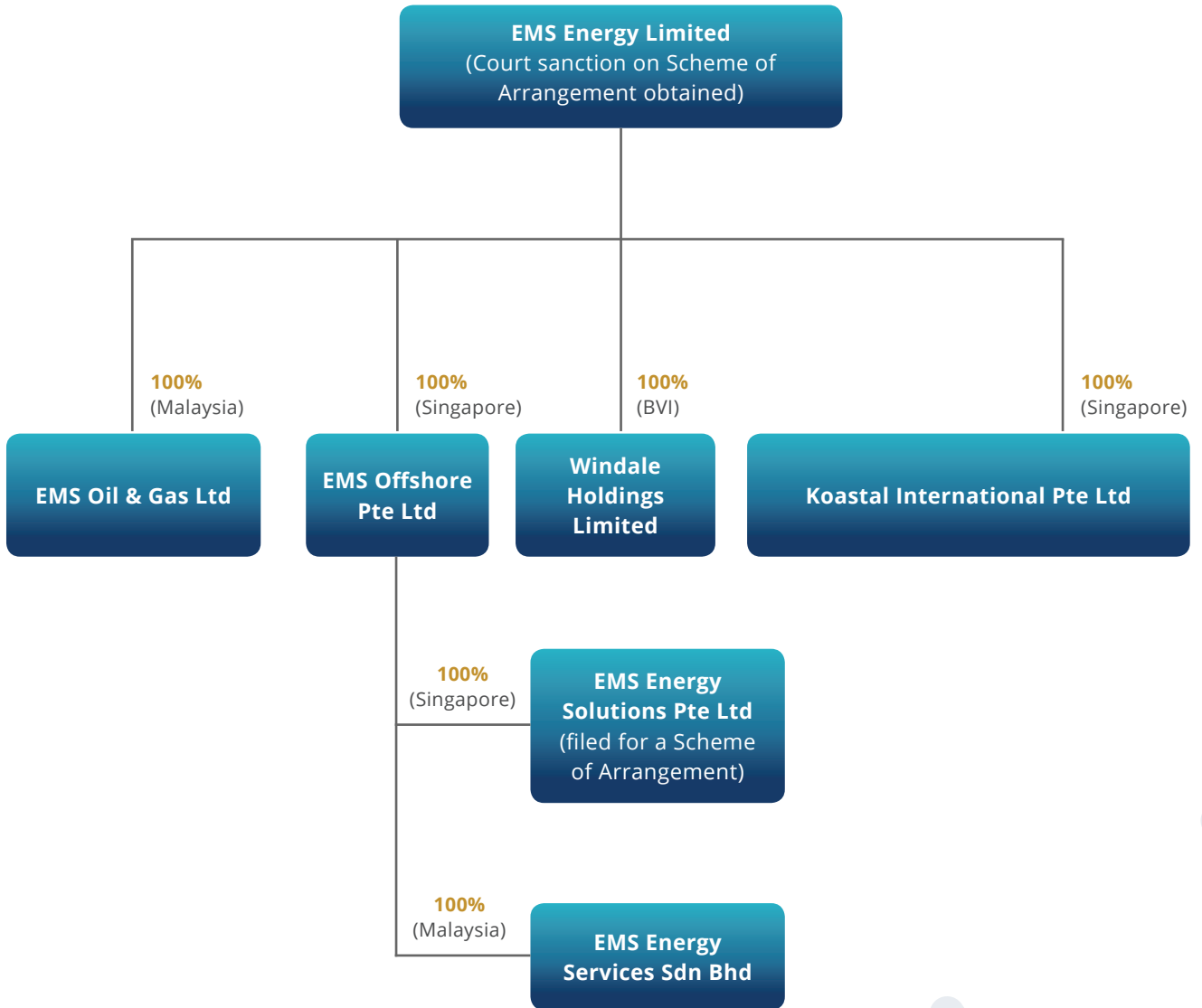
### Sponsor’s Statement

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

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

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

# CORPORATE STRUCTURE



## CHAIRMAN'S STATEMENT

**“The Group reported a net profit of S\$34.9 million for FY2017 arising from the gain on the deconsolidation of certain subsidiaries.”**

**TING TECK JIN**  
*Executive Chairman and  
Chief Executive Officer*



### Dear Valued Shareholders,

On behalf of my fellow Board of Directors of EMS Energy Limited (the “Company” and together with its subsidiaries, the “Group”), I wish to present to you the Annual Report for the financial year ended 31 December 2017 (“FY2017”).

Following the placement of Koastal Industries Pte Ltd (“KIPL”) under creditors’ voluntary liquidation on 24 October 2017, we had deconsolidated the accounts of KIPL and its subsidiaries (namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte Ltd and Koastal Eco Industries Co., Ltd) (“KIPL Group”) from the Group’s FY2017 results.

With the deconsolidation, the Group reported a net profit of S\$34.9 million for FY2017 from our businesses in marine offshore and water treatment. Comparatively, the Group registered a loss of S\$120.1 million for FY2016, which included allowance for losses of S\$99.6 million in consideration of various cost including claims by the customer of a major project.

The Group’s revenue for FY2017 was S\$6.7 million compared to S\$29.1 million for FY2016. The decline in our revenue was due mainly to lower project billings in both marine offshore and water treatment segments, which contributed S\$3.4 million and S\$3.3 million respectively.

I also wish to highlight that the deconsolidation of the KIPL Group from the Group has resulted in an improved negative working capital of S\$82.8 million and net liability position of S\$71.7 million as at 31 December 2017 compared to S\$126.0 million and S\$112.4 million as at 31 December 2016.

We are currently taking active steps to revitalise our businesses which I will elaborate in the next few paragraphs.

### STREAMLINING FOR COMPETITIVENESS

After the past few years of difficult market conditions for the global marine and offshore engineering industry, there are signs of cautious optimism about the sector as oil prices continue with their modest recovery. Oil prices averaged at US\$65.63 per barrel between January and April in 2018, an improvement compared to the average of US\$52.51 in 2017<sup>1</sup>. However, at current oil price levels, Singapore’s marine and offshore engineering industry is still expected to remain lacklustre as local yards are facing weak operating conditions<sup>2</sup>.

<sup>[1]</sup> <https://www.statista.com/statistics/262858/change-in-opec-crude-oil-prices-since-1960/>

<sup>[2]</sup> <https://www.gov.sg/microsites/budget2018/press-room/news/content/speech-by-mr-lim-hng-kiang-minister-for-trade-and-industry-committee-of-supply-debate-2018>

## CHAIRMAN'S STATEMENT

Against this backdrop, the Group is seeking to ride out the industry's difficult conditions by streamlining its operational capabilities in the Engineering, Procurement and Construction Management - Marine, Offshore and Trading segment. During FY2017, we took measured steps to reduce manpower and operating costs, while seeking ways to improve operational efficiency in our execution of the projects at hand. While the hard times are not over, we hope that we will emerge much leaner and more agile when we turn the corner.

In the Engineering, Procurement and Construction Management - Water Treatment segment, the business faced lower activities in Vietnam, which explained the lower revenue in FY2017. The deconsolidation of the water treatment entity under the KIPL Group also contributed to the lower revenue.

### EMBRACING NEW POSSIBILITIES

The Group's construction of the new waterfront facility at 12 Tuas South Street 15 ("Tuas South Facility") was stalled as of 31 December 2017 as the Group did not have sufficient funds to complete construction. However, we recently approached a positive turning point.

As announced on 28 May 2018, we entered into a non-binding term sheet on 25 May 2018 with Qian Investment Holding Pte Ltd (the "Investor") in which, amongst others, we proposed to allot and issue to the Investor some five billion new shares at 0.15 Singapore cents, which will amount to S\$7.5 million. The Investor intends to pursue its lubricant additive business by constructing a lubricant additive blending facility at the Tuas South Facility. These plans, including the proposed placement, are conditional upon the Investor and ourselves entering into a definitive agreement on or before the expiry of three months from the date of the term sheet. We look forward to a smooth and successful progression of these plans.

The Company is in the midst of implementing the scheme of arrangement ("SOA") of the Company after the scheme was sanctioned by the High Court on 8 September 2017. Under this SOA, the Company shall undertake a debt-to-equity conversion by issuing and allotting no more than 725,000,000 new ordinary shares in the capital of the Company to the creditors under the scheme at S\$0.08 for each scheme share.

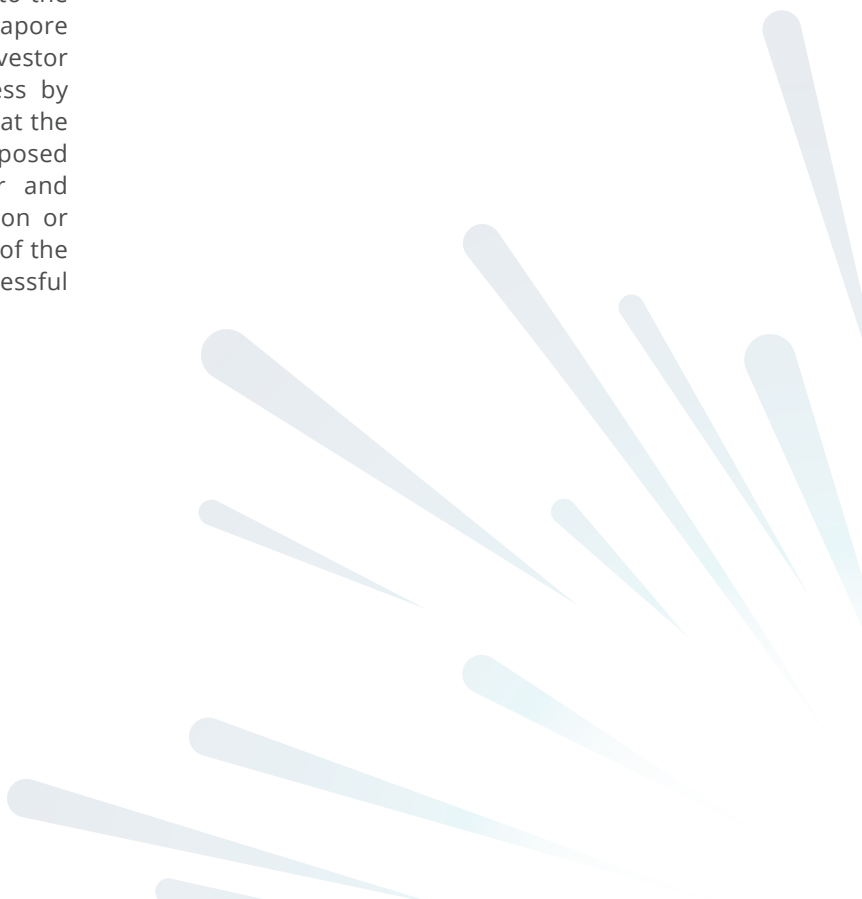
With the progress made in our proposed debt restructuring exercise and business revitalisation plans, I look forward to the successful execution of these proposals, which will vastly improve our Group's financial position and operational performance.

### ACKNOWLEDGEMENTS

On behalf of the Board, I would like to thank all our customers, business partners, stakeholders, employees and shareholders for their support and contributions to the Group. We will continue to work hard to revitalise the Group and work towards resumption of trading of the Company's shares at the soonest possible timeframe.

### TING TECK JIN

*Executive Chairman and Chief Executive Officer*



## OPERATIONS AND FINANCIAL REVIEW

### OVERVIEW

FY2017 was an eventful year for the Group. The Singapore market conditions for the marine and offshore engineering industry was difficult despite the recovery in global crude oil prices. Against this backdrop, the Company received contract termination notices from certain customers and letters of demands from certain creditors and borrowers. As a result, the Company, together with two wholly-owned subsidiaries, Koastal Industries Pte Ltd ("KIPL") and EMS Energy Solutions Pte Ltd ("EES"), filed an application with Singapore's High Court to propose schemes of arrangement under the Companies Act, Chapter 50, in connection with the proposed restructuring under the respective debt obligations and liabilities. KIPL has since been placed under Creditors' Voluntary Liquidation with effect from 24 October 2017.

### FINANCIAL PERFORMANCE

In FY2017, the Group reported revenue of S\$6.7 million compared to the S\$29.1 million in FY2016. The 77.0% decrease in revenue was due to lower project billings in both marine offshore and water treatment segments.

In terms of the breakdown by segment, revenue from the EPCM-MOT segment was S\$3.4 million in FY2017 compared to S\$14.4 million in FY2016. The S\$11 million decline was attributable to lower project billings from marine offshore projects. Meanwhile, the EPCM-WT reported a revenue of S\$3.3 million in FY2017 versus S\$14.7 million in FY2016. The S\$11.4 million drop was due mainly to lower business activities in Vietnam and the deconsolidation of the water treatment entity under the KIPL group.

Cost of sales dropped 55.5% to S\$10.1 million in FY2017 from S\$22.6 million in FY2016. The Group turned in a gross loss of S\$3.4 million in FY2017 compared to a gross profit of S\$6.5 million in FY2016. This was due mainly to recognition of scrap cost of S\$2.8 million and additional costs of S\$0.5 million incurred for project rectification works.

Other income increased by S\$3.6 million to S\$4.5 million in FY2017 compared to S\$0.9 million in FY2016. The increase was due mainly to net exchange gain of S\$2.3 million compared to exchange loss of \$0.1 million in FY2016. Included in other income in FY2017 were the write back of S\$1.1 million due to expiry of share warrant and scrap sale of S\$1.0 million which were offset by higher other income of S\$0.8 million in FY2016 due to gain on disposal of investment property, commission income, consultancy services and interest income.

Administration expenses decreased by S\$4.3 million or 40.0% to S\$6.5 million in FY2017 compared to S\$10.8 million in FY2016 due mainly to lower employee compensation of S\$3.3 million arising from headcount reduction and other cost cutting measures.

The Group's other expenses fell to S\$19.5 million in FY2017 from S\$112.4 million in FY2016. The reduction was mainly due to higher impairments for projects losses of S\$85.8 million, impairment loss of investment in associate company of S\$2.8 million and impairment of fixed assets of S\$3.9 million in FY2016.

The Group recorded a capital gain of S\$64.6 million in FY2017 as a result of deconsolidation of KIPL group.

As a result, the Group reported a net profit of S\$34.9 million in FY2017 compared to a net loss of S\$120.1 million in FY2016.

### CASH FLOW AND FINANCIAL POSITION

The Group recorded net cash used in operating activities of S\$2.1 million in FY2017 compared to net cash used in operating activities of S\$0.9 million in FY2016.

Net cash generated from investing activities was S\$2.4 million in FY2017 compared to net cash used in investing activities of S\$1.1 million in FY2016. The net cash generated from investing activities in FY2017 was mainly due to proceeds from disposal of associated company of S\$2.9 million, partially offset by net cash outflow from deconsolidation of KIPL group of S\$0.5 million.

Net cash used in financial activities in FY2017 was S\$0.2 million compared to net cash generated from financing activities of S\$3.0 million in FY2016. The net cash used in financing activities in FY2017 was mainly due to repayment of borrowings.

Due to the foregoing, the Group had net cash and cash equivalents of S\$0.4 million as at end of FY2017 compared to cash and cash equivalents of S\$0.3 million as at end of FY2016.

With regard to the Group's financial position, the Group recorded an improved negative working capital position of S\$82.8 million and net liability position of S\$71.7 million as at FY2017 following the deconsolidation of KIPL group. Comparatively, the Group recorded a negative working capital of S\$126.0 million and net liability position of S\$112.4 million as at FY2016.



## FINANCIAL SUMMARY

AS AT 31 DECEMBER	FY2017	FY2016
Total Assets (S\$'000)	38,658	36,876
Total Liabilities (S\$'000)	110,389	149,253
Shareholders Equity (S\$'000)	(71,731)	(112,377)
Gearing Ratio <sup>(a)</sup>	n.m.	n.m.
<sup>(a)</sup> Total borrowings divided by shareholders' equity		

AS AT 31 DECEMBER	FY2017	FY2016
Gain/(Loss) per ordinary share attributable to equity holders of the Company (Singapore cents) <sup>(b)</sup>	7.78	(26.77)
<sup>(b)</sup> Based on weighted average number of ordinary shares in issue	448,735,224	448,735,224
Net assets per share (Singapore cents) <sup>(c)</sup>	(15.99)	(25.04)
<sup>(c)</sup> Based on number of ordinary shares in issue as at year end	448,735,224	448,735,224

*n.m. not meaningful*

## BOARD OF DIRECTORS



### **TING TECK JIN**

*Executive Chairman and Chief Executive Officer*

Mr Ting, 50, joined the Board on 6 December 2006 as Executive Chairman and assumed the role of Chief Executive Officer on 19 June 2007.

Mr Ting is responsible for the strategic corporate direction and development of the Group. He also oversees business development and operations in his role as Director of EMS Energy Solutions Pte Ltd. Mr Ting is also Managing Director of Koastal International Pte Ltd.

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



### **LIM SIONG SHENG**

*Non-Executive and Lead Independent Director*

Mr Lim, 67, joined the Board on 1 June 2008 as a Non-Executive and Independent Director. He was last re-elected on 30 April 2016.

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

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



**BOARD OF DIRECTORS****LIM POH BOON**

*Non-Executive and Independent Director*

Mr Lim, 64, joined the Board on 1 June 2007 as Non-Executive and Non- Independent Director, and was re-designated as Independent Director since FY2012. He was last re-elected on 30 April 2016.

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

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

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

**UNG GIM SEI**

*Non-Executive and Independent Director*

Mr Ung, 78, joined the Board on 31 August 2007 as a Non-Executive and Independent Director. He was last re-elected on 31 October 2017. Mr Ung is currently a director of a U.S.-Singapore joint venture law firm, Duane Morris & Selvam LLP, specialising in the practice of Intellectual Property.

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

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

## EXECUTIVE OFFICERS

### TING TECK JIN

*Executive Chairman and Chief Executive Officer*

Mr Ting, 50, joined the Board on 6 December 2006 as Executive Chairman and assumed the role of Chief Executive Officer on 19 June 2007.

Mr Ting is responsible for the strategic corporate direction and development of the Group. He also oversees business development and operations in his role as Director of EMS Energy Solutions Pte Ltd. Mr Ting is also Managing Director of Koastal International Pte Ltd.

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

### WONG HON CHENG

*Vice President, EMS Energy Solutions Pte Ltd*

Mr Wong, 39, joined the Group on 24 May 2010 as a Project Manager. He was promoted to Vice President for the Group's rigs business unit in May 2013 and in January 2016 he was promoted to Managing Director of EMS Energy Solutions Pte Ltd.

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

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

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

# CORPORATE GOVERNANCE

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

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

This corporate governance report, set out in tabular form, outlines the Company’s corporate governance structures and practices that were in place during the financial year ended 31 December 2017 (“**FY2017**”), with specific reference made to the principles of the Code of Corporate Governance 2012 (the “**Code**”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”).

Guideline	Code and/or Guide Description	Company’s Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code?  If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable.  Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	Not applicable. The Company did not adopt any alternative corporate governance practices in FY2017.

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation												
<b>BOARD MATTERS</b>														
<b>The Board's Conduct of Affairs</b>														
1.1	What is the role of the Board?	<p>The Board has 4 Directors as follows:</p> <table border="1" data-bbox="600 631 1426 922"> <thead> <tr> <th colspan="2" data-bbox="600 631 1426 680"><b>Composition of the Board</b></th> </tr> <tr> <th data-bbox="600 680 903 730"><b>Name of Director</b></th> <th data-bbox="903 680 1426 730"><b>Designation</b></th> </tr> </thead> <tbody> <tr> <td data-bbox="600 730 903 779">Mr Ting Teck Jin</td> <td data-bbox="903 730 1426 779">Executive Chairman and Chief Executive Officer</td> </tr> <tr> <td data-bbox="600 779 903 828">Mr Lim Siong Sheng</td> <td data-bbox="903 779 1426 828">Non-Executive and Lead Independent Director</td> </tr> <tr> <td data-bbox="600 828 903 878">Mr Lim Poh Boon</td> <td data-bbox="903 828 1426 878">Non-Executive and Independent Director</td> </tr> <tr> <td data-bbox="600 878 903 922">Mr Ung Gim Sei</td> <td data-bbox="903 878 1426 922">Non-Executive and Independent Director</td> </tr> </tbody> </table> <p>The Group is led by an effective Board, which comprises one (1) Executive Director and three (3) Independent Directors. All of the Directors possess the core competencies and diversity of experience to effectively lead, control and contribute to the Group. The Board is collectively responsible for the success of the Group. The Board works with the management of the Company (the "<b>Management</b>") to achieve this. The Management remains accountable to the Board.</p> <p>The principal functions of the Board include:</p> <ol data-bbox="600 1173 1426 1720" style="list-style-type: none"> <li>1. providing entrepreneurial leadership, setting strategic objectives and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;</li> <li>2. setting, reviewing and approving key business goals and strategies, and financial plans and monitoring the organisational and the Management's performance;</li> <li>3. establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;</li> <li>4. reviewing the adequacy and integrity of the Group's internal controls, risk management systems and financial reporting and compliance;</li> <li>5. approving major investments and divestments, and funding proposals;</li> <li>6. setting the Group's values and standards (including ethical standards); and</li> <li>7. ensuring accurate, adequate and timely reporting to, and communication with shareholders such that obligations to shareholders and other stakeholders are understood and met.</li> </ol>	<b>Composition of the Board</b>		<b>Name of Director</b>	<b>Designation</b>	Mr Ting Teck Jin	Executive Chairman and Chief Executive Officer	Mr Lim Siong Sheng	Non-Executive and Lead Independent Director	Mr Lim Poh Boon	Non-Executive and Independent Director	Mr Ung Gim Sei	Non-Executive and Independent Director
<b>Composition of the Board</b>														
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Mr Lim Siong Sheng	Non-Executive and Lead Independent Director													
Mr Lim Poh Boon	Non-Executive and Independent Director													
Mr Ung Gim Sei	Non-Executive and Independent Director													
1.2	All directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the company.	All Directors exercise due diligence and independent judgement in dealing with business affairs of the Group and objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.												

CORPORATE  
GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																													
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	<p>To assist in the execution of its responsibilities, the Board is supported by three (3) board committees; namely the Nominating Committee (the "NC"), the Remuneration Committee (the "RC") and the Audit Committee &amp; Risk Management Committee ("AC") (collectively, the "Board Committees"). The compositions of the Board Committees are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>AC</th> <th>NC</th> <th>RC</th> </tr> </thead> <tbody> <tr> <td>Chairman</td> <td>Mr Lim Siong Sheng</td> <td>Mr Ung Gim Sei</td> <td>Mr Ung Gim Sei</td> </tr> <tr> <td>Member</td> <td>Mr Lim Poh Boon</td> <td>Mr Lim Siong Sheng</td> <td>Mr Lim Siong Sheng</td> </tr> <tr> <td>Member</td> <td>Mr Ung Gim Sei</td> <td>Mr Lim Poh Boon</td> <td>Mr Lim Poh Boon</td> </tr> </tbody> </table>		AC	NC	RC	Chairman	Mr Lim Siong Sheng	Mr Ung Gim Sei	Mr Ung Gim Sei	Member	Mr Lim Poh Boon	Mr Lim Siong Sheng	Mr Lim Siong Sheng	Member	Mr Ung Gim Sei	Mr Lim Poh Boon	Mr Lim Poh Boon																																													
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Member	Mr Ung Gim Sei	Mr Lim Poh Boon	Mr Lim Poh Boon																																																												
1.4	Have the Board and Board Committees met in the last financial year?	<p>The Board meets regularly to review the Group's key activities, business strategies, funding decisions, financial performance and to approve the release of quarterly and annual results of the Group in FY2017. When circumstances require, ad-hoc meetings are convened. All Directors objectively make decisions in the interests of the Group. The Directors are also regularly updated on the Group's development via email correspondence facilitating participation and view-sharing. Board meetings are conducted in Singapore and regularly attended by Directors either in person or via telephone conference if they are unable to attend the meetings in person. The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings are disclosed in the table below.</p> <p>In FY2017, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below.</p> <table border="1"> <thead> <tr> <th rowspan="3">Name</th> <th colspan="2">Board</th> <th colspan="2">Audit Committee &amp; Risk Management Committee</th> <th colspan="2">Remuneration Committee</th> <th colspan="2">Nominating Committee</th> </tr> <tr> <th colspan="2">No. of Meetings</th> <th colspan="2">No. of Meetings</th> <th colspan="2">No. of Meetings</th> <th colspan="2">No. of Meetings</th> </tr> <tr> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> <th>Held</th> <th>Attended</th> </tr> </thead> <tbody> <tr> <td>Ting Teck Jin</td> <td>3</td> <td>3</td> <td>3</td> <td>3<sup>^</sup></td> <td>1</td> <td>1<sup>^</sup></td> <td>1</td> <td>1<sup>^</sup></td> </tr> <tr> <td>Lim Poh Boon</td> <td>3</td> <td>2</td> <td>3</td> <td>2</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Ung Gim Sei</td> <td>3</td> <td>3</td> <td>3</td> <td>3</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> <tr> <td>Lim Siong Sheng</td> <td>3</td> <td>3</td> <td>3</td> <td>3</td> <td>1</td> <td>1</td> <td>1</td> <td>1</td> </tr> </tbody> </table> <p><sup>^</sup>Attendance by invitation</p>	Name	Board		Audit Committee & Risk Management Committee		Remuneration Committee		Nominating Committee		No. of Meetings		No. of Meetings		No. of Meetings		No. of Meetings		Held	Attended	Held	Attended	Held	Attended	Held	Attended	Ting Teck Jin	3	3	3	3 <sup>^</sup>	1	1 <sup>^</sup>	1	1 <sup>^</sup>	Lim Poh Boon	3	2	3	2	1	1	1	1	Ung Gim Sei	3	3	3	3	1	1	1	1	Lim Siong Sheng	3	3	3	3	1	1	1	1
Name	Board			Audit Committee & Risk Management Committee		Remuneration Committee		Nominating Committee																																																							
	No. of Meetings			No. of Meetings		No. of Meetings		No. of Meetings																																																							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended																																																							
Ting Teck Jin	3	3	3	3 <sup>^</sup>	1	1 <sup>^</sup>	1	1 <sup>^</sup>																																																							
Lim Poh Boon	3	2	3	2	1	1	1	1																																																							
Ung Gim Sei	3	3	3	3	1	1	1	1																																																							
Lim Siong Sheng	3	3	3	3	1	1	1	1																																																							

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
1.5	What are the types of material transactions which require approval from the Board?	<p>The Company has adopted internal guidelines setting forth matters that require Board's approval.</p> <p>The types of material transactions that require Board's approval under such guidelines are listed below:</p> <ul style="list-style-type: none"> <li>a. Approval of financial statements' announcements;</li> <li>b. Approval of interested parties' transactions or matters involving a conflict of interest for a substantial shareholder or Director;</li> <li>c. Declaration of interim dividends and proposal of final dividends;</li> <li>d. Convening of shareholders' meetings;</li> <li>e. Approval of corporate strategy, corporate plans and budgets;</li> <li>f. Authorisation of merger and acquisition or disposal transactions;</li> <li>g. Approval of share issuance;</li> <li>h. Authorisation of major funding, investment or divestment transactions; and</li> <li>i. Any decision likely to have a material impact on the Group from any perspective, including but not limited to, financial, operational, strategic or reputational.</li> </ul>
1.6	<p>(a) Are new Directors given formal training? If not, please explain why.</p> <p>(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?</p>	<p>The Company has in place an orientation program to ensure that new Directors are familiar with the Group's business and governance practices, and training for first-time Directors in areas such as accounting, legal and industry-specific knowledge.</p> <p>For new Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors ("SID") or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.</p> <p>Corporate materials and documents such as the latest Annual Report, minutes of recent Board meetings, and the Constitution of the Company will also be given to him or her to facilitate his or her understanding of the structure and operations of the Group.</p> <p>All Directors are updated regularly concerning any changes in corporate governance, company policies, risk management, financial reporting standards, relevant new laws, regulations and changing commercial risks. Directors are encouraged to attend, at the Company's expense, relevant and useful training or seminars conducted by external organisations.</p> <p>News releases issued by the SGX-ST and Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board. The Directors were briefed regularly by the Company's auditors on the key changes to the Singapore Financial Reporting Standards. The Directors had been updated on the changes to the Singapore Financial Reporting Standards International which are effective for annual periods beginning after 1 January 2018. The Chief Executive Officer ("CEO") also updates the Board at each meeting on business and strategic developments pertaining to the Group's business.</p> <p>The Company also encourages Directors to regularly attend training courses organised by SID or other training institutions in connection with their duties as Directors.</p>
1.7	Upon appointment of each director, has the company provided a formal letter to the director, setting out the director's duties and obligations?	Upon appointment of each Director, the Company provides a formal letter to such Director, setting out his or her duties and obligations upon appointment.

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Board Composition and Guidance</b>		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	<p>Guideline 2.1 of the Code is met as the Independent Directors make up 75% of the Board.</p> <p>The Board comprises one (1) Executive Chairman and CEO, namely Mr Ting Teck Jin, and three (3) Independent Directors, namely Mr Ung Gim Sei, Mr Lim Siong Sheng and Mr Lim Poh Boon. Key information regarding the Directors is set out in the section on "Board of Directors" of this Annual Report. In view that the Executive Chairman and the CEO is the same person, the Company has complied with Guideline 2.2 of the Code requiring at least half the Board to comprise of Independent Directors.</p> <p>The NC is of the view that the current Board, with Independent Directors making up more than half of the Board, has a strong and independent element to exercise objective judgement on corporate affairs independently from the Management. The NC is also of the view that no individual or small group of individuals dominates the Board's decision-making process.</p> <p>For good corporate governance, Mr Lim Siong Sheng has been appointed as the Lead Independent Director of the Company with effect from 3 May 2016. As the Lead Independent Director, he is available to address the concerns of the shareholders of the Company and when contact through the normal channels to the Chairman and CEO have failed to satisfactorily resolve their concerns or when such contact is inappropriate.</p>
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	<p>The independence of each Independent Director has been and will be reviewed annually (and as and when circumstances require) by the NC, with reference to the guidelines as set out in the Code. The Board considers an "independent" director as one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgement of the conduct of the Group's affairs.</p> <p>Each of the Independent Directors has completed an independent director's declaration form and confirmed his independence. The NC has reviewed the independence of the Independent Directors for FY2017 and is of the view that Mr Ung Gim Sei, Mr Lim Siong Sheng and Mr Lim Poh Boon are independent as determined according to the guidelines provided in the Code.</p>
	<p>(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship.</p> <p>(b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.</p>	The Independent Directors do not have any relationship as stated in the Code that would otherwise deem him not to be independent.



## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	All the Independent Directors have served on the Board for more than nine years from the date of their first appointment. Noting that Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng, who first joined the Board on 1 June 2007, 31 August 2007 and 1 June 2008 respectively, have served on the Board for more than nine years from the date of their first appointment, the NC and the Board have assessed their independence through rigorous review. Each of the Independent Directors had abstained from the discussions pertaining to the rigorous review of their independence. Taking into account the views of the NC, the Board concurs that each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng continues to demonstrate strong independence in judgement in the discharge of his responsibilities as a Director of the Company, and continues to debate issues, express individual opinions and objectively analyse and challenge the Management. In addition, in view of their respective in-depth understanding of business and operations of the Group, in tandem with their individual wealth of experience in their areas of expertise, each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng contributes valuably to the Group with much appreciated experience and knowledge. Taking into account the above factors, and having also weighed the need for Board refreshment against tenure for relative benefit, the Board has determined that each of Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng continues to be considered an Independent Director.																																
2.5	Has the Board examine its size and decide on what it considers an appropriate size for the Board, which facilitates effective decision making?	The NC and the Board have examined the Board's size and are of the view that the Board is of an appropriate size which facilitates effective decision making taking into account the scope and nature of the operations of the Group and the wide spectrum of skill and knowledge of the Directors. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.																																
2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	The NC periodically reviews the existing attributes and competencies of the Board to have an appropriate mix of members with complementary skills, core competencies and experience that could effectively contribute to the Group, regardless of gender.																																
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	<p>The Board is of the view that the current board composition offers a good balance and diversity of skills, experience, knowledge of the Group and core competencies in various areas such as accounting and finance, business and management and law as follows:-</p> <table border="1"> <thead> <tr> <th></th> <th>Number of Directors</th> <th>Proportion of Board (%)</th> </tr> </thead> <tbody> <tr> <td colspan="3"><b>Core Competencies</b></td> </tr> <tr> <td>• Accounting or finance</td> <td>3</td> <td>75</td> </tr> <tr> <td>• Business management</td> <td>4</td> <td>100</td> </tr> <tr> <td>• Legal or corporate governance</td> <td>4</td> <td>100</td> </tr> <tr> <td>• Relevant industry knowledge or experience</td> <td>4</td> <td>100</td> </tr> <tr> <td>• Strategic planning experience</td> <td>4</td> <td>100</td> </tr> <tr> <td>• Customer based experience or knowledge</td> <td>4</td> <td>100</td> </tr> <tr> <td colspan="3"><b>Gender</b></td> </tr> <tr> <td>- Male</td> <td>4</td> <td>100</td> </tr> <tr> <td>- Female</td> <td>0</td> <td>0</td> </tr> </tbody> </table> <p>Please refer to pages 6 and 7 of the Annual Report for further details regarding the Directors' background and experience.</p>		Number of Directors	Proportion of Board (%)	<b>Core Competencies</b>			• Accounting or finance	3	75	• Business management	4	100	• Legal or corporate governance	4	100	• Relevant industry knowledge or experience	4	100	• Strategic planning experience	4	100	• Customer based experience or knowledge	4	100	<b>Gender</b>			- Male	4	100	- Female	0
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## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	<p>The Board has taken the following steps to maintain or enhance its balance and diversity:</p> <ul style="list-style-type: none"> <li>• An annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the effectiveness of the Board; and</li> <li>• An annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.</li> </ul> <p>The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors. Although currently there is no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the NC's consideration.</p>
2.7	<p>How have the non-executive directors:</p> <p>(a) constructively challenge and help develop proposals on strategy; and</p> <p>(b) review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance?</p>	<p>Non-Executive Directors are constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group. At the meetings of the Board and the Board Committees, Non-Executive Directors also constantly request for and receive updates on the performance, goals, targets and projects of the Group, provide feedback on the proposals from the Management and oversee the effective implementation by the Management to achieve set objectives. To ensure that the Independent Directors are well supported by accurate, complete and timely information, they have unrestricted access to the Management, and have sufficient time and resources to discharge their oversight functions effectively.</p>
2.8 3.4	Have the Non-Executive Directors/Independent Directors met in the absence of key management personnel in the last financial year?	The Independent Directors had met at least once in the absence of key management personnel in FY2017.

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Chairman and Chief Executive Officer</b>		
3.1 3.2	Are the duties between Chairman and CEO segregated?	<p>According to Guideline 3.1 of the Code, the Chairman and the CEO should in principle be separate persons.</p> <p>The Board is of the view that the Group has built up a cohesive management team. The CEO together with the key management personnel have full executive responsibilities over the business directions and operational decisions. The CEO is responsible to the Board for all corporate governance procedures to be implemented by the Group and to ensure conformance by the Management to such practices.</p> <p>Currently, the Board comprises four (4) Directors, three (3) of whom are Independent Directors and led by Mr Lim Siong Sheng.</p> <p>The Executive Chairman and CEO is Mr Ting Teck Jin. His responsibilities include:-</p> <ol style="list-style-type: none"> <li>1. leading the Board to ensure effectiveness on all aspects of its role and setting its agenda;</li> <li>2. ensuring that the Directors receive accurate, timely and clear information;</li> <li>3. ensuring effective communication with shareholders;</li> <li>4. encouraging constructive relations within the Board and between the Board and the Management;</li> <li>5. facilitating the effective contribution of Non-Executive Directors in particular; and</li> <li>6. promoting high standards of corporate governance.</li> </ol> <p>Taking into account the size, scope and current financial position of the Group, the roles of the Chairman and CEO are not separated as the Board is of the view that there is adequate accountability and transparency within the Group.</p>
<b>Board Membership</b>		
4.1 4.2	What are the duties of the NC?	<p>The NC has written terms of reference that describe the responsibilities of its members.</p> <p>The responsibilities of the NC are, amongst others, as follows:-</p> <ol style="list-style-type: none"> <li>a. to recommend to the Board on all Board appointments;</li> <li>b. to review and recommend to the Board annually, the Board's structure, size and composition;</li> <li>c. to identify and make recommendations to the Board for Directors' retirement, re-election and re-nomination at each annual general meeting of the Company ("<b>AGM</b>"), having regard to each Director's contribution and performance;</li> <li>d. to oversee the Board and key management personnel's succession planning;</li> <li>e. to determine the criteria (in particular, taking into account a Director's independence and competing commitments) to identify candidates and review nominations for the appointment of Directors to the Board;</li> <li>f. to determine annually if a Director is independent; and</li> <li>g. to decide how the Board's performance may be evaluated and propose objective performance criteria for the Board's approval.</li> </ol> <p>Succession planning is also an important part of the governance process. The NC reviews the appointment of key management personnel and conducts annual review of their remuneration, performance and development plans. As part of this annual review, the successors to the key management personnel (whenever necessary) are identified, and development plans instituted for them. The Company has put in place a structured succession programme to prepare a team of future leaders for the Group's long-term sustainability.</p>

**CORPORATE  
GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has determined that the maximum number of listed company board representations which any Director may hold is three (3). When a Director has multiple board representations, he or she ensures that sufficient time and attention is given to the affairs of each company. All Directors are required to declare their board representations. The NC determines annually whether a Director with multiple board representations is able to and has been adequately carrying out his or her duties as a Director of the Company.
	(b) If a maximum has not been determined, what are the reasons?	Not applicable.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: <ul style="list-style-type: none"> <li>• Expected and/or competing time commitments of Directors;</li> <li>• Geographical location of Directors;</li> <li>• Size and composition of the Board; and</li> <li>• Nature and scope of the Group's operations and size.</li> </ul>
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2017.
4.5	Are there alternate Directors?	The Company does not have any alternate Directors.

## CORPORATE GOVERNANCE

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

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																														
4.7	<p>Please provide the following key information regarding the Directors'.</p> <ul style="list-style-type: none"> <li>academic and professional qualifications;</li> <li>Shareholding in the Company and its related corporation;</li> <li>Board committees served on (as a member or chairman), date of first appointment and last re-appointment as a director;</li> <li>Directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments;</li> <li>Indicate which directors are executive, non-executive or considered by the NC to be independent; and</li> <li>The names of the directors submitted for appointment or re-appointment should also be accompanied by such details and information to enable shareholders to make informed decisions.</li> </ul>	<table border="1" data-bbox="638 488 1463 1279"> <thead> <tr> <th data-bbox="638 488 844 651">Director</th> <th data-bbox="844 488 1050 651">Academic and professional qualifications</th> <th data-bbox="1050 488 1256 651">Shareholding in the Company and its related corporations</th> <th colspan="3" data-bbox="1256 488 1463 651">Board committees served on (as a member or chairman)</th> </tr> </thead> <tbody> <tr> <td data-bbox="638 651 844 875">Ting Teck Jin</td> <td data-bbox="844 651 1050 875" rowspan="4">Key information on the Directors' academic and professional qualifications can be found on pages 6 to 7 of this Annual Report.</td> <td data-bbox="1050 651 1256 875">Interested in 356,949,960 ordinary shares (79.54% of the total number of ordinary shares) in the Company</td> <td colspan="3" data-bbox="1256 651 1463 875"></td> </tr> <tr> <td data-bbox="638 875 844 1066">Lim Poh Boon</td> <td data-bbox="1050 875 1256 1066">Interested in 1,333,333 ordinary shares (0.3% of the total number of ordinary shares) in the Company</td> <td colspan="3" data-bbox="1256 875 1463 1066">Member of the AC, NC and RC</td> </tr> <tr> <td data-bbox="638 1066 844 1167">Ung Gim Sei</td> <td data-bbox="1050 1066 1256 1167">Nil</td> <td colspan="3" data-bbox="1256 1066 1463 1167">Chairman of the NC and RC, Member of the AC</td> </tr> <tr> <td data-bbox="638 1167 844 1279">Lim Siong Sheng</td> <td data-bbox="1050 1167 1256 1279">Nil</td> <td colspan="3" data-bbox="1256 1167 1463 1279">Chairman of the AC, Member of the NC and RC</td> </tr> </tbody> </table> <table border="1" data-bbox="638 1305 1463 2000"> <thead> <tr> <th data-bbox="638 1305 770 1514">Director</th> <th data-bbox="770 1305 903 1514">Current Directorships in listed companies (other than the Company)</th> <th data-bbox="903 1305 1035 1514">Past Directorships in listed companies (preceding three years)</th> <th data-bbox="1035 1305 1168 1514">Date of initial appointment</th> <th data-bbox="1168 1305 1300 1514">Date of last re-election</th> <th data-bbox="1300 1305 1463 1514">Other principal commitments</th> </tr> </thead> <tbody> <tr> <td data-bbox="638 1514 770 1585">Ting Teck Jin</td> <td data-bbox="770 1514 903 1585">Nil</td> <td data-bbox="903 1514 1035 1585">Nil</td> <td data-bbox="1035 1514 1168 1585">6 December 2006</td> <td data-bbox="1168 1514 1300 1585">N/A</td> <td data-bbox="1300 1514 1463 1585">Nil</td> </tr> <tr> <td data-bbox="638 1585 770 1657">Lim Poh Boon</td> <td data-bbox="770 1585 903 1657">Nil</td> <td data-bbox="903 1585 1035 1657">Nil</td> <td data-bbox="1035 1585 1168 1657">1 June 2007</td> <td data-bbox="1168 1585 1300 1657">30 April 2016</td> <td data-bbox="1300 1585 1463 1657">Financial Services</td> </tr> <tr> <td data-bbox="638 1657 770 1843">Ung Gim Sei</td> <td data-bbox="770 1657 903 1843">Informatics Education Ltd. and Chip Eng Seng Corporation Ltd.</td> <td data-bbox="903 1657 1035 1843">Nil</td> <td data-bbox="1035 1657 1168 1843">31 August 2007</td> <td data-bbox="1168 1657 1300 1843">31 October 2017</td> <td data-bbox="1300 1657 1463 1843">Director of Duane Morris &amp; Selvam LLP</td> </tr> <tr> <td data-bbox="638 1843 770 2000">Lim Siong Sheng</td> <td data-bbox="770 1843 903 2000">Nil</td> <td data-bbox="903 1843 1035 2000">Nil</td> <td data-bbox="1035 1843 1168 2000">1 June 2008</td> <td data-bbox="1168 1843 1300 2000">30 April 2016</td> <td data-bbox="1300 1843 1463 2000">Director of the Shangyew Public Accounting Corporation</td> </tr> </tbody> </table> <p data-bbox="638 2011 1463 2067">Director who is seeking re-appointment at the forthcoming AGM to be held on 29 June 2018 is stated in the Notice of AGM set out on pages 113 to 115 of this Annual Report.</p>						Director	Academic and professional qualifications	Shareholding in the Company and its related corporations	Board committees served on (as a member or chairman)			Ting Teck Jin	Key information on the Directors' academic and professional qualifications can be found on pages 6 to 7 of this Annual Report.	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## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Board Performance</b>		
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	<p>The NC endeavours to ensure that Directors appointed to the Board possess the relevant necessary background, experience and knowledge, and bring to the Board independent and objective perspectives for balanced and well-considered decisions to be made.</p> <p>The NC undertakes a formal review of the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board on a yearly basis with input from the other Board members and the NC Chairman.</p> <p>The NC adopted a formal policy to evaluate the Board's performance. The performance criteria are not changed from year to year except when deemed necessary and justifiable and include the following:</p> <ol style="list-style-type: none"> <li>i. timely guidance to the Management;</li> <li>ii. attendance at Board/Board Committee meetings;</li> <li>iii. participation at Board/ Board Committee meetings;</li> <li>iv. commitment to Board activities;</li> <li>v. Board performance in discharging principle functions;</li> <li>vi. Board Committee performance;</li> <li>vii. independence of Directors; and</li> <li>viii. appropriate complement of skill, experience and expertise on the Board.</li> </ol> <p>Where the performance criteria are deemed necessary to be changed, the onus should be on the Board to justify this decision.</p> <p>The NC evaluates the Board's performance as a whole, which takes into consideration the Board's conduct of meetings, maintenance of independence, board accountability, communication with the Management, etc.</p> <p>The NC also assesses the performance of individual Directors based on their attendance record at the meetings of the Board and Board Committees, their quality of participation at meetings as well as any special contributions. The Chairman acts on the results of the performance evaluation and, where appropriate and in consultation with the NC, proposes new members be appointed to the Board or seeks the resignation of Directors.</p>
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	<p>For the year under review, the NC assessed the effectiveness of the Board, the Board Committees and the contribution of each individual Director to the effectiveness of the Board. The Board's performance was measured by its ability to support the Management especially in times of crisis, and to steer the Company towards profitability and the achievement of strategic and long-term objectives set by the Board.</p> <p>All Directors are requested to complete a board evaluation questionnaire designed to seek their view on various aspects of the Board performance as described above. Some factors taken into consideration by the NC include value of contribution to the development of strategy, availability at Board meetings (as well as informal contribution via email and telephone), interactive skills, degree of preparedness, industry and the business knowledge and experience each Director possesses which are crucial to the Group's business.</p> <p>No external facilitator was used in the evaluation process in FY2017.</p>
	(b) Has the Board met its performance objectives?	The NC has assessed the performance of the current Board's overall performance during the financial year under review, and is of the view that the Board had met its performance objectives.



# CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																					
<b>Access to Information</b>																							
6.1 6.2 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	<p>All Directors receive adequate and timely information prior to any Board meeting and on an on-going basis to provide contextual information and to enable the Directors to obtain further information, where necessary, in order to be properly briefed before any meeting. Such information provided to the Directors include background and explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and interim financial statements. In respect of budgets, any material variance between the projects and actual results are also disclosed and explained.</p> <p>In order to aid the discharge of duties by the Board, the Management provided operational reports and management accounts on quarterly basis in FY2017. The Board is able to request for any information from the Management at any point in time to satisfy its needs. Draft agendas for Board and Board Committee meetings are circulated in advance to the respective Chairmen, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.</p> <p>Information provided to the Independent Directors are set out below:-</p> <table border="1" data-bbox="639 987 1461 1458"> <thead> <tr> <th></th> <th>Information</th> <th>Frequency</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)</td> <td>Quarterly</td> </tr> <tr> <td>2.</td> <td>Updates to the Group's operations and the markets in which the Group operates in</td> <td>Quarterly</td> </tr> <tr> <td>3.</td> <td>Budgets and/or forecasts (with variance analysis), management accounts (with financial ratio analysis), and external auditors report(s)</td> <td>Annually</td> </tr> <tr> <td>4.</td> <td>Reports on on-going or planned corporate actions</td> <td>Quarterly</td> </tr> <tr> <td>5.</td> <td>Shareholding statistics</td> <td>Annually</td> </tr> <tr> <td>6.</td> <td>Updates on the Group's financial situation</td> <td>Quarterly</td> </tr> </tbody> </table>		Information	Frequency	1.	Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Quarterly	2.	Updates to the Group's operations and the markets in which the Group operates in	Quarterly	3.	Budgets and/or forecasts (with variance analysis), management accounts (with financial ratio analysis), and external auditors report(s)	Annually	4.	Reports on on-going or planned corporate actions	Quarterly	5.	Shareholding statistics	Annually	6.	Updates on the Group's financial situation	Quarterly
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6.3 6.4	What is the role of the Company Secretary?	<p>All Directors have separate and independent access to the key management personnel and the Company Secretary at all times.</p> <p>Under the direction of the Executive Chairman, the Company Secretary's responsibilities include ensuring good information flows within the Board and Board Committees and between the key management personnel and Non-Executive Directors and advising the Board on all governance matters. The Company Secretary attends all meetings of the Board and Board Committees and ensures that Board procedures, applicable rules and regulations are followed. The appointment and removal of the Company Secretary is a matter for the Board to decide as a whole.</p>																					
6.5	Is there a procedure for directors, either individually or as a group, to take independent professional advice, if necessary?	Should Directors, whether as a group or individually, need independent professional advice, the Company will appoint a professional advisor selected by the group or the individual to render the appropriate professional advice. The cost of such professional advice will be borne by the Company.																					

## CORPORATE GOVERNANCE

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<b>REMUNERATION MATTERS</b>		
<b>Developing Remuneration Policies</b>		
7.1 7.2 7.4	What is the role of the RC?	<p>The function of the RC is to review the procedure for developing the remuneration policy of the Executive Director(s) of the Company, to establish the remuneration packages of individual Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration. No Director is involved in the decision for his own remuneration.</p> <p>The responsibilities of the RC are set out in the written terms of reference and include, amongst others:</p> <ol style="list-style-type: none"> <li>to recommend to the Board a framework of remuneration for the Executive Director(s) of the Group (where applicable), all aspects of remuneration such as Directors' fees, salaries, allowance, bonuses, options, share-based incentives and awards, and benefits-in-kind and to submit all such recommendations for endorsement by the entire Board;</li> <li>to determine the remuneration packages and terms of employment for each Executive Director; and</li> <li>to review the remuneration of key management personnel.</li> </ol> <p>The RC has access to internal and external expert and/or professional advice on human resource and remuneration of all Directors, amongst other matters, whenever there is a need for such consultation.</p>
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2017.
<b>Level and Mix of Remuneration</b>		
8.1	What are the measures for assessing the performance of executive directors and key management personnel?	<p>The RC ensures that the levels of remuneration for all Directors are appropriate to attract, retain and motivate them to run the Group successfully and in this respect, the RC avoids paying more than necessary. In its deliberations, the RC takes into consideration industry practices, practices of comparable companies and norms in compensation and employment in addition to the Company's performance and the performance of the individual Directors. However, any comparisons of practices within the industry and with comparable companies are done with caution in view of the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance.</p> <p>A significant proportion of the Executive Director's remuneration is structured to link rewards to corporate and individual performance. Therefore the performance of the Executive Director is measured by the achievement of corporate and individual performance targets. The RC is of the view that such measurements are appropriate and meaningful. The performance-related elements of remuneration are designed to align interests of the Executive Director with those of shareholders.</p> <p>The Executive Director has a service agreement with a fixed appointment period that the RC reviews, in particular its termination provisions. The service agreement is not excessively long and does not contain onerous removal clauses. In the event of early termination, the Executive Director or the Company may terminate the service agreement by giving to the other party not less than three (3) months' notice in writing, or in lieu of notice, payment of an amount equivalent to three (3) months' salary based on the Executive Director's last drawn salary. Compensation is fair and the RC avoids rewarding poor performance.</p>

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

## CORPORATE GOVERNANCE

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8.4	Are there any contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company?	Having reviewed and considered the performance-related elements of remuneration of the Executive Director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim bonuses or other incentive components (such as Performance Share and/or Options) of remuneration from the Executive Director and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. However, the RC will consider the same in the next review of Executive Director's and key management personnel's service agreements.																																			
<b>Disclosure on Remuneration</b>																																					
9	What is the Company's remuneration policy?	The Company adopts a formal procedure in setting the remuneration packages of individual Directors, taking into account pay and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual Directors.																																			
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	<p><b>Breakdown of the Directors' remuneration for FY2017</b></p> <table border="1"> <thead> <tr> <th>Name of Directors</th> <th>Remuneration</th> <th>Salary %</th> <th>Bonus %</th> <th>Directors' fee %</th> <th>Stock-based remuneration %</th> <th>Total %</th> </tr> </thead> <tbody> <tr> <td>Mr Ting Teck Jin</td> <td>S\$250,000 to S\$500,000</td> <td>97.80%</td> <td>2.20%<sup>(1)</sup></td> <td>-</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Mr Lim Poh Boon</td> <td>Below S\$250,000</td> <td>-</td> <td>-</td> <td>100%</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Mr Ung Gim Sei</td> <td>Below S\$250,000</td> <td>-</td> <td>-</td> <td>100%</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Mr Lim Siong Sheng</td> <td>Below S\$250,000</td> <td>-</td> <td>-</td> <td>100%</td> <td>-</td> <td>100%</td> </tr> </tbody> </table> <p>Note<sup>(1)</sup>: This amount relates to the annual wage supplement under the employment contract.</p> <p>The aggregate total remuneration paid to the Company's Independent Directors (Mr Lim Poh Boon, Mr Ung Gim Sei and Mr Lim Siong Sheng) is S\$135,000.</p> <p>For competitive reasons, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of each individual Director's remuneration.</p>	Name of Directors	Remuneration	Salary %	Bonus %	Directors' fee %	Stock-based remuneration %	Total %	Mr Ting Teck Jin	S\$250,000 to S\$500,000	97.80%	2.20% <sup>(1)</sup>	-	-	100%	Mr Lim Poh Boon	Below S\$250,000	-	-	100%	-	100%	Mr Ung Gim Sei	Below S\$250,000	-	-	100%	-	100%	Mr Lim Siong Sheng	Below S\$250,000	-	-	100%	-	100%
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9.3	<p>(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?</p> <p>(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).</p>	<p>The Company only has two (2) key executives in FY2017 and one (1) key executive (excluding Executive Director) as at the date of this Annual Report.</p> <p>The details of remuneration paid to the top two (2) key executives (who are not Directors of the Company) of the Group for FY2017 are set out below:</p> <p>Remuneration of Key Management Personnel</p> <table border="1" data-bbox="639 674 1463 846"> <thead> <tr> <th>Name of Key Executives</th> <th>Remuneration Band</th> <th>Salary %</th> <th>Bonus<sup>(3)</sup> %</th> <th>Stock-based remuneration %</th> <th>Total %</th> </tr> </thead> <tbody> <tr> <td>Mah Peck Sze Patsy<sup>(1)</sup></td> <td>Below S\$250,000</td> <td>73.50%</td> <td>26.50%</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Wong Hon Cheng<sup>(2)</sup></td> <td>Below S\$250,000</td> <td>85.80%</td> <td>14.20%</td> <td>-</td> <td>100%</td> </tr> </tbody> </table> <p>Note<sup>(1)</sup>: Ms Mah Peck Sze Patsy resigned as the Chief Financial Officer on 1 April 2017.</p> <p>Note<sup>(2)</sup>: Mr Wong Hon Cheng resigned as the Managing Director of EMS Energy Solutions Pte Ltd on 15 June 2017 but remained as an executive officer.</p> <p>Note<sup>(3)</sup>: This amount relates to the annual wage supplement under the employment contract.</p> <p>The aggregate total remuneration paid to the top two (2) key executives (who are not Directors or the CEO) for FY2017 was S\$222,268.</p> <p>There were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top two (2) key executives in FY2017.</p>	Name of Key Executives	Remuneration Band	Salary %	Bonus <sup>(3)</sup> %	Stock-based remuneration %	Total %	Mah Peck Sze Patsy <sup>(1)</sup>	Below S\$250,000	73.50%	26.50%	-	100%	Wong Hon Cheng <sup>(2)</sup>	Below S\$250,000	85.80%	14.20%	-	100%
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9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	The Company did not have any employee who is an immediate family member of any Director and whose remuneration exceeded S\$50,000 during the financial year under review.																		
9.5	Please provide details of the employee share scheme(s).	Details of the EPSP and ESOS have been provided above under Guideline 8.2.																		
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Director and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2017. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation consists of performance bonuses and is determined based on the Group's profit and other non-financial qualitative factors.																		

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The performance conditions used to determine the entitlement of the Executive Director and key management personnel under short-term incentive scheme (such as bonuses) and long term incentive scheme (such as the EPSP and ESOS) comprise of qualitative and quantitative conditions. Examples of quantitative conditions are target revenue, target profit, sales growth and years of service. Examples of qualitative conditions are on-the-job performance, leadership, teamwork, etc. The performance conditions are set by the RC. The inclusion of the performance conditions in the service agreement of the Executive Director and key management personnel is done in a review conducted prior to the renewal of the service agreement of the Executive Director and key management personnel.
	(b) Were all of these performance conditions met? If not, what were the reasons?	The RC has reviewed and is of the view that the performance conditions of the Executive Director and key management personnel were not met for FY2017 in view of the Group's financial situation in FY2017.
<b>ACCOUNTABILITY AND AUDIT</b>		
<b>Accountability</b>		
10.1 10.2	The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.	<p>The Board believes that it should promote best practices and present a balanced and comprehensible assessment of the Group's performance, position and prospects, which extends to interim and price sensitive public reports, as a means to build an excellent business for our shareholders as the Board is accountable to shareholders for the Company and the Group's performance.</p> <p>The Board is mindful of its obligations to provide timely and fair disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is either first publicly released before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports will be announced or issued within the mandatory period. The Board also provides reports to regulators when required. The Management provides the Board with quarterly management accounts that present a balanced and understandable assessment of the Group's performance, position and prospects.</p>
<b>Risk Management and Internal Controls</b>		
11.1	The Board should determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.
11.2 11.4	The Board should, at least annually, review the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	<p>The Board reviewed the adequacy of the Group's risk management framework and systems and conducted dialogue sessions with the Management to understand the process to identify, assess, manage and monitor risks within the Group.</p> <p>Prior to the suspension of the trading of the Company's shares on 26 September 2016, the Management presented semi-annual reports to the AC and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:</p> <ol style="list-style-type: none"> <li>assessment of the Group's key risks by major business units and risk categories;</li> <li>identification of specific "risk owners" who are responsible for the risks identified;</li> <li>description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis;</li> </ol>

## CORPORATE GOVERNANCE

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		<p>d. ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps;</p> <p>e. status and changes in plans undertaken by the Management to manage key risks; and</p> <p>f. description of the risk monitoring and escalation processes and also systems in place.</p> <p><b>The Management's Responsibility in Risk Management</b></p> <p>The Management is responsible for designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risk management and internal controls. The Management is responsible for day to day monitoring of these risks and highlighting significant events arising thereon to the AC and the Board.</p> <p><b>Key Contracts/ Projects Execution Risk</b></p> <p>Currently, the Group's core businesses comprised of the following three reportable segments:</p> <p><u>Marine and Offshore ("EPCM-MOT")</u></p> <ul style="list-style-type: none"> <li>- Engineering, Procurement and Construction Management</li> <li>- Trading of equipment</li> </ul> <p><u>Water treatment ("EPCM-WT")</u></p> <p>The EPCM - Marine and Offshore and trading segment are involved in providing engineering, procurement, construction and management, custom fabrication, maintenance and repair, trading of marine and offshore equipment to mainly the marine and offshore oil &amp; gas companies.</p> <p>The EPCM - water treatment segment is involved in environmental-related technical services for pollution management, water and waste.</p> <p>Some of the Group's larger EPCM projects may stretch to two (2) or even three (3) years with milestone payments, resulting in the heightened role of cash flow management in such projects. Unexpected delays in project delivery during execution or delay in customers' payment of any such key long-term contracts may have an adverse effect on the financial condition and results of operations of the Group. The Group has taken the necessary approach to mitigate this risk by securing project financing for its larger EPCM projects, ensuring adequate bank facilities to support its execution of projects, and tight monitoring of its collections from customers. The Group would continue to pursue diversification strategies to strengthen its operations and financial position.</p> <p><b>Product Liability Risk</b></p> <p>During the year, the Management has reviewed and deemed adequate its insurance coverage against common fire, industrial, machinery, building, third party liability risks and so forth. With its range of offshore products, the Management is assessing its potential product liability risks, and suitable insurance coverage for such product liability. The Board believes that such insurance coverage of product liability will manage the Group's exposure to such risks.</p>



## CORPORATE GOVERNANCE

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		<p><b>Financial risks</b></p> <p>The nature of the Group's businesses and activities exposes the Group to market risks (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group has a system of controls in place to ensure an acceptable balance between the cost of risks occurring and the cost of managing such risks. The steps taken by the Group to manage its exposure to financial risks are set out in the Financial Report on pages 100 to 105 of the Notes to the Financial Statements in this Annual Report.</p> <p><b>Annual Review of the Group's Risk Management and Internal Control Systems</b></p> <p>The Board with the assistance of the AC has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2017.</p> <p>The Company's scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore (the "<b>Companies Act</b>") for the purposes of implementing and facilitating the restructuring of the Group's debt obligations and liabilities was duly approved on 28 July 2017 and subsequently sanctioned by the High Court on 8 September 2017. The Company has been actively working on the submission of a resumption proposal to resume trading of the Company's shares. Notwithstanding the current difficulties, the Management continues to oversee the affairs of the Group (including periodic reporting requirements pursuant to Rule 704(22) of the Catalyst Rules).</p> <p>The Board's annual assessment for FY2017 in particular considered:</p> <ol style="list-style-type: none"> <li>a. the changes since the last annual assessment in the nature and extent of significant risks, and the Group's ability to respond to changes in its business and the external environment;</li> <li>b. the scope and quality of the Management's ongoing monitoring of risks and the system of internal controls and the work of its internal audit function and other providers of assurance;</li> <li>c. the extent and frequency of the communication of the results of the monitoring to the AC; and</li> <li>d. the incidence of significant internal controls weaknesses that were identified during the previous financial year.</li> </ol>

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
11.3	<p>(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.</p> <p>(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?</p>	<p>Based on the internal controls established and maintained by the Group, work performed by the external auditors and reviews performed by the Management, the Board with the concurrence of the AC is of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls as well as risk management systems were adequate and effective for FY2017.</p> <p>The Board has received assurance from the CEO:</p> <p>(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and</p> <p>(b) the Group's risk management and internal control systems are effective in FY2017.</p> <p>The Company has not received the above assurance from CFO as the Company is in the process of seeking for a suitable candidate to fill the position of CFO. During this period, the finance operation is under the supervision of the CEO.</p>
11.4	<p>The Board may establish a separate board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.</p>	<p>The Board will consider the need to establish a separate Board risk committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the Group's risk management framework and policies should the need arises. Currently, the responsibility of overseeing the Group's risk management framework and policies rests with the AC.</p>

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Audit Committee</b>		
12.1 12.3 12.4	What is the role of the AC?	<p>The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by the Management and reasonable resources to enable it to discharge its functions properly, as well as full access to and co-operation by the Directors and key management personnel and discretion to invite any of them to attend its meeting. The Board ensures that the members of the AC are appropriately qualified to discharge their responsibilities.</p> <p>The AC holds periodic meetings and reviews primarily the following:</p> <ul style="list-style-type: none"> <li>(a) the audit plan of the Group's external auditors;</li> <li>(b) the external auditors' reports;</li> <li>(c) the co-operation given by our officers to the external auditors;</li> <li>(d) the effectiveness of the Group's internal audit function;</li> <li>(e) the scope and results of the audit procedures and their cost effectiveness;</li> <li>(f) the financial statements of the Company and the Group, especially any significant financial reporting issues and judgements so as to ensure their integrity, before submission to the Board;</li> <li>(g) all formal announcements relating to the Group's financial performance;</li> <li>(h) the independence and objectivity of the external auditors on an annual basis;</li> <li>(i) the remuneration and terms of engagement of the external auditors;</li> <li>(j) nomination, re-nomination and removal of external auditors for appointment;</li> <li>(k) the adequacy and effectiveness of the Group's internal controls;</li> <li>(l) the Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalyst Rules, and by such amendments made thereto from time to time;</li> <li>(m) interested person transactions; and</li> <li>(n) capital expenditure transactions.</li> </ul> <p>The AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, failure of internal controls or infringement of any Singapore laws, rules or regulations which have or are likely to have a material impact on the Group's operating results and/or financial position. Each member of the AC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the AC in respect of matters in which he is interested.</p>
12.2	Are the members of the AC appropriately qualified to discharge its responsibilities?	Mr Lim Siong Sheng, the Lead Independent Director, is the Chairman of the AC. The AC comprises two (2) other Independent Directors, Mr Ung Gim Sei and Mr Lim Poh Boon. At least two (2) members of the AC, Mr Lim Siong Sheng and Mr Lim Poh Boon have the appropriate accounting or related financial management expertise and experience.
12.5	Has the AC met with the auditors in the absence of key management personnel?	During the financial year under review, the AC met up with the external auditors once without the presence of the Management.
12.6	Has the AC reviewed the independence of the external auditors?	The AC assesses the independence of the external auditors annually. The AC has reviewed the non-audit services rendered by the external auditors for FY2017 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired. The AC has recommended Messrs BDO LLP for re-appointment as auditors of the Company at the forthcoming AGM.

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation								
	<p>(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.</p> <p>(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the external auditors.</p>	<p>The aggregate amount of fees paid for the external auditors of the Group for FY2017 was:</p> <table border="1" data-bbox="639 573 1465 734"> <thead> <tr> <th></th> <th style="text-align: right;">S\$</th> </tr> </thead> <tbody> <tr> <td>Audit fees</td> <td style="text-align: right;">54,000</td> </tr> <tr> <td>Non-audit fees</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td><b>Total fees</b></td> <td style="text-align: right;"><b>54,000</b></td> </tr> </tbody> </table> <p>The AC noted that there is no non-audit services rendered to the Group by the external auditors in FY2017 and is satisfied that the independence of the external auditors had not been impaired.</p>		S\$	Audit fees	54,000	Non-audit fees	Nil	<b>Total fees</b>	<b>54,000</b>
	S\$									
Audit fees	54,000									
Non-audit fees	Nil									
<b>Total fees</b>	<b>54,000</b>									
12.7	Does the Company have a whistle-blowing policy?	The Company has a "Whistle-Blowing" policy in place which provides a well-defined and accessible channel for staff of the Group through which the staff may, in confidence, raise concerns about possible fraudulent activities, malpractices or improprieties in matters of financial reporting or other matters in a responsible and effective manner (" <b>Complaints</b> "). The staff of the Group may approach (a) his or her direct line manager, operation manager or the Company's Directors; or (b) the AC directly (via email or phone call) to raise his or her Complaints. Arrangements for independent investigation of such matters and appropriate follow up actions were also provided for in the "Whistle-Blowing" policy. There were no reports of whistle blowing received in FY2017.								
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	The members of the AC sit on multiple boards of private companies and hence, have the necessary accounting and financial expertise to deal with the matters that come before them. The AC is kept updated from time to time on any changes to the accounting and financial reporting standards by the external auditors. The members of the AC will also attend courses and seminars to keep abreast of changes to accounting standards and other issues which may have a direct impact on financial statements, as and when necessary.								
12.9	Are any of the members of the AC (i) a former partner or director of the Company's existing auditing firm or auditing corporation within the previous 12 months and (ii) hold any financial interest in the auditing firm or auditing corporation?	None of the members of the AC (i) is a former partner or director of the Group's existing auditing firm or auditing corporation within the previous 12 months and/or (ii) holds any financial interest in the auditing firm or auditing corporation.								

## CORPORATE GOVERNANCE

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>Internal Audit</b>		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	<p>The Group did not engage an external professional firm to perform internal audit review in FY2017 as there was minimal business activity in view of the ongoing restructuring exercise. The Group will assess the need to resume internal audit review by external professional firm once the restructuring of the debt obligations and liabilities of the Group are completed.</p> <p>However, the Board and the AC have reviewed the adequacy of the Group's internal controls that address financial, operational, compliance and information technology risks. As part of the annual statutory audit of the financial statements, the external auditors will highlight any material weaknesses in financial controls over the areas that are significant to the audit. Such material internal control weakness noted during their audit and recommendations, if any, are reported to the AC. The AC will follow up on the actions taken by the Management in response to the recommendations made by the external auditors.</p>
<b>Shareholders' Rights</b>		
14.1	The Company should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.	The Board believes in regular, effective, fair and timely disclosure of material information to its shareholders to enhance the standard of corporate governance. To be in line with the provisions of the Catalist Rules and the Companies Act, the Board's policy requires that all shareholders are equally and in a timely manner informed of all major developments that impact the Company or the Group. It is also the Board's policy that all corporate news, strategies and announcements be promptly disseminated through the SGXNET, including press releases, annual reports and other various media. If there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable. The Company constantly ensure that all information disclosed is as descriptive, detailed and forthcoming as possible such that boilerplate disclosures are avoided.
14.2	The Company should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	<p>The Board supports the Code's principle to encourage shareholders' participation. Shareholders are encouraged to attend, to participate effectively and to vote in the general meetings of the Company and to stay informed of the Company's strategy and goals, to ensure a high level of accountability. Notice of the general meeting is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 working days before the meeting. Shareholders may vote in person or by proxy. The Board welcomes questions from shareholders who wish to raise issues either informally or formally before or at the general meeting. The Chairpersons of the Board and Board Committees, and the external auditors, are normally available at the meeting to answer questions relating to the general meetings, work of their committees, conduct of audit and the preparation and content of the auditors' report.</p> <p>Separate resolutions are provided at general meetings on each separate issue and the 'bundling' of resolutions is avoided unless they are interdependent and linked so as to form one significant proposal and unless the Company explains the reasons and material implications.</p>
14.3	The Company should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	Members of the Company are generally able to appoint one (1) or two (2) proxies to attend and vote in the general meetings of the shareholders instead of the member. With effect from 3 January 2016, the Companies Act was amended to allow certain members, defined as "relevant intermediary" to appoint more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

**CORPORATE  
GOVERNANCE**

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
<b>SHAREHOLDER RIGHTS AND RESPONSIBILITIES</b>		
<b>Communication with Shareholders</b>		
15.1	Does the Company have an investor relations policy?	Presently, the Company does not have an investor policy or protocol in place.
15.2 15.3 15.4	<p>(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?</p> <p>(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?</p> <p>(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?</p>	<p>The Company firmly believes in high standards of transparent corporate disclosure by disclosing to its stakeholders, including its shareholders the relevant information on a timely basis through SGXNET. The Company does not practise selective disclosure. Price sensitive information is first publicly released through SGXNET, either before the Company meets with any investors or analysts. Shareholders are also kept informed of all important developments concerning the Company through press releases, annual reports and various other announcements made whenever necessary.</p> <p>The general meetings of shareholders are the principal forum for dialogue with shareholders. During such general meetings, shareholders are given ample time and opportunities to air their views and concerns, as well as ask questions relating to the resolutions to be passed or on other corporate and business issues.</p> <p>Presently, the financial and corporate communications with the Company's shareholders are handled by the Management.</p>
15.5	Does the Company have a dividend policy?	The Company does not have a dividend policy. Nonetheless, the Management will review, inter alia, the Group's performance in the relevant financial period, projected capital needs and working capital requirements and make appropriate recommendations to the Board on dividend declaration. The Board would also consider establishing a dividend policy at the appropriate time.
	Is the Company paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended dividend for FY2017 as the Company was not profitable in FY2017.
<b>CONDUCT OF SHAREHOLDER MEETINGS</b>		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	<p>Under the Constitution of the Company, a shareholder may vote in person or appoint a proxy or proxies to vote in his stead in accordance with the process as explained in Guideline 14.3.</p> <p>The Company requires all Directors (including the respective Chairman of the Board Committees) to be present at all general meetings of shareholders, unless in the case of exigencies. The external auditors are also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report.</p> <p>All resolutions are put to vote by poll. Shareholders will be briefed on the rules, including poll voting procedures that govern general meetings of shareholders. The Company will make an announcement on the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages via SGXNET after the conclusion of the general meeting.</p> <p>All minutes of general meetings will be made available to shareholders upon their request.</p>

## CORPORATE GOVERNANCE

### COMPLIANCE WITH APPLICABLE CATALIST RULES

Catalist Rule	Rule Description	Company's Compliance or Explanation
711A	Sustainability Report	The Company will issue its Sustainability Report by December 2018 and will upload it on SGXNet.
712, 715 or 716	Appointment of auditors	The Company confirms that it is in compliance with Rules 712 and 715 of the Catalist Rules in relation to its external auditors.
1204(8)	Material contracts	Save as announced on SGXNET, there was no material contract entered into by the Group involving the interest of the CEO, any Directors or controlling shareholders, which are either still subsisting at the end of FY2017, or if not then subsisting, which were entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	<p>The Board and the AC are of the opinion that the Group's internal controls are adequate and effective to address financial, operational, compliance and information technology risks in FY2017 based on the following:</p> <ul style="list-style-type: none"> <li>• internal controls and the risk management system established by the Group;</li> <li>• work performed by the external auditors;</li> <li>• assurance from the CEO. The Company is in the process of seeking for a suitable candidate to fill the position of CFO. During this period, the finance operation is under the supervision of the CEO (see Guideline 11.3(b)); and</li> <li>• reviews done by the various Board Committees and key management personnel.</li> </ul> <p>Please refer to Guideline 11.3 above.</p>
1204(17)	Interested persons transaction ("IPT")	<p>The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's IPTs.</p> <p>The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the AC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.</p> <p>There were no IPTs with value more than S\$100,000 transacted during FY2017.</p>
1204(19)	Dealing in securities	<p>The Company has adopted an internal policy which prohibits the Directors and officers of the Group from dealing in the securities of the Company while in possession of price-sensitive information.</p> <p>The Company, its Directors and officers of the Group are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's quarterly financial statements and one month before the announcement of the Company's full year financial statements respectively, and ending on the date of the announcement of the relevant results.</p> <p>The Company, its Directors and officers of the Group are also reminded to observe the insider trading laws at all times even when dealing in securities within permitted trading period. They are also discouraged from dealing in the Company's shares on short-term considerations.</p>
1204(21)	Non-sponsor fees	The Continuing Sponsor of the Company is UOB Kay Hian Private Limited ("UOB Kay Hian"). There were no non-sponsor fees paid to UOB Kay Hian (and its affiliates) for FY2017.



**DIRECTORS'  
STATEMENT**

The Directors of EMS Energy Limited (the "Company") present their statement to the members together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2017 and the statement of financial position of the Company as at 31 December 2017.

**1. Opinion of the Directors**

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due as disclosed in Note 4 to the financial statements.

**2. Directors**

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

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

**3. Arrangements to enable Directors to acquire shares or debentures**

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraph 5 below.

**4. Directors' interests in shares or debentures**

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 1.1.2017	At 31.12.2017	At 1.1.2017	At 31.12.2017
<b>The Company</b>				
<u>(No. of ordinary shares)</u>				
Mr Ting Teck Jin	1,503,500	1,503,500	355,446,460	355,446,460
Mr Lim Poh Boon	1,333,333	1,333,333	-	-

By virtue of Section 7 of the Act, Mr Ting Teck Jin is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2018 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2017.

## DIRECTORS' STATEMENT

### 5. Share Incentive Schemes

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

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

- (a) Ung Gim Sei (Chairman);
- (b) Lim Poh Boon; and
- (c) Lim Siong Sheng.

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

- (a) full-time employees of the Company and/or its subsidiary corporations who have attained the age of twenty-one (21) years on or before the offering date;
- (b) Executive Directors of the Company; and
- (c) Non-Executive Directors (including Independent Directors and Non-Independent Directors) of the Company.

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

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

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

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

**DIRECTORS'  
STATEMENT****5. Share Incentive Schemes (Continued)**

<b>Name of Participant</b>	<b>Date of Grant</b>	<b>Options granted during financial year under review (including terms)</b>	<b>Aggregate options granted since commencement of scheme to end of financial year under review (adjusted)<sup>(a)</sup></b>	<b>Aggregate options exercised since commencement of scheme to end of financial year under review</b>	<b>Aggregate options cancelled or lapsed since commencement of scheme to end of financial year under review</b>	<b>Aggregate options outstanding as at end of financial year under review</b>
<b>Director</b>						
Ting Teck Jin <sup>(1)</sup>	-	Nil	700,000	-	-	700,000
Lim Poh Boon <sup>(2)</sup>	-	Nil	50,000	-	-	50,000
Lim Siong Sheng <sup>(2)</sup>	-	Nil	50,000	-	-	50,000
Ung Gim Sei <sup>(2)</sup>	-	Nil	50,000	-	-	50,000
<b>Employee</b>						
Mah Peck Sze Patsy <sup>(3)</sup>	-	Nil	100,000	-	(100,000)	-
Wong Hon Cheng <sup>(3)</sup>	-	Nil	100,000	-	(100,000)	-
<b>Total</b>			<b>1,050,000</b>	<b>-</b>	<b>(200,000)</b>	<b>850,000</b>

**Notes:**

- <sup>(a)</sup> The Company undertook a consolidation of its shares on the basis of every 15 existing shares into one consolidated share, which was approved by the shareholders at an extraordinary general meeting on 15 October 2015 ("Share Consolidation"). The Share Consolidation became effective on 26 October 2015. Accordingly, the share options granted are adjusted to take into account of the Share Consolidation pursuant to Rule 12 of the EMS Employee Share Option Scheme.
- <sup>(1)</sup> Pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 26 April 2014, the Company had on 28 April 2014, granted a total of 10,500,000 options at an exercise price of \$0.061 per option at the date of the grant, to Mr. Ting Teck Jin, an Executive Director and controlling shareholder of the Company. These options are exercisable from 28 April 2015 to 27 April 2024. The exercise price of these options had been revised to \$0.027 on 1 December 2014. As at 31 December 2016, the total 700,000 options (adjusted for Share Consolidation) granted to Mr. Ting Teck Jin still remained outstanding and exercisable into 700,000 ordinary shares at an exercise price of \$0.405.
- <sup>(2)</sup> These options, which are exercisable from 23 February 2015 to 22 February 2020, were granted on 24 February 2014 at an exercise price of \$0.069 at the date of the grant and subsequently revised to \$0.027 on 1 December 2014. As at 31 December 2016, the total 150,000 options (adjusted for Share Consolidation) granted to the Independent Directors remained outstanding and exercisable into 150,000 ordinary shares at an exercise price of \$0.405.
- <sup>(3)</sup> On 24 February 2014, a total of 15,000,000 options were granted at an exercise price of \$0.069 per option at the date of grant to employees who are not Directors, controlling shareholders or their associates. On 1 December 2014, the exercise price of these options had been revised to \$0.027. 1,500,000 options granted in 2014 were not accepted and 7,500,000 options granted in 2014 were forfeited upon resignation of certain employees in 2014. 200,000 options (adjusted for Share Consolidation) were forfeited upon resignation of certain employee in 2015. As at 31 December 2017, the balance outstanding 200,000 options (adjusted for Share Consolidation) were forfeited upon resignation of certain employees in 2017.

During the financial year ended 31 December 2017, no options or share awards were granted to the directors and employees of the Company or its subsidiary corporations under the Scheme or the Plan respectively.

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

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

## DIRECTORS' STATEMENT

### 6. Audit Committee

The audit committee of the Company is chaired by Lim Siong Sheng, the Lead independent Director, and includes Lim Poh Boon and Ung Gim Sei, who are both independent Directors. In FY2017, the audit committee has met three times and has carried out its functions in accordance with section 201B(5) of the Companies Act, Chapter 50 of Singapore, including reviewing the following, where relevant, with the executive Director and external auditors of the Company:

- (a) the audit plans of the external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (b) the Company's and the Group's financial and operation results and accounting policies;
- (c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;
- (d) the quarterly and full year results announcements as well as the related press releases on the results and financial position of the Company and the Group;
- (e) the co-operation and assistance given by the management to the Company's external auditors; and
- (f) the re-appointment of the external auditors of the Company.

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

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

### 7. Independent auditor

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

On behalf of the Board of Directors

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**Mr Ting Teck Jin**  
Director

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**Mr Lim Poh Boon**  
Director

Singapore  
8 June 2018

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF EMS ENERGY LIMITED

### Report on the Audit of the Financial Statements

#### Disclaimer of Opinion

We were engaged to audit the financial statements of EMS Energy Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 43 to 110, which comprise the consolidated statement of financial position of Group and the statement of financial position 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.

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

#### Basis for Disclaimer of Opinion

##### 1. Going Concern and Completeness of Liabilities

As disclosed in Note 4 to the financial statements, the Group generated a profit of \$34.9 million for the financial year ended 31 December 2017. The profit mainly arose from the gain on deconsolidation of Koastal Industries Pte Ltd and its subsidiaries ("KIPL") amounting to \$64.6 million which, were placed under liquidation. As at 31 December 2017, the Group's current liabilities exceeded its current assets by \$82.8 million and its total liabilities exceeded its total assets by \$71.7 million. The Company's current liabilities exceeded its current assets by \$41.5 million and its total liabilities exceeded its total assets by \$30.6 million. The Group's cash and bank balances as at 31 December 2017 amounted to approximately \$511,000.

EMS Energy Solutions Pte. Ltd. ("EES") ceased activities since September 2016 due to insufficient working capital. The scheme of arrangement of EES has been approved by its creditors on 11 May 2018. The management is in the process of applying for the sanction of EES scheme of arrangement by the High Court. The Company has not completed implementing its scheme of arrangement sanctioned by the High Court on 8 September 2017.

All bank facilities of the Group have been withdrawn by the respective banks. The Group has no revenue generating activities as Koastal Industries Pte. Ltd. ("KIPL") is under liquidation and EES has ceased operations.

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

We were unable to obtain sufficient appropriate audit evidence to evaluate the feasibility and effectiveness of management's plans in relation to going concern as management has not provided us with a cash flow forecast for us to assess whether the scheme of arrangements and the strategic investment will enable the Group to generate sufficient cash flows for at least the next twelve months from the date of the financial statements. There were no practical alternative audit procedures that we could carry out to determine this. In addition, further liabilities may be required to be recognised by the Group arising from the various legal claims and ongoing schemes of arrangement.

Accordingly, we were not able to determine the completeness of liabilities recognised by the Group as at 31 December 2017 and assess whether the use of the going concern basis of accounting in the preparation of the accompanying financial statements is appropriate. Our opinion on the prior year financial statements was also modified on the same basis.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF EMS ENERGY LIMITED

### Basis for Disclaimer of Opinion

#### 2. Impairment of Property, plant and equipment

As at 31 December 2017, the Group's property, plant and equipment comprise mainly a yard under construction with carrying amount of approximately \$10.7 million which is held by the Company. The construction of the yard was stalled since 2016 as the Group did not have sufficient funds to complete the construction.

As at the date of our report, the Company has signed a non-binding term sheet to raise \$7.5 million cash for the development of the yard. The funding is subject to various conditions precedent before completion.

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

These conditions indicate that the yard under construction may be impaired as at 31 December 2017. No provision for impairment has been made for the yard for the financial year ended 31 December 2017.

Based on the limited information available, we were unable to obtain sufficient appropriate audit evidence on whether the Company will be able to obtain the said funds to complete the construction of the yard and to make the monthly lease payments to the landlord. We were also unable to satisfy ourselves that there was no impairment loss on the yard as management did not provide us with their assessment of the recoverable amount of the yard. Accordingly, we were unable to determine whether adjustments may be necessary to the carrying amount of the yard of approximately \$10.7 million as at 31 December 2017 that was recognised in the financial statements. Our opinion on the prior year financial statements was also modified on the same basis.

#### 3. Recoverability of Trade and other receivables

The Group's trade and other receivables as at 31 December 2016 amounted to approximately \$9.6 million, which included trade and other receivables of \$4.6 million which have been long outstanding. There was objective evidence of impairment of these receivables as at 31 December 2016. We were unable to obtain sufficient appropriate audit evidence to determine whether the allowance of \$20 million made during the financial year ended 31 December 2016 was appropriate and whether the remaining amount of \$4.6 million is recoverable as management was unable to provide sufficient information to support their basis for their recoverable amounts of these receivables. We were also unable to satisfy ourselves through alternative means. Consequently, for the financial year ended 31 December 2016, we were unable to determine whether adjustments to these amounts may be necessary.

For the financial year ended 31 December 2017, we have obtained sufficient and appropriate evidence to determine the recoverable amounts of trade and other receivables as at the end of the financial year.

#### 4. Recoverability of amounts due from deconsolidated subsidiaries

The Group's and the Company's amount due from deconsolidated subsidiaries as at 31 December 2017 amounted to \$20.3 million and \$1.6 million respectively. As these receivables are long outstanding and coupled with the liquidation of KIPL, there was objective evidence of impairment of these receivables as at 31 December 2017.

We were unable to obtain sufficient appropriate audit evidence to determine whether these amounts are recoverable as management was unable to support their basis for the recoverable amounts of these receivables. We were also unable to satisfy ourselves, through alternative means. Consequently, we were unable to determine whether adjustments to these amounts may be necessary.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF EMS ENERGY LIMITED

### Basis for Disclaimer of Opinion

#### 5. Impairment of available-for-sale financial assets – Investment in unquoted equity shares

As disclosed in Note 16 to the financial statements, the Group recorded impairment loss of approximately \$4.5 million and \$4.0 million for available-for-sale financial assets for the financial year ended 31 December 2016 and 31 December 2017 respectively. The available-for-sale financial assets which amounted to approximately \$8.5 million was fully impaired as at 31 December 2017. These unquoted equity shares represents the Group's 10% interest in PV Drilling Overseas Company Private Limited ("PVDO").

We were unable to obtain sufficient appropriate audit evidence to determine whether the provision for impairment made in the current financial year is appropriate as management was unable to provide sufficient information to substantiate their determination of the recoverable amount of the investment. We were also unable to satisfy ourselves through alternative means. Consequently, we were unable to determine whether adjustments may be necessary to the carrying amount of the available-for-sale financial assets and the impairment loss recognised for the financial year ended 31 December 2017. Our opinion on the prior year financial statements was also modified on the same basis.

#### 6. Valuation of financial derivative liabilities

As disclosed in Note 32 to the financial statements, the Group recorded financial derivative liabilities at their fair values amounting to approximately \$1.9 million and \$2.9 million as at 31 December 2017 and 31 December 2016 respectively. During the current financial year, the Group credited approximately \$1.08 million to profit or loss due to the expiry of the share warrants.

As management was unable to provide us with supporting documents on their determination of the fair values and there were no practical alternative audit procedures that we could carry out, we were unable to obtain sufficient appropriate audit evidence on the fair values of the financial derivative liabilities and the effect of the reversal of \$1.08 million to profit or loss with regards to the expired share warrants.

Consequently, we were unable to determine whether adjustments may be necessary to the carrying amount of the financial derivative liabilities of approximately \$1.9 million recognised in the financial statements as at 31 December 2017 and the credit to profit or loss amounting to \$1.08 million. Our opinion on the prior year financial statements was also modified on the same basis.

### 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 Companies Act (Chapter 50) and Financial Reporting Standards in Singapore (FRSs), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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



# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF EMS ENERGY LIMITED

### Auditor's Responsibilities for the Audit of the Financial Statements

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

We are independent of the Group within the meaning of the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the Basis for Disclaimer of Opinion section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company 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 partner on the audit resulting in this independent auditor's report is Ng Kian Hui.

BDO LLP  
Public Accountants and  
Chartered Accountants  
Singapore

8 June 2018

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group	
		2017 \$'000	2016 \$'000
Revenue	5	6,703	29,100
Cost of sales		(10,070)	(22,615)
<b>Gross (loss)/profit</b>		(3,367)	6,485
<b>Other items of income</b>			
Other income	6	4,501	947
		1,134	7,432
<b>Other items of expense</b>			
Administrative expenses		(6,464)	(10,781)
Distribution costs		(12)	(168)
Other expenses		(19,500)	(112,447)
Finance costs	7	(4,753)	(4,060)
Share of loss of associate	15	-	(189)
Loss in disposal of associate		(118)	-
Gain on deconsolidation of subsidiaries	14	64,611	-
<b>Profit/(loss) before tax</b>	8	34,898	(120,213)
Income tax (expense)/credit	9	(2)	89
<b>Profit/(loss) for the year</b>		34,896	(120,124)
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences			
- On translation of foreign operations		5,971	(3,925)
Available-for-sale financial assets			
- Reclassification to profit or loss on disposal		-	(199)
		-	(199)
Share of other comprehensive income of associated company			
- Translation reserve	15	-	(9)
- Fair value loss on available-for-sale financial asset	15	-	(9)
		-	(18)
Deconsolidation of subsidiaries			
- Capital reserve		(268)	-
- Fair value reserve		47	-
		(221)	-
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Loss on revaluation of leasehold land and building		-	(290)
Share of other comprehensive income of associated company			
- Revaluation deficit	15	-	(57)
Other comprehensive income/(loss) for the year, net of tax		5,750	(4,489)
<b>Total comprehensive income/(loss) for the year</b>		40,646	(124,613)
<b>Profit/(loss) per share</b>			
- basic (in cents)	10	7.78	(26.77)
- diluted (in cents)		7.78	(26.77)

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

**CONSOLIDATED STATEMENT OF  
FINANCIAL POSITION****AS AT 31 DECEMBER 2017**

		<b>Group</b>	
	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	11,022	9,544
Investment property	12	-	-
Intangible assets	13	-	-
Available-for-sale financial assets	16	-	3,986
Deferred tax assets	17	-	125
<b>Total non-current assets</b>		<u>11,022</u>	<u>13,655</u>
<b>Current assets</b>			
Inventories	18	548	648
Trade and other receivables	19	296	9,639
Amounts due from contract customers	20	-	3,868
Amount due from deconsolidated subsidiaries	21	20,293	-
Prepayments		388	12
Cash and bank balances	22	511	433
Tax recoverable		-	43
		<u>22,036</u>	<u>14,643</u>
Assets held for sale	23	5,600	8,578
<b>Total current assets</b>		<u>27,636</u>	<u>23,221</u>
<b>Total assets</b>		<u>38,658</u>	<u>36,876</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	24	167,711	167,711
Accumulated losses		(96,739)	(131,635)
Other reserves	26	(142,703)	(148,453)
<b>Total deficit</b>		<u>(71,731)</u>	<u>(112,377)</u>
<b>Current liabilities</b>			
Trade and other payables	27	46,463	42,604
Amount due to deconsolidated subsidiaries	21	32,716	-
Advances from contract customers		408	2,080
Amounts due to contract customers	20	615	59,957
Bank borrowings	29	6,916	22,670
Borrowings from third parties	30	14,296	12,360
Convertible loan	31	7,083	5,942
Financial derivative liabilities	32	1,892	2,972
Provisions for warranties	33	-	33
Income tax payables		-	635
<b>Total current liabilities</b>		<u>110,389</u>	<u>149,253</u>
<b>Total liabilities</b>		<u>110,389</u>	<u>149,253</u>
<b>Total equity and liabilities</b>		<u>38,658</u>	<u>36,876</u>

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

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Note	Company	
		2017 \$'000	2016 \$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	10,808	8,996
Investments in subsidiaries	14	-	-
<b>Total non-current assets</b>		10,808	8,996
<b>Current assets</b>			
Trade and other receivables	19	14,103	671
Amount due from deconsolidated subsidiaries	21	1,616	-
Prepayment		4	12
Cash and bank balances	22	57	1
<b>Total current assets</b>		15,780	684
<b>Total assets</b>		26,588	9,680
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	24	167,711	167,711
Accumulated losses		(198,442)	(197,573)
Share option reserve	26	85	85
<b>Total deficit</b>		(30,646)	(29,777)
<b>Current liabilities</b>			
Trade and other payables	27	8,970	6,856
Amount due to deconsolidated subsidiaries	21	32,373	-
Amount due to subsidiaries	28	-	32,601
Bank borrowings	29	6,916	-
Convertible loan	31	7,083	-
Financial derivative liabilities	32	1,892	-
<b>Total current liabilities</b>		57,234	39,457
<b>Total liabilities</b>		57,234	39,457
<b>Total equity and liabilities</b>		26,588	9,680

*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

Group	Note	Share capital \$'000	Capital reserve \$'000	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Revaluation reserve \$'000	Share option reserves \$'000	Merger reserve \$'000	Other reserves \$'000	Accumulated losses \$'000	Total (deficit)/ equity \$'000
<b>Balance at 1 January 2017</b>		167,711	268	(47)	(5,937)	6,178	85	(149,000)	(148,453)	(131,635)	(112,377)
<b>Total comprehensive income for the year:</b>											
<b>Profit for the year</b>		-	-	-	-	-	-	-	-	34,896	34,896
<b>Other comprehensive income</b>											
Exchange differences:											
On translation of foreign operations		-	-	-	5,971	-	-	-	5,971	-	5,971
Reclassification on deconsolidation of subsidiaries		-	(268)	47	-	-	-	-	(221)	-	(221)
<b>Total other comprehensive income for the year, net of tax</b>		-	(268)	47	5,971	-	-	-	5,750	-	5,750
<b>Total comprehensive income for the year</b>		-	(268)	47	5,971	-	-	-	5,750	34,896	40,646
<b>Balance at 31 December 2017</b>		167,711	-	-	34	6,178	85	(149,000)	(142,703)	(96,739)	(71,731)

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

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

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	Group	
		2017 \$'000	2016 \$'000
<b>Operating activities</b>			
Profit/(Loss) before tax		34,898	(120,213)
Adjustments for:			
Depreciation of investment property	12	-	3
Depreciation of property, plant and equipment	11	141	618
Employee share option expenses		-	5
Fair value loss arising from derivative financial instruments		-	60
Fair value gain reclassified from fair value reserve on disposal of financial assets, available for sale		-	(199)
Fair value loss reclassified from fair value reserve on deconsolidation of subsidiaries		47	-
Capital gain reclassified from capital reserve on deconsolidation of subsidiaries		(268)	-
Loss on disposal of property, plant and equipment		38	313
Gain on disposal of investment property		-	(311)
Loss on disposal of investment in associate		118	-
Reversal of provision for warranties	33	-	(219)
Allowance for doubtful debts	19	288	20,316
Allowance for doubtful debts written back	19	(289)	-
Allowance for losses from construction contract		13,782	99,577
Share of associate's results	15	-	189
Impairment loss on intangible assets	13	-	7,469
Impairment loss on investment in associate	15	-	2,815
Impairment loss on available-for-sale financial assets	16	3,986	4,526
Impairment loss on property, plant and equipment	11	-	3,928
Plant and equipment written off		-	279
Write-down of inventories	18	178	-
Reversal of liability arising from expired share warrants	32	(1,080)	-
Gain on deconsolidation of subsidiaries	14	(64,611)	-
Interest expense		4,753	4,060
Interest income		(1)	(112)
Unrealised exchange differences		222	65
Operating cash flows before movements in working capital		(7,798)	23,169
Inventories		(202)	38
Trade and other receivables		5,513	(125)
Amount due from contract customers		(16,617)	-
Prepayments		(6,031)	6,889
Trade and other payables		21,101	(19,393)
Advances from contract customers		2,603	(8,686)
Amount due to contract customers		(562)	(2,272)
Provision for warranties		(33)	-
Cash used in operations		(2,026)	(380)
Income taxes paid		(120)	(528)
<b>Net cash used in operating activities</b>		<b>(2,146)</b>	<b>(908)</b>

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	Group	
		2017 \$'000	2016 \$'000
<b>Investing activities</b>			
Interest received		1	112
Proceeds from sale of investment property	12	-	522
Proceeds from disposal of property, plant and equipment		6	41
Proceeds from disposal of associate	23	2,860	1,220
Purchase of property, plant and equipment	11	-	(2,996)
Net cash outflow on deconsolidation of subsidiaries	14	(486)	-
<b>Net cash from/(used in) investing activities</b>		<b>2,381</b>	<b>(1,101)</b>
<b>Financing activities</b>			
Repayment to a director		-	(488)
Decrease in fixed deposits pledged		-	7,709
Repayment of bank borrowings	A	(167)	(4,247)
Repayment of finance lease liabilities		-	(3)
<b>Net cash (used in)/from financing activities</b>		<b>(167)</b>	<b>2,971</b>
Net change in cash and cash equivalents		68	962
Cash and cash equivalents at beginning of year		330	(638)
Effects of currency translation on cash and cash equivalents		-	6
<b>Cash and cash equivalents at end of year</b>	22	<b>398</b>	<b>330</b>

### Note A: Reconciliation of liabilities arising from financing activities

	1 January 2017 \$'000	Cash flows \$'000	← Non-cash changes →				31 December 2017 \$'000
			Paid on behalf by related parties \$'000	Foreign exchange differences \$'000	Accretion of interest \$'000	Effect on deconsolidation \$'000	
Bank borrowings (Note 29)	22,670	(167)	(45)	(793)	1,427	(16,176)	6,916

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.

### 1. General

EMS Energy Limited (the "Company") (Registration Number 200300485D) is a limited liability company incorporated and domiciled in Singapore and is publicly traded on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is at 25 International Business Park #02-57 German Centre Singapore 609916.

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

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

The Company's ultimate controlling party is Ting Teck Jin, who is a Director of the Company as at 31 December 2017.

### 2. Significant accounting policies

#### 2.1 Basis of preparation

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

#### ***FRS 7 (Amendments) Disclosure Initiative***

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

The Group adopted these amendments on 1 January 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

#### *Full IFRS convergence*

Singapore-incorporated companies which have issued either debt or equity instruments which are listed on SGX-ST, will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The new framework is referred to as 'Singapore Financial Reporting Standards (International) (SFRS(I))'. The Group will adopt the new framework on 1 January 2018 and will apply SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework.

The Group has completed its assessment of the impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 December 2018, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which are expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group is currently finalising the transitional adjustments that are required or elected under SFRS(I) 1.

#### **Optional exemption - Cumulative translation differences**

SFRS(I)\_1-21 *The Effects of Changes in Foreign Exchange Rates* requires an entity to recognise translation differences arising from the translation of foreign operations' results and financial position to the Group's presentation currency in other comprehensive income and accumulate these in a separate component of equity; and on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal. However, IFRS 1 allows the Group (on initial adoption of the new framework on 1 January 2018) to be exempted from these requirements for cumulative translation differences that existed at the date of transition to IFRSs (i.e. 1 January 2017).

The Group may elect to apply this exemption in the financial year beginning on 1 January 2018. Accordingly, the foreign exchange reserve of \$568,000 as at 1 January 2017 may be deemed to be zero; and this amount will be reclassified to accumulated losses on the same date.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. Significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

*FRS and INT FRS issued but not yet effective*

At the date of authorisation of these financial statements, the following FRS and INT FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

	<b>Effective date (annual periods beginning on or after)</b>
FRS 102 (Amendments) : Classifications and measurement of Share Based Payments Transactions	1 January 2018
FRS 104 (Amendments) : Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 109 : Financial Instruments	1 January 2018
FRS 115 : Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments) : Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116 : Leases	1 January 2019
INT FRS 122 : Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 : Uncertainty over income tax treatments	1 January 2019
<i>Improvements to FRSs (December 2016)</i>	
FRS 101 (Amendments) : First-time Adoption of International Financial Reporting Standards	1 January 2018

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

Except as disclosed below, management anticipates that the adoption of the above FRS and INT FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

#### **FRS 109 Financial Instruments**

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

#### *Classification and measurement*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.1 Basis of preparation (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

#### **FRS 109 Financial Instruments (Continued)**

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

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

The Group currently accounts for its AFS investment in unquoted equity securities at cost less impairment loss, if any, as disclosed in Note 16 to the financial statements. On adoption of FRS 109, the Group will be required to measure such investment in unquoted equity securities at fair value, with the difference between the previous carrying value and the fair value recognised in the opening balance of retained earnings at the date of initial application.

#### *Impairment*

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

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group and the Company are currently finalising the policies and procedures in determining how to estimate expected credit losses and the sources of forward-looking data, and evaluating the tax implications arising from the above change in impairment model.

#### *Transition*

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year. The Group does not expect a significant adjustment arising from the adoption of FRS 109, except for the effects of applying the impairment requirements of FRS 109. The Group will include additional disclosures in the financial statements in the financial year when FRS 109 is adopted.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. Significant accounting policies (Continued)

#### 2.1 Basis of preparation (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

##### **FRS 115 Revenue from Contracts with Customers**

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

On initial adoption of this standard there may be potentially insignificant impact on the timing and profile of revenue recognition of the Group as the subsidiaries have either ceased operations or are dormant.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

##### **FRS 116 Leases**

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

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

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premises, land lease and other operating facilities on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on balance sheet as at 1 January 2019. The Group will include the required additional disclosures in its financial statements for that financial year.

#### 2.2 Basis of consolidation

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.2 Basis of consolidation (Continued)

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

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

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

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

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

### 2.3 Business combinations

#### Business combinations from 1 January 2010

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

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

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

#### Business combinations from 1 January 2010 (Continued)

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

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

### 2.4 Revenue recognition

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

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

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

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

#### Trading sales

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

#### Interest income

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

#### Rental income

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.4 Revenue recognition (Continued)

#### Commission income

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

#### Dividend income

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

### 2.5 Borrowing costs

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

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

### 2.6 Government grants

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

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income. Government grants relating to assets are deducted against the carrying amount of the assets.

### 2.7 Employee leave entitlements

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

### 2.8 Employee Compensation

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

#### Defined Contribution Plans

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.8 Employee Compensation (Continued)

#### Share-based compensation

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

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

### 2.9 Taxes

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

#### Current income tax

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

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

#### Deferred tax

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.9 Taxes (Continued)

#### Deferred tax (Continued)

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

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

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

#### Sales tax

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

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

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

### 2.10 Foreign currency transactions and translation

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. Significant accounting policies (Continued)

#### 2.10 Foreign currency transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

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

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

#### 2.11 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

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

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

Any revaluation increase arising from the revaluation of such land and buildings is recognised in other comprehensive income and credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.11 Property, plant and equipment (Continued)

Depreciation is computed utilizing the straight-line method to allocate depreciable amounts of the assets over their estimated useful lives or lease terms as follows:

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

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the financial year.

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

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

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

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

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

### 2.12 Investment property

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

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

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

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

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. Significant accounting policies (Continued)

#### 2.13 Intangible assets

##### Goodwill

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

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

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

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

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

##### Certificate

Certificate is stated at cost less any impairment loss.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.14 Associates

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

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

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

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

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

### 2.15 Impairment of non-financial assets excluding goodwill

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 2. Significant accounting policies (Continued)

##### 2.16 Financial instruments

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

##### Effective interest method

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

##### **Financial assets**

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

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

##### Loans and receivables

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

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

The Group's loans and receivables in the statement of financial position comprise trade and other receivables, amount due from deconsolidated subsidiaries and cash and bank balances.

##### Available-for-sale financial assets ("AFS")

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

#### **Financial assets (Continued)**

##### Impairment of financial assets

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

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

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

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

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

##### Derecognition of financial assets

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

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

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

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

##### Equity instruments

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

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2. Significant accounting policies (Continued)

#### 2.16 Financial instruments (Continued)

##### **Financial liabilities and equity instruments (Continued)**

###### Equity instruments (Continued)

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

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 earnings of the Company if the shares are purchased out of earnings of the Company.

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

###### Financial liabilities

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

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

###### Derivative financial instruments

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

###### Other financial liabilities

###### *Trade and other payables*

Trade and other payables (excluding deferred revenue), amount due to subsidiaries and amount due to deconsolidated subsidiaries are classified as other financial liabilities.

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

###### *Borrowings*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.16 Financial instruments (Continued)

#### Financial liabilities and equity instruments (Continued)

##### Convertible loan

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

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

##### Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

##### Derecognition of financial liabilities

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

##### Offsetting of financial instruments

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

### 2.17 Share warrants

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 2. Significant accounting policies (Continued)

##### 2.17 Share warrants (Continued)

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

##### 2.18 Construction contracts

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

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

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

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

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

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

##### 2.19 Inventories

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

##### 2.20 Cash and bank balances

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2. Significant accounting policies (Continued)

### 2.21 Provisions

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

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

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

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

### 2.22 Leases

#### Operating Leases

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

### 2.23 Segment Reporting

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

### 2.24 Non-current assets held for sale

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

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

## 3. Critical accounting judgements and key sources of estimation uncertainty

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



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

#### 3.1 Critical judgements made in applying entity's accounting policies

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

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

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

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

(ii) Determination of functional currency

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

(iii) Construction Contracts

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

### 3.2 Key sources of estimation uncertainty

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

(i) Revenue from contract work-in-progress

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

Management has performed cost studies, taking into account the costs to date and costs to complete each project, foreseeable losses and applicable liquidated damages, if any. Management has also reviewed the status of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery. The carrying amounts of the Group's amount due from/(to) contract customers as at 31 December 2017 was \$Nil (2016: \$3,868,000) and \$615,000 (2016: \$59,957,000) respectively.

(ii) Allowance for trade and other receivables

The provision policy for doubtful debts of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, as discussed in Note 19, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the Group's and Company's trade and other receivables as at 31 December 2017 was \$296,000 (2016: \$9,639,000) and \$14,103,000 (2016: \$671,000) respectively.

(iii) Fair value of derivatives

Fair values of derivatives on convertible notes and share warrants are determined using valuation techniques. The inputs to these models are derived from observable market data where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include the volatility, risk-free rate of the host contract, etc. Changes in assumptions about these factors could affect the reported fair value of the financial instruments amounting to \$1,892,000 (2016: \$2,972,000) as at 31 December 2017.

(iv) Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's current tax payable as at 31 December 2017 was \$Nil (2016: \$635,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 4. Going concern

The Group generated a profit of \$34.9 million for the financial year ended 31 December 2017. The profit mainly arose from the gain on deconsolidation of KIPL and its directly held subsidiaries amounting to \$64.6 million, placed under creditors' voluntary liquidation from October 2017. As at 31 December 2017, the Group's current liabilities exceeded its current assets by \$82.8 million and its total liabilities exceeded its total assets by \$71.7 million. The Company's current liabilities exceeded its current assets by \$41.5 million and its total liabilities exceeded its total assets by \$30.6 million. The Group's cash and bank balances as at 31 December 2017 amounted to approximately \$511,000.

The Company is in the midst of implementing its scheme of arrangement after the scheme was sanctioned by the High Court on 8 September 2017.

EMS Energy Solutions Pte. Ltd. ("EES") ceased activities since September 2016 due to insufficient working capital. The scheme of arrangement of EES has been approved by its creditors on 11 May 2018 and the management is in the process of applying for the sanction of EES scheme by the High Court.

All bank facilities of the Group have been withdrawn by the respective banks. The Group has no revenue generating activities as KIPL is under liquidation and EES have ceased operations. The follow up work for certain projects previously under KIPL which were novated to KPL have, more or less been completed in FY2017 and no significant revenue is expected to be generated by KPL going forward.

As at the end of the financial year, the Group is unable to determine if any further liabilities will be required to be included arising from the various legal claims as is in the process of applying for the sanction of EES scheme by the High Court. (Note 35).

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

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

- (i) The Company has signed a Terms Sheet to raise \$7.5 million cash for the development of the yard under construction at Tuas. Furthermore, the deal includes injection of certain operating entities of the investor and the investor agrees to further capitalize the company by a 1 for 1 rights issue upon completion of scheme and placement.
- (ii) The management is confident that it will be able to successfully complete the implementation of the Company's scheme of arrangement and thus significantly reducing the Company's liabilities. Further the management is also confident that it will be successful obtaining the necessary sanction for the EES scheme from the High Court and successfully implement it.

If the Group and the Company are unable to continue in operational existence for the foreseeable future, the Group and the Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets. No such adjustments have been made to these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 5. Revenue

	Group	
	2017 \$'000	2016 \$'000
<b>Marine and offshore</b>		
Construction contracts	821	11,619
Trading sales	2,612	2,793
	3,433	14,412
<b>Water treatment</b>		
Construction contracts	3,270	14,688
	6,703	29,100

### 6. Other income

	Group	
	2017 \$'000	2016 \$'000
Interest income	1	112
Rental income from investment properties (Note 12)	-	23
Gain on disposal of investment property	-	311
Commission income	-	208
Consulting services income	-	221
Government Grant	12	107
Scrap disposal income	1,030	63
Foreign exchange gain/(loss)	2,328	(144)
Others	50	46
Reversal of liability arising from expired share warrants	1,080	-
	4,501	947

### 7. Finance costs

	Group	
	2017 \$'000	2016 \$'000
Interest expenses on:		
- Bank loans and overdrafts	1,427	1,215
- Borrowings from third parties		
Interest accretion on borrowings from third parties (Note 30)	1,936	1,890
Interest accretion on convertible notes (Note 31)	1,141	724
Interest on loan from other creditors	249	231
	3,326	2,845
	4,753	4,060

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****8. Profit/(loss) before tax**

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Purchases of material and equipment	1,743	5,659
Subcontractor cost recognised as expense	5	2,316
Audit fees paid/payable to auditors:		
Auditors of the Company	48	76
Other auditors	6	6
Directors' fees of Directors of the subsidiaries	135	135
Directors' remuneration other than fees:		
<u>Directors of the Company</u>		
Short-term benefits	282	453
Post-employment benefits	17	24
<u>Directors of the subsidiaries</u>		
Short-term benefits	227	328
Post-employment benefits	27	24
Staff costs (excluding directors' remuneration)	2,098	5,431
Employee share option expense	-	5
Costs of defined contribution plans included in staff costs	169	435
Operating lease payments	615	788
Depreciation of property, plant and equipment	141	618
Legal and professional fees	703	771
Impairment loss on:		
Property, plant and equipment (Note 11)	-	3,928
Intangible assets (Note 13)	-	7,469
Investment in associate (Note 15)	-	2,815
Available for sale financial assets (Note 16)	3,986	4,526
Property, plant and equipment written off	-	279
Loss on disposal of property, plant and equipment	38	313
Gain on disposal of investment property	-	(311)
Loss on disposal of investment in associate	118	-
Allowance for losses from construction contract	13,782	99,577
Allowance for doubtful debts	288	20,316
Allowance for doubtful debts write back	(289)	-
Write down of inventories	178	-
Reversal of liability arising from expired share warrants (Note 32)	(1,080)	-
Gain on deconsolidation of subsidiaries	(64,611)	-
Unrealised exchange differences	222	65
Fair value loss on financial derivative liabilities - Share warrants	-	60

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 9. Income tax expense/(credit)

	Group	
	2017 \$'000	2016 \$'000
Current income tax		
- Current	-	28
- Under/(over) provision in prior years	2	(92)
	<u>2</u>	<u>(64)</u>
Deferred tax		
- Over provision in prior years	-	(25)
	<u>-</u>	<u>(25)</u>
Total income tax expense/(credit)	<u>2</u>	<u>(89)</u>

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017 \$'000	2016 \$'000
Profit/(loss) before tax	34,898	(120,213)
Add: Share of associate's results	-	189
	<u>34,898</u>	<u>(120,024)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	5,909	(20,404)
Effect of income not subject to tax	(11,247)	(52)
Under/(over) provision in prior years – current income tax	2	(92)
Over provision in prior years – deferred tax	-	(25)
Effect of non-allowable items	1,199	5,782
Unrecognised deferred tax benefits	4,139	14,702
Total income tax expense/(credit)	<u>2</u>	<u>(89)</u>

#### 10. Earnings/(loss) per share

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

	Group	
	2017	2016
Profit/(loss) attributable to equity holders of the Company (\$'000)	34,896	(120,124)
Weighted average number of ordinary shares in issue	448,735,224	448,735,224
Basic loss (cents per share)	7.78	(26.77)
Diluted loss (cents per share)	<u>7.78</u>	<u>(26.77)</u>

Diluted earnings/(loss) per share is the same as basic earnings/(loss) per share because the potential ordinary shares from the employee share option scheme, convertible loans and share warrants are anti-dilutive. The trading of the Company's shares have been suspended on the Singapore Exchange since FY 2016.

Share options of 850,000 (2016: 1,050,000) outstanding under the existing share option plan have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

**NOTES TO THE FINANCIAL  
STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**11. Property, plant and equipment**

Group	At valuation		At cost					Total \$'000
	Plant and machinery \$'000	Office equipment and renovation \$'000	Motor vehicles \$'000	Furniture and fittings \$'000	Construction in progress \$'000			
<b>2017</b>								
<b>Cost</b>								
Balance at 1 January 2017	449	365	365	127	12,922		14,228	
Additions	-	55	-	9	1,755		1,819	
Disposal	-	(9)	(113)	(115)	-		(237)	
Write-off	(201)	(1)	-	(1)	-		(203)	
Effect of deconsolidation	-	(163)	(227)	(6)	-		(396)	
Currency re-alignment	-	(8)	(25)	(2)	-		(35)	
Balance at 31 December 2017	248	239	-	12	14,677		15,176	
<b>Accumulated depreciation</b>								
Balance at 1 January 2017	269	180	233	74	-		756	
Depreciation	22	84	22	13	-		141	
Disposal	-	(6)	(113)	(74)	-		(193)	
Write-off	(201)	(1)	-	(1)	-		(203)	
Effect of deconsolidation	-	(119)	(132)	(3)	-		(254)	
Currency re-alignment	-	(8)	(10)	(3)	-		(21)	
Balance at 31 December 2017	90	130	-	6	-		226	
<b>Impairment</b>								
Impairment during the year and balance at 31 December 2017	-	-	-	-	(3,928)		(3,928)	
<b>Carrying amount</b>								
At 31 December 2017	158	109	-	6	10,749		11,022	

**NOTES TO THE FINANCIAL  
 STATEMENTS**
**FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017**
**11. Property, plant and equipment (Continued)**

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 11. Property, plant and equipment (Continued)

Leasehold land and building of the Group with carrying amount of \$5,600,000 (2016: \$5,600,000) are pledged to financial institution for banking facilities (Note 29).

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

On 14 October 2016, EES entered into a sale and purchase agreement with a third party for disposal of its leasehold land and buildings with carrying amount of \$5,600,000 for a consideration of \$5,600,000. On 18 September 2017, JTC Corporation issued a letter to approve the proposed disposal subject to the terms and conditions stated therein. The Group's leasehold land and buildings are reclassified into assets held for sale as at 31 December 2016 and 31 December 2017 (Note 23). The sale was completed and the land title was transferred on 23 March 2018.

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

Company	Office equipment and renovation \$'000	Construction in progress \$'000	Total \$'000
<b>2017</b>			
<b>Cost</b>			
Balance at 1 January 2017	103	8,994	9,097
Additions	58	1,755	1,813
Write-off	(1)	-	(1)
Balance at 31 December 2017	<u>160</u>	<u>10,749</u>	<u>10,909</u>
<b>Accumulated depreciation</b>			
Balance at 1 January 2017	101	-	101
Depreciation charge	1	-	1
Write-off	(1)	-	(1)
Balance at 31 December 2017	<u>101</u>	<u>-</u>	<u>101</u>
<b>Carrying amount</b>			
At 31 December 2017	<u>59</u>	<u>10,749</u>	<u>10,808</u>



**NOTES TO THE FINANCIAL  
STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**11. Property, plant and equipment (Continued)**

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

**12. Investment property**

	Group	
	2017 \$'000	2016 \$'000
<b>Cost</b>		
At beginning of financial year	-	243
Disposal	-	(243)
At end of financial year	<u>-</u>	<u>-</u>
<b>Accumulated depreciation</b>		
At beginning of financial year	-	42
Depreciation charge	-	3
Disposal	-	(45)
At end of financial year	<u>-</u>	<u>-</u>
<b>Carrying Value</b>		
Net carrying amount	<u>-</u>	<u>-</u>

Investment property was leased to third party under operation leases and was pledged to financial institutions for bank loans which were subsequently settled during the financial year ended 31 December 2016 (Note 29).

	Group	
	2017 \$'000	2016 \$'000
Rental income from investment property (Note 6)	<u>-</u>	<u>23</u>

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****13. Intangible assets**

Group	Certificate \$'000	Goodwill \$'000	Total \$'000
<b>2017</b>			
<b>Cost:</b>			
Balance at 1 January and 31 December 2017	21	14,953	14,974
<b>Impairment:</b>			
Balance at 1 January 2017 and 31 December 2017	21	14,953	14,974
<b>Carrying amount</b>			
At 31 December 2017	-	-	-
<b>2016</b>			
<b>Cost:</b>			
Balance at 1 January and 31 December 2016	21	14,953	14,974
<b>Impairment:</b>			
Balance at 1 January 2016	-	7,505	7,505
Impairment loss (Note 8)	21	7,448	7,469
Balance at 31 December 2016	21	14,953	14,974
<b>Carrying amount</b>			
At 31 December 2016	-	-	-

During the previous financial year, due to the slump in the price of crude oil an impairment loss was recognised to write-down to its recoverable amount the carrying amount of goodwill attributable to the EPCM – Marine and offshore & trading segment. The impairment loss of \$Nil (2016: \$7,448,000) has been recognised in the profit or loss under the line item other expenses.

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

**14. Investments in subsidiaries**

	Company	
	2017 \$'000	2016 \$'000
Unquoted equity shares, at cost	165,711	165,711
Allowance for impairment losses	(165,711)	(165,711)
Net carrying value	-	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 14. Investments in subsidiaries (Continued)

Movements in allowance for impairment losses were as follows:

	Company	
	2017 \$'000	2016 \$'000
Balance at beginning of financial year	165,711	36,460
Allowance made during the financial year	-	129,251
Balance at end of financial year	165,711	165,711

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

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation/ principal place of business)	Principal activities	Shareholding	
		2017 %	2016 %
<u>Held by Company</u>			
EMS Offshore Pte.Ltd. <sup>(1)</sup>	Investment holding	100	100
EMS Oil & Gas Ltd <sup>(2)</sup> (Malaysia)	Dormant	100	100
Windale Holdings Limited <sup>(3)</sup> (British Virgin Island)	Investment holding	100	100
Koastal International Pte Ltd (formerly known as Koastal Pte Ltd and Koastal Investment Holdings Pte Ltd) <sup>(1)*</sup> (Singapore) ("KPL")	Investment holding	100	100
<u>Held by EMS Offshore Pte Ltd</u>			
EMS Energy Solutions Pte Ltd <sup>(1)</sup> (Singapore) ("EES")	Design, manufacture and installation of engineering solution for oil & gas and offshore marine industries <sup>#</sup>	100	100
EMS Energy Sdn Bhd <sup>(4)</sup> (Malaysia)	Dormant	100	100
DSX Systems Pte Ltd <sup>(4)</sup> (Singapore)	Dormant	100	100

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 14. Investments in subsidiaries (Continued)

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

Name of subsidiaries (Country of incorporation/ principal place of business)	Principal activities	Shareholding	
		2017 %	2016 %
<u>Held by Koastal International Pte Ltd ("KPL")</u>			
Koastal Industries Pte Ltd <sup>(1)</sup> (Singapore)	Import and export of marine equipment and spare parts, engineering, procurement and construction management, installation and commissioning <sup>@</sup>	-	100
Overseas Drilling Holdings Ltd <sup>(3)</sup> (British Virgin Island)	Investment holding	100	100
<u>Held by Koastal Industries Pte Ltd ("KIPL")</u>			
Koastal Eco Industries Pte Ltd <sup>(1)</sup> (Singapore)	Providing environmental engineering services and sewerage treatment plant construction <sup>@</sup>	-	100
Koastal Marine Pte. Ltd <sup>(1)</sup> (Singapore)	Dormant <sup>@</sup>	-	100
<u>Held by Koastal Eco Industries Pte Ltd (Singapore)</u>			
Koastal Eco Industries Company Limited <sup>(5)</sup> (Vietnam)	Providing technical services in the field of environmental systems and industrial water treatment works <sup>@</sup>	-	100

<sup>(1)</sup> Reviewed by BDO LLP, Singapore for consolidation purposes

<sup>(2)</sup> Subsidiary is dormant and not required to be audited.

<sup>(3)</sup> Not required to be audited in country of incorporation. The Group acquired the interest in the shares through financing from borrowings from third parties (Note 29).

<sup>(4)</sup> Subsidiary is in the process of strike off.

<sup>(5)</sup> Audited by member firms of the BDO network in the respective countries.

\* (i) Change of name from Koastal Pte Ltd to Koastal International Pte Ltd on 3 August 2017; and

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

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

@ The Group consolidate these subsidiaries up to October 2017 when KIPL and its subsidiaries were placed under creditors' voluntary liquidation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 14. Investments in subsidiaries (Continued)

Deconsolidation of subsidiaries

The Group deconsolidated certain subsidiaries, namely Koastal Industries Pte Ltd and its directly held subsidiaries namely Koastal Eco Industries Pte Ltd, Koastal Marine Pte. Ltd. and Koastal Eco Industries Co., Ltd following the placement of KIPL under creditors' voluntary liquidation from October 2017.

	<b>Carrying value on date of deconsolidation \$'000</b>
	<u>                    </u>
Property, plant and equipment	142
Deferred tax assets	125
Inventories	124
Trade and other receivables	4,992
Amount due from contract customers	3,576
Amount due from related companies	32,300
Prepayments	4,289
Cash and bank balances	486
Total assets	<u>46,034</u>
Trade and other payables	(14,320)
Advances from contract customers	(3,686)
Amount due to contract customers	(55,653)
Amount due to related companies	(20,293)
Bank borrowings	(16,176)
Income tax payable	(517)
Total liabilities	<u>(110,645)</u>
Gain on deconsolidation of subsidiaries	<u>(64,611)</u>
Net cash outflow on deconsolidation of subsidiaries	<u>(486)</u>

### 15. Investment in associate

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
	<u>                    </u>	<u>                    </u>
Equity investment at carrying value		
At beginning of financial year	-	6,057
Impairment losses	-	(2,815)
Shares of results	-	(189)
Share of other comprehensive income		
- Translation reserve	-	(9)
- Fair value loss on available-for-sale financial asset	-	(9)
- Revaluation deficit	-	(57)
Reclassified to asset held for sale	-	(2,978)
At end of financial year	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 15. Investment in associate (Continued)

Movements in allowance for impairment losses were as follows:

	Group	
	2017 \$'000	2016 \$'000
Balance at beginning of financial year	(4,915)	(2,100)
Credit/(charge) to profit or loss	4,915	(2,815)
Balance at end of financial year	<u>-</u>	<u>(4,915)</u>

The Group's investment in associate was classified as assets held for sale as at 31 December 2016 and was disposed for a consideration of \$2,860,000 on 23 February 2017.

The details of the associate is as follows:

Name of associates (Country of incorporation/ principal place of business)	Principal activities	Shareholding	
		2017 %	2016 %
Oilfield Services & Supplies Pte Ltd <sup>(1)</sup> (Singapore)	Manufacture, rental and servicing of downhole tools and equipment that are used primarily in oil and gas exploration	-	20

<sup>(1)</sup> Audited by Nexia T S Public Accounting Corporation

#### 16. Available-for-sale financial assets

	Group	
	2017 \$'000	2016 \$'000
Investment in life insurance plans	-	-
Investment in unquoted equity shares	-	3,986
	<u>-</u>	<u>3,986</u>
<b>Investment in life insurance plan</b>		
<b>At fair value</b>		
At beginning of financial year	-	1,220
Disposal	-	(1,220)
At end of financial year	<u>-</u>	<u>-</u>
<b>Investment in unquoted equity securities</b>		
<b>At cost</b>		
Balance at beginning and end of financial year	8,512	8,512
Less: Impairment losses		
Balance at beginning of financial year	(4,526)	-
Allowance made during the financial year (Note 8)	(3,986)	(4,526)
Balance at end of the financial year	<u>(8,512)</u>	<u>(4,526)</u>
At end of financial year	<u>-</u>	<u>3,986</u>

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****16. Available-for-sale financial assets (Continued)**

The investment in life insurance plans pertain to the 'Asian Wealth Prestige Universal Life Insurance Policy' and 'Jade Global Select Universal Life Plan' bought by the Group to insure a director for a sum of US\$1,000,000 and US\$3,000,000 respectively. The investment in life insurance plans have variable return determined by the insurer. These investments were pledged to a bank for certain banking facilities (Note 29). These investments were surrendered during the previous financial year.

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

During the financial year, an impairment loss on investment in unquoted equity securities amounting to \$3,986,000 (2016: \$4,526,000) was recognised as the financial performance of PVDO continue to experience downturn as a result of the overall situation in the oil and gas sector.

**17. Deferred tax assets**

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Deferred tax assets	-	125

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Allowance for foreseeable losses	-	125

Subject to the agreement by relevant taxation authorities, at the end of financial year ended, the Group has unutilised tax losses of \$61,122,000 (2016: \$49,540,000) available for offset against future taxable profits. No deferred tax asset has been recognised in respect of the tax losses as management expect not to have sufficient taxable profits in the near future. These losses may be carried forward indefinitely subject to the conditions imposed by law.

**18. Inventories**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials	283	112
Machinery parts	529	622
	812	734
Allowance for inventory write down		
Balance at beginning of the financial year	(86)	(86)
Charge to profit or loss (Note 8)	(178)	-
Balance at end of the financial year	(264)	(86)
	548	648

The cost of inventories recognised as an expense in "cost of sales" amounts to \$505,000 (2016: \$20,280,000).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 19. Trade and other receivables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade receivables				
- Third parties	1,959	9,047	-	-
- Related parties	-	90	-	-
Accrued revenue	-	98	-	-
	<u>1,959</u>	<u>9,235</u>	<u>-</u>	<u>-</u>
Less: Allowance for doubtful trade receivables (third parties)	(1,846)	(3,327)	-	-
	<u>113</u>	<u>5,908</u>	<u>-</u>	<u>-</u>
Other receivables				
- Third parties	74	17,334	-	476
- Subsidiaries	-	-	30,782	16,751
- Related parties	-	1,349	-	-
- Advance to a director of a foreign subsidiary	-	1,245	-	-
- Deposits	91	735	50	50
	<u>165</u>	<u>20,663</u>	<u>30,832</u>	<u>17,277</u>
Less: Allowance for doubtful other receivables				
Balance at beginning of year	(16,989)	(522)	(16,606)	(101)
Charge to profit or loss	-	(16,467)	(123)	(16,505)
Effect on deconsolidation	16,989	-	-	-
Balance at end of year	<u>-</u>	<u>(16,989)</u>	<u>(16,729)</u>	<u>(16,606)</u>
	<u>165</u>	<u>3,674</u>	<u>14,103</u>	<u>671</u>
	<u>278</u>	<u>9,582</u>	<u>14,103</u>	<u>671</u>
Add: GST receivables	18	57	-	-
Total trade and other receivables	<u>296</u>	<u>9,639</u>	<u>14,103</u>	<u>671</u>

Trade receivables are non-interest bearing and generally on 0 to 30 (2016: 0 to 30) days' credit.

The non-trade receivables due from related parties and loan to a director of a foreign subsidiary are unsecured, non-interest bearing, repayable on demand and are to be settled in cash. The Group has recognised an allowance for doubtful other receivables of \$Nil (2016: \$16,467,000) for other receivables including related parties balances based on estimated irrecoverable amounts, determined by reference to past default experience relating to the non-trade receivables due from related parties.

In the previous financial year, included in the other receivables from third parties is an amount totalling \$4.9 million was secured, guaranteed by the controlling shareholder, interest free, non-trade in nature and is repayable on or before 31 December 2016. This amount has been fully impaired in prior year. As at 31 December 2017, with the deconsolidation of KIPL group, these receivables ceased to form part of the receivables of the Group.

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 19. Trade and other receivables (Continued)

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Balance at beginning of year	3,327	-	-	-
Charge to profit or loss	288	3,327	-	-
Credit to profit or loss	(289)	-	-	-
Effect due to deconsolidation	(1,480)	-	-	-
Balance at end of year	1,846	3,327	-	-

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States dollar	-	1,596	2,086	-
Singapore dollar	278	3,219	12,017	671
Vietnamese dong	-	4,727	-	-
Others	-	40	-	-
	278	9,582	14,103	671

### 20. Amounts due from/(to) contract customers

	Group	
	2017 \$'000	2016 \$'000
Contract costs incurred plus recognised profits (less recognised losses to date)	45,647	95,835
Less: Progress billings	(46,262)	(151,924)
	(615)	(56,089)
Amounts due from contract customers	-	3,868
Amounts due to contract customers	(615)	(59,957)
	(615)	(56,089)

### 21. Amount due from/(to) deconsolidated subsidiaries

The amount due from/(to) deconsolidated subsidiaries (Note 14) are unsecured, interest-free and repayable on demand.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 22. Cash and bank balances

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash and bank balances	511	433	57	1

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
United States dollar	348	135	57	-
Singapore dollar	163	190	-	1
Vietnamese Dong	-	104	-	-
Others	-	4	-	-
	511	433	57	1

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

	Group	
	2017 \$'000	2016 \$'000
Cash and bank balances	511	433
Less: bank overdrafts (Note 29)	(113)	(103)
Cash and cash equivalents	398	330

#### 23. Asset held for sale

	Group	
	2017 \$'000	2016 \$'000
Property, plant and equipment (Note 11)	5,600	5,600
Investment in associate (Note 15)	-	2,978
	5,600	8,578

The investment in associate was disposed for a consideration of \$2,860,000 on 23 February 2017.

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****24. Share capital**

	<b>Group and Company</b>			
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>Number of ordinary shares</b>			
<b>'000</b>	<b>'000</b>	<b>\$'000</b>	<b>\$'000</b>	
<b>Issued and fully-paid:</b>				
At beginning and end of financial year	448,735	448,735	167,711	167,711

The ordinary shares have no par value, carry one vote per share without restriction and their holders are entitled to receive dividends when declared by the Company.

**25. Share options**

No share option was granted by the Company in the financial year 2017 and 2016.

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

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

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

The following options have been granted pursuant to the Scheme:

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

<b>Independent Directors</b>	<b>Number of Share Options Outstanding as at 31 December 2017</b>	
	<b>Original</b>	<b>Adjusted<sup>#</sup></b>
Mr. Lim Siong Sheng	250,000	50,000
Mr. Lim Poh Boon	250,000	50,000
Mr. Ung Gim Sei	250,000	50,000

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

As at 31 December 2017, an adjusted<sup>#</sup> total 150,000 options granted to the Independent Directors still remained outstanding and exercisable into 150,000 ordinary shares at an exercise price of \$0.405.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 25. Share options (Continued)

- (ii) On 24 February 2014, a total of 15,000,000 options at an exercise price of \$0.069 per option at the date of grant to employees who are not Directors, controlling shareholders or their associates. On 1 December 2014, the exercise price of these options has been revised to \$0.027 as disclosed in (iv) below. 1,500,000 options granted in 2014 were not accepted and 7,500,000 options granted in 2014 were forfeited upon the resignation of certain employees in 2014. 200,000 options (adjusted for share consolidation) were forfeited upon resignation of certain employee in 2015.

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

During the financial year, 200,000 options were forfeited upon the resignation of certain employees in 2017. No options remained outstanding as at 31 December 2017.

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

As at 31 December 2017, an adjusted# total of 700,000 options granted to Mr. Ting Teck Jin still remained outstanding and exercisable into 700,000 ordinary shares at an exercise price of \$0.405.

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

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

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

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**25. Share options (Continued)**

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

Group and Company	Post Share Consolidation Adjustment #						Exercise price \$
	Beginning of financial year '000	Granted during financial year '000	Lapsed during financial year '000	Exercised during financial year '000	End of financial year '000	Exercise price \$	
<b>2017</b>							
Independent Directors <sup>(i)</sup>	150	-	-	-	150	0.027	
Key management personnel <sup>(ii)</sup>	200	-	(200)	-	-	-	
Executive Director /Controlling Shareholders <sup>(iii)</sup>	700	-	-	-	700	0.027	
	1,050	-	(200)	-	850		
<b>2016</b>							
Independent Directors <sup>(i)</sup>	150	-	-	-	150	0.027	
Key management personnel <sup>(ii)</sup>	200	-	-	-	200	0.027	
Executive Director /Controlling Shareholders <sup>(iii)</sup>	700	-	-	-	700	0.027	
	1,050	-	-	-	1,050		

<sup>(i)</sup> Exercise period – 23 February 2015 to 22 February 2020<sup>(ii)</sup> Exercise period – 23 February 2015 to 22 February 2025<sup>(iii)</sup> Exercise period – 27 April 2015 to 26 April 2025

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 26. Other reserves

	Group	
	2017 \$'000	2016 \$'000
Capital reserve	–	268
Fair value reserve	–	(47)
Foreign currency translation reserve	34	(5,937)
Revaluation reserve	6,178	6,178
Share option reserve	85	85
Merger reserve	(149,000)	(149,000)
	<u>(142,703)</u>	<u>(148,453)</u>

##### 26.1 Capital reserve

The capital reserve of \$268,000 pertains to a capital contribution arising from a waiver of an amount payable (non-trade) to a related party in prior years.

This was subsequently taken to other comprehensive income as a result of the deconsolidation of subsidiaries during the financial year.

##### 26.2 Fair value reserve

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

The fair value reserve was subsequently taken to other comprehensive income as a result of the deconsolidation of subsidiaries during the financial year.

##### 26.3 Foreign currency translation reserve

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

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

##### 26.4 Revaluation reserve

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

	Group	
	2017 \$'000	2016 \$'000
At beginning of financial year	6,178	6,525
Loss on revaluation	–	(290)
Share of associate's revaluation deficit	–	(57)
At end of financial year	<u>6,178</u>	<u>6,178</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 26. Other reserves (Continued)

#### 26.5 Share option reserve (Group and Company)

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

#### 26.6 Merger reserve

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

### 27. Trade and other payables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade payables				
- Third parties	4,117	17,250	-	-
- Related parties	-	192	-	-
- Accrued trade payables	31,438	11,616	-	-
	<u>35,555</u>	<u>29,058</u>	<u>-</u>	<u>-</u>
Other payables				
- Third parties	8,722	6,879	8,005	5,990
- Related parties	-	105	-	4
- Amount due to a director	535	1,495	3	-
- Accrued operating expenses	1,651	5,028	962	862
- Deposits	-	39	-	-
Total trade and other payables	<u>46,463</u>	<u>42,604</u>	<u>8,970</u>	<u>6,856</u>

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

Included in the other payables from third parties is an amount \$1.35 million (2016: \$1.35 million) due to individuals which are secured, bear interest at 2%-20% (2016: 18%) per annum, non-trade in nature and is repayable by May 2017.

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

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore dollar	43,462	27,455	8,022	6,528
Euro	182	139	-	-
United States dollar	2,806	11,400	948	328
Vietnamese Dong	1	3,599	-	-
Others	12	11	-	-
	<u>46,463</u>	<u>42,604</u>	<u>8,970</u>	<u>6,856</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 28. Amount due to subsidiaries

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

### 29. Bank borrowings

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Bank loans	6,803	22,567	6,803	-
Bank overdrafts	113	103	113	-
Total	6,916	22,670	6,916	-

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Bank loan 3	3,172	2,927	3,172	-
Bank loan 4	-	2,088	-	-
Bank loan 5	-	8,370	-	-
Bank loan 7	-	106	-	-
Bank loan 9	-	887	-	-
Bank loan 10	-	2,640	-	-
Bank loan 13	-	1,993	-	-
Bills payables	3,631	3,556	3,631	-
Bank overdrafts	113	103	113	-
Total	6,916	22,670	6,916	-

(a) Bank loan 3 is secured as follows:

- (i) mortgage over certain property, plant and equipment of the Group amounting to \$5,600,000 (2016: \$5,600,000) (Note 11).
- (ii) guarantees of the director and corporate guarantee of the Company.

The average effective borrowing rates range from 4.43% to 6.62% (2016: 4.16% to 9.80%) per annum and have become payable subsequent to 31 December 2017.

Bank loan 3, bills payable and bank overdraft were previously included under other subsidiaries within the Group in prior years, which were transferred to the Company during the financial year as the proof of debt from the bank were admitted by the Company under its approved scheme of arrangement.

(b) Bank loans 4, 5, 7, 9, 10 and 13 ceased to form part of the bank borrowings of the Group following the deconsolidation of subsidiaries (Note 14).

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

- (i) First legal mortgage to be executed by the Company and its subsidiary over certain property, plant and equipment.
- (ii) Corporate guarantee by the Company in FY 2016.

The average effective interest rates on bank overdrafts and bills payables range from 4.39% to 6.43% (2016: 2% to 5%) during the financial year.



**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****29. Bank borrowings (Continued)**

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Singapore dollar	3,285	9,669	3,285	-
United States dollar	3,631	11,008	3,631	-
Vietnamese dong	-	1,993	-	-
Total	6,916	22,670	6,916	-

**30. Borrowings from third parties**

	Group	
	2017 \$'000	2016 \$'000
Balance at beginning of year	12,360	10,470
Interest accretion during the financial year (Note 7)	1,936	1,890
Balance at end of year	14,296	12,360

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

Under the above arrangement,

- The Investors have granted KPL a call option to require the Investors to sell to the Company all the shares of ODH at 122.5% of the Investment Amounts ("Call Option");
- KIPL has granted the Investors to require KPL to purchase all of the shares of ODH held by the Investors at 122.5% of the Investment Amounts ("Put Option");
- The Put Option and Call Option are exercisable 18 months from August 2014 and will expire 30 days thereafter.

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

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 31. Convertible loan

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Face value of convertible loan	6,708	6,708	-	-
Less: financial derivative liabilities (Note 32)	(1,892)	(1,892)	-	-
	4,816	4,816	-	-
Add: Interest accretion				
Balance as at beginning of the financial year	1,126	402	-	-
Interest accretion during the financial year (Note 7)	1,141	724	-	-
Liability admitted by the Company under its scheme of arrangement	-	-	7,083	-
Balance as at the end of the financial year	2,267	1,126	7,083	-
Balance at end of year	7,083	5,942	7,083	-

On 4 May 2015, the Company announced that KPL had entered into negotiations with Venstar Investments III Ltd ("Venstar III") in relation to the proposed issue and subscription of convertible notes (the "Notes") with a coupon interest of 20% p.a., maturing on 12 June 2018 with an aggregate principal value of \$6.708 million, redeemable or convertible at the option of Venstar III into new ordinary shares in the capital of the Company to be issued credited as fully paid-up (the "Exchanged Shares"), subject to and in accordance with the terms and conditions of the Notes. The Notes have not been redeemed nor converted into ordinary shares of the Company as at 31 December 2017.

The Group has assessed and classified the equity conversion feature in the Notes as an embedded derivative. Accordingly, the Group has engaged an independent professional valuer to determine the fair value of the derivative, taking into consideration certain parameters such as the volatility, risk-free rate of the host contract, etc. Based on this valuation, the total subscribed amount of the Notes, were segregated into convertible loan (debt host) and derivative financial liability of \$4,816,000 and \$1,892,000 (Note 32) respectively.

During the year, the Company admitted the claims from Venstar III amounting to \$8.9 million which includes the convertible loan of \$7,083,000 and the related financial derivative liability amounting to \$1,892,000 (Note 32). These, previously recorded under Koastal International Pte Ltd, were transferred to the Company which admitted the claim from Venstar III under its approved scheme of arrangement.

#### 32. Financial derivative liabilities

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Convertible loan (Note 31)	1,892	1,892	1,892	-
Share warrants	-	1,080	-	-
Total	1,892	2,972	1,892	-

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****32. Financial derivative liabilities (Continued)**

As part of the put and call option deed (Note 30), KPL also issued 2 share warrants to the Investors with a total exercise value of US\$2,000,000 which grant the investors the right to subscribe for shares in KPL at an exercise price of 80% of the share price of KPL in the event of an IPO or trade sale which will expire 3 years after the date of issue ("KPL Share Warrants"). The Share Warrants are derivative financial instrument initially measured at fair value of \$655,000 and subsequent changes in fair value has been recognised in the income statement.

As part of a restructuring exercise in prior years, the KPL share warrants was replaced with the Company's share warrants. The Company has issued new warrants to the warrant holder in exchange for the KPL share warrants, which expired during the year.

The key terms of the warrants were as follows:

- (a) Each New Warrant carrying the right to subscribe for one (1) new Share ("Warrant Share") at the Exercise Price of S\$0.276 per Warrant Share.
- (b) Warrant holders agreeing not to exercise any of the Warrants, from the date of the Warrant Exchange Agreements up to the Warrants Exchange Completion; and
- (c) Warrant holders surrendering the KPL Share Warrants for cancellation on the Warrants Exchange Completion in accordance with the terms of the Warrant Exchange Agreements, upon which the existing warrants shall be terminated and shall carry no further rights.

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Derivative financial liabilities		
At fair value		
At beginning of financial year	2,972	2,912
Fair value loss recognised in profit or loss	-	60
Reversal of liability arising from expired share warrants (Note 8)	(1,080)	-
At end of financial year	<u>1,892</u>	<u>2,972</u>

**33. Provisions for warranties**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
At the beginning of year	33	252
Credit to profit or loss during the year	(33)	(219)
At end of year	<u>-</u>	<u>33</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 34. Operating lease commitments

#### The Group as lessee

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

	Group	
	2017 \$'000	2016 \$'000
Future minimum lease payments payable:		
Within one year	640	512
After one year but within five years	1,960	1,918
More than 5 years	3,805	4,295
Total	<u>6,405</u>	<u>6,725</u>

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

### 35. Contingent liabilities

As at end of the financial year, there are a number of outstanding legal cases relating to the Group and the Company's subsidiary EES arising from claims from suppliers and creditors. The scheme of arrangement of EES has been approved by its creditors on 11 May 2018. The management is in the process of applying for the sanction of EES scheme by the High Court, hence the Group is unable to determine the amount of liabilities arising from potential claims from the creditors and legal cases against EES.

### 36. Significant related party transactions

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

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>With subsidiaries</b>				
Management fees income	-	-	275	667
Accounting fees income	-	-	364	-
Rental income	-	-	476	476
Expenses paid on behalf of	-	-	287	172
Expenses paid on behalf by	-	-	(1,329)	(409)
<b>With related parties</b>				
Advance to a director of a foreign subsidiary	-	1,245	-	-

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****36. Significant related party transactions (Continued)**

The outstanding balances as at 31 December 2017 with related parties are disclosed in Notes 19 and 27 are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. There are no outstanding balances with key management personnel or their immediate family members except for amount due to a director (Note 27).

*Key management personnel remuneration*

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

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Directors' fee	135	135	135	135
Short-term benefits	509	781	282	453
Post-employment benefits	44	48	17	24
	<u>688</u>	<u>964</u>	<u>434</u>	<u>612</u>

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<u>Directors of the Company</u>				
Directors' fee	135	135	135	135
Short-term benefits	282	453	282	453
Post-employment benefits	17	24	17	24
	<u>434</u>	<u>612</u>	<u>434</u>	<u>612</u>
<u>Directors of the subsidiaries</u>				
Short-term benefits	227	328	-	-
Post-employment benefits	27	24	-	-
	<u>254</u>	<u>352</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 37. Financial instruments and financial risks

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Financial assets</b>				
Trade and other receivables	278	9,582	14,103	671
Less: Accrued revenue	-	(98)	-	-
	<u>278</u>	<u>9,484</u>	<u>14,103</u>	<u>671</u>
Amount due from deconsolidated subsidiaries	20,293	-	1,616	-
Cash and bank balances	511	433	57	1
Loans and receivables	21,082	9,917	15,776	672
Available-for-sale financial assets	-	3,986	-	-
Financial assets	<u>21,082</u>	<u>13,903</u>	<u>15,776</u>	<u>672</u>
<b>Financial liabilities</b>				
Trade and other payables	46,463	42,604	8,970	6,856
Amount due to deconsolidated subsidiaries	32,716	-	32,373	-
Amount due to subsidiaries	-	-	-	32,601
Bank borrowings	6,916	22,670	6,916	-
Borrowings from third parties	14,296	12,360	-	-
Convertible loan	7,083	5,942	7,083	-
Financial liabilities carried at amortised cost	<u>107,474</u>	<u>83,576</u>	<u>55,342</u>	<u>39,457</u>
Financial derivative liabilities	1,892	2,972	1,892	-
Financial liabilities carried at fair value	<u>1,892</u>	<u>2,972</u>	<u>1,892</u>	<u>-</u>
Financial liabilities	<u>109,366</u>	<u>86,548</u>	<u>57,234</u>	<u>39,457</u>

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 37. Financial instruments and financial risks (Continued)

#### Credit risk

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

The Company is subject to significant credit risk in respect of amount due from subsidiaries which have been partially impaired.

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

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

Trade receivables that are neither past due nor impaired are essentially amounts that the Group collected subsequent to year end.

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

	2017 \$'000	2016 \$'000
Past due for 1 - 30 days	20	1,615
Past due for 31 to 90 days	20	205
Past due for more than 91 days	73	4,088

#### Market risks

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

##### *Foreign currency risk*

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

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

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****37. Financial instruments and financial risks (Continued)****Market risks (Continued)***Foreign currency risk (Continued)*

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

<b>Group</b>	<b>United States dollar \$'000</b>	<b>Vietnamese dong \$'000</b>	<b>Euro \$'000</b>
<b>2017</b>			
Total monetary assets	348	-	-
Total monetary liabilities	6,437	1	182
Net foreign currency exposure	<u>(6,089)</u>	<u>(1)</u>	<u>(182)</u>
<b>2016</b>			
Total monetary assets	1,731	4,831	-
Total monetary liabilities	22,408	5,592	139
Net monetary liabilities	<u>(20,677)</u>	<u>(761)</u>	<u>(139)</u>
Less:			
Net monetary liabilities denominated in respective entities' functional currencies	17,845	588	-
Net foreign currency exposure	<u>(2,832)</u>	<u>(173)</u>	<u>(139)</u>

*Foreign currency sensitivity analysis*

With reference to the above table, the Group is mainly exposed to United States dollar (USD).

The following table details the Group's sensitivity to a 10% (2016: 10%) change in USD, VND and Euro against SGD. The sensitivity analysis assumes an instantaneous 10% (2016: 10%) change in the foreign currency exchange rates from the end of the reporting period, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, VND and Euro are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	<b>Group</b>	
	<b>2017 \$'000</b>	<b>2016 \$'000</b>
<b>USD</b>		
Strengthen against \$	(609)	(283)
Weakens against \$	<u>609</u>	<u>283</u>



**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****37. Financial instruments and financial risks (Continued)****Market risks (Continued)***Interest rate risks*

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

The Group has no significant interest-bearing assets.

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

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

*Interest rate sensitivity analysis*

For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of financial year was outstanding for the whole year. The sensitivity analysis assumes a 100 basis point (2016: 100 basis point) change in the interest rates from the end of the financial year, with all variables held constant.

	<b>Group</b>	
	<b>Profit or Loss</b>	
	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
	<hr/>	<hr/>
<u>Increase in interest rate</u>		
Borrowings and overdrafts	(69)	(227)
<u>Decrease in interest rate</u>		
Borrowings and overdrafts	69	227

**Liquidity risk**

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

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

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****37. Financial instruments and financial risks (Continued)****Liquidity risk (Continued)**

	Effective interest rate %	Less than 1 year \$'000	1 to 5 years \$'000	Total \$'000
<b>2017</b>				
<b>The Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	46,463	-	46,463
Amount due to deconsolidated subsidiaries	-	32,716	-	32,716
Bank loans	4.7	7,346	-	7,346
Bank overdrafts	6.4	120	-	120
Borrowings from third parties	15.7	16,536	-	16,536
Convertible loan	16.1	8,225	-	8,225
<b>As at 31 December 2017</b>		<b>111,406</b>	<b>-</b>	<b>111,406</b>
<b>2016</b>				
<b>The Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	42,604	-	42,604
Bank loans	3.4	22,845	-	22,845
Bank overdrafts	15.0	134	-	134
Borrowings from third parties	15.3	14,250	-	14,250
Convertible loan	12.2	6,666	-	6,666
<b>As at 31 December 2016</b>		<b>86,499</b>	<b>-</b>	<b>86,499</b>
<b>2017</b>				
<b>The Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	8,970	-	8,970
Amount due to deconsolidated subsidiaries	-	32,373	-	32,373
Bank loans	7.8	7,346	-	7,346
Bank overdrafts	6.4	120	-	120
Convertible loan	16.1	8,225	-	8,225
<b>As at 31 December 2017</b>		<b>57,034</b>	<b>-</b>	<b>57,034</b>
Financial guarantee contract		-	-	-
<b>2016</b>				
<b>The Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	-	6,856	-	6,856
Amount due to subsidiaries	-	32,601	-	32,601
<b>As at 31 December 2016</b>		<b>39,457</b>	<b>-</b>	<b>39,457</b>
Financial guarantee contract		2,927	-	2,927

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****37. Financial instruments and financial risks (Continued)****Liquidity risk (Continued)**

In FY 2016, the disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis.

**38. Fair value of financial assets and financial liabilities****(a) Fair value hierarchy**

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

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

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

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

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

The borrowings from the third parties is stated at amortised cost using the effective interest method after taking into account the fair value of Share warrants issued to the investors (Note 30).

The convertible loan is stated at amortised cost using the effective interest method after taking into account the financial derivative liabilities (Note 32).

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

<b>Group</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>As at 31 December 2017</b>				
<b>Financial derivative liabilities</b>				
Convertible loan	–	–	1,892	1,892
<b>As at 31 December 2016</b>				
<b>Financial derivative liabilities</b>				
Share warrants	–	–	1,080	1,080
Convertible loan	–	–	1,892	1,892
	–	–	2,972	2,972

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 38. Fair value of financial assets and financial liabilities (Continued)

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

There were no transfers between levels during the financial year.

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

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

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

The fair value of the financial derivative - convertible loan conversion option for both financial years ended 31 December 2017 & 2016 were determined through the use of binomial option pricing model with observable market inputs such as the risk free rate equivalent to the 2 year Singaporean Sovereign Yield Curve as the valuation date (1%), the underlying agreed share price of the Company and unobservable input like the annualised volatility calculated based on the median of the 3 year weekly share price volatility of comparable companies (37.6%). The financial derivative - convertible loan has been classified as level 3 in the current financial year. If the volatility used had been higher/lower by 5%, the fair value of the derivatives would have been \$229,000 and \$232,000 higher/lower respectively.

### 39. Capital management policies and objectives

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

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital (Note 24), reserves and accumulated losses.

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 39. Capital management policies and objectives (Continued)

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

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Trade and other payables	46,463	42,604	8,970	6,856
Amount due to deconsolidated subsidiaries	32,716	-	32,373	-
Amount due to subsidiaries	-	-	-	32,601
Bank borrowings	6,916	22,670	6,916	-
Borrowings from third parties	21,379	18,302	8,975	-
Less: Cash and bank balances	(511)	(433)	(57)	(1)
Net debt	106,963	83,143	57,177	39,456
Total deficit	(71,731)	(112,377)	(30,646)	(29,777)
Total capital	35,232	(29,234)	26,531	9,679
Gearing ratio	303.6%	N.M	215.5%	407.6%

### 40. Segment information

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

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

#### EPCM — MOT

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

#### EPCM — WT

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

#### Others

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

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 40. Segment information (Continued)

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

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

	EPCM – MOT \$'000	EPCM – WT \$'000	Others \$'000	Total \$'000
<b>2017</b>				
<b>Revenue</b>				
Revenue from external customers	3,433	3,270	-	6,703
Loss from operation	(8,080)	(686)	(1,361)	(10,127)
Interest income	-	1	-	1
Interest expenses	(4,508)	(3)	(242)	(4,753)
Other material non-cash items:				
Allowance for doubtful debts	(288)	-	-	(288)
Allowance for doubtful debts write back	289	-	-	289
Allowance for losses from construction contracts	(13,782)	-	-	(13,782)
Depreciation of property, plant and equipment	(115)	(24)	(2)	(141)
Impairment loss of available-for-sale financial assets	-	-	(3,986)	(3,986)
Loss on disposal of associate	-	-	(118)	(118)
Loss on disposal of property, plant and equipment	(38)	-	-	(38)
Reversal of liability arising from expired share warrants	-	-	1,080	1,080
Write down on inventories	(178)	-	-	(178)
Exchange gain	1,960	-	368	2,328
Gain on deconsolidation of subsidiaries	-	-	64,611	64,611
(Loss)/profit before tax	(24,740)	(712)	60,350	34,898
Income tax expense	-	-	(2)	(2)
(Loss)/profit for the year	(24,740)	(712)	60,348	34,896
<b>Segment assets</b>				
Non-current assets	214	-	10,808	11,022
Current assets	25,853	-	1,783	27,636
Total assets	26,067	-	12,591	38,658
Additions to non-current assets	-	-	1,819	1,819
<b>Segment liabilities</b>				
Current liabilities	52,634	-	57,755	110,389
Total liabilities	52,634	-	57,755	110,389

**NOTES TO THE FINANCIAL  
STATEMENTS****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017****40. Segment information (Continued)**

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 40. Segment information (Continued)

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

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

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

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

Geographical segments

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

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

	<b>2017</b>	<b>2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from external customers</b>		
China	-	97
Vietnam	6,651	27,480
Singapore	49	1,306
Malaysia	-	183
Others	3	34
	<u>6,703</u>	<u>29,100</u>
<b>Non-current assets</b>		
Singapore	<u>11,022</u>	<u>9,410</u>
Vietnam	<u>-</u>	<u>134</u>

Major customers

The revenues from two major customers of the Group's EPCM segment represent approximately \$3,707,000 (2016: \$12,140,000)

### 41. Authorisation of financial statement

The statement of financial position as at 31 December 2017 of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2017 were authorised for issue in accordance with a Directors' resolution dated 8 June 2018.



## STATISTICS OF SHAREHOLDINGS

AS AT 30 MAY 2018

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

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	158	7.11	8,457	0.00
100 - 1,000	562	25.28	269,781	0.06
1,001 - 10,000	872	39.23	3,591,843	0.80
10,001 - 1,000,000	610	27.44	45,865,985	10.22
1,000,001 AND ABOVE	21	0.94	398,999,158	88.92
<b>TOTAL</b>	<b>2,223</b>	<b>100.00</b>	<b>448,735,224</b>	<b>100.00</b>

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	OCBC SECURITIES PRIVATE LIMITED	272,398,646	60.70
2	TITANIUM HOLDINGS LLC	85,646,460	19.09
3	ASIAN TRUST INVESTMENT PTE LTD	7,766,666	1.73
4	FOO SEK KUAN	3,395,186	0.76
5	PEH OON KEE	3,320,433	0.74
6	KAEDJOHARE ISMAIL CHECHATWALA	2,755,986	0.61
7	CITIBANK NOMINEES SINGAPORE PTE LTD	2,580,799	0.58
8	PHILLIP SECURITIES PTE LTD	2,461,111	0.55
9	WATERWORTH PTE LTD	2,200,000	0.49
10	NG SEOW YUEN (HUANG XIAOYAN)	2,047,000	0.46
11	PECK CHUAN YONG	1,800,000	0.40
12	YAP YEE LING	1,590,000	0.35
13	WEI RAN	1,528,000	0.34
14	SEOW CHOON PHENG	1,349,600	0.30
15	LIM POH BOON	1,333,333	0.30
16	JIANG HUIPING	1,300,880	0.29
17	MORPH INVESTMENTS LTD	1,166,666	0.26
18	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	1,165,000	0.26
19	PEI SIM KWEE	1,114,333	0.25
20	RAFFLES NOMINEES (PTE.) LIMITED	1,044,119	0.23
	<b>TOTAL</b>	<b>397,964,218</b>	<b>88.69</b>

## STATISTICS OF SHAREHOLDINGS

AS AT 30 MAY 2018

### SHAREHOLDINGS HELD IN HANDS OF PUBLIC

As at 30 May 2018, the percentage of shareholdings held in the hands of the public was approximately 20.16% and Rule 723 of the Catalist Rules is complied with.

### SUBSTANTIAL SHAREHOLDERS

As at 30 May 2018

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting (“AGM”) of **EMS ENERGY LIMITED** (the “Company”) will be held at 25 International Business Park, Level 5, East Wing, Munich Room, German Centre, Singapore 609916 on Friday, 29 June 2018 at 9.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2017 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve the payment of Non-Executive Directors’ fees of S\$135,000 for the financial year ending 31 December 2018, payable half-yearly in arrears. (2017: S\$135,000) **(Resolution 2)**
3. To re-elect Mr Lim Poh Boon, a Director who is retiring pursuant to Regulation 90 of the Company’s Constitution. **(Resolution 3)**  
  
*Mr Lim Poh Boon will, upon re-election as a Director, remain as a member of the Audit Committee and Risk Management Committee, the Nominating Committee and the Remuneration Committee of the Company. The Board considers Mr Lim to be independent for the purposes of Rule 704(7) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst.*
4. To re-appoint Messrs BDO LLP as the Company’s auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**
5. To transact any other ordinary business which may be properly transacted at an AGM.

## AS SPECIAL BUSINESS

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

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

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

- (a) (i) allot and issue shares in the capital of the Company (“Shares”) (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

provided that:-

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

## NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such manner of calculations as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company shall be based on the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time this Resolution is passed after adjusting for:-
- (i) new Shares arising from the conversion or exercise of any Instruments or any convertible securities;
  - (ii) new Shares arising from exercising of share options or vesting of share awards outstanding and/or subsisting at the time of the passing of this Resolution, provided that the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
  - (iii) any subsequent bonus issue, consolidation or sub-division of Shares.
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.  
*[See Explanatory Note (i)]* **(Resolution 5)**

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

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

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

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

By Order of the Board

Chew Kok Liang  
Company Secretary

Singapore, 14 June 2018

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Ordinary Resolution 5 proposed in item 6 above, if passed, will empower the Directors from the date of the AGM, to allot and issue Shares and convertible securities in the Company. The aggregate number of Shares and convertible securities which the Directors may allot and issue under this Resolution shall not exceed 100% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 50% of the total number of issued Shares excluding treasury shares and subsidiary holdings of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next annual general meeting or the date by which the next AGM is required by law to be held, whichever the earlier.
- (ii) Ordinary Resolutions 6 and 7 proposed in items 7 and 8 above, if passed, will empower the Directors of the Company, from the date of the AGM until the date of next annual general meeting to allot and issue shares upon the exercise of share options and vesting of share awards in accordance with the Scheme and the Plan respectively up to an aggregate of not exceeding in total 15% of the total number of the issued share capital (excluding treasury shares and subsidiary holdings) of the Company from time to time.

## Notes:

1. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "Act"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
2. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
3. The instrument appointing a proxy or proxies must be signed by the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.
4. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
5. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.
6. The instrument appointing a proxy must be deposited at the registered office of the Company at **25 International Business Park, #02-57 German Centre, Singapore 609916** not less than seventy-two (72) hours before the time for holding the AGM.

## Personal Data Privacy

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

# EMS ENERGY LIMITED

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

### IMPORTANT:

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

## PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

\*I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/ Passport No.)

of \_\_\_\_\_ (Address)

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

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

and/or\*

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

or failing him/her/them, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our\* proxy/proxies\* to vote for me/us\* on my/our\* behalf at the AGM to be held at 25 International Business Park, Level 5, East Wing, Munich Room, German Centre, Singapore 609916 on Friday, 29 June 2018 at 9.00 a.m. and at any adjournment thereof.

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

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

No.	Ordinary Resolutions relating to:	For	Against
1	Adoption of Audited Consolidated Financial Statements of the Company for the financial year ended 31 December 2017 together with the Directors' Statement and Auditors' Report		
2	Approval of the payment of Non-Executive Directors' fees of S\$135,000 for the financial year ending 31 December 2018		
3	Re-election of Mr Lim Poh Boon as a Director of the Company		
4	Re-appointment of BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration		
5	Authority to allot and issue new shares		
6	Authority to issue shares under the EMS Energy Employee Share Option Scheme		
7	Authority to issue shares under the EMS Energy Performance Share Plan		

Note: Please note that the short descriptions given above of the Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the **Notice of Annual General Meeting** for the full purpose and intent of the Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

<b>Total Number of Shares Held</b>

\_\_\_\_\_  
Signature of Shareholder(s)  
and Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



## NOTES:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of Shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, Chapter 50 (the "**Act**"), a member is entitled to appoint not more than two proxies to attend, speak and vote at the AGM. Where a member appoints more than one proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form.
3. Pursuant to Section 181(1C) of the Act, a member who is a Relevant Intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
4. Subject to note 11, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.
5. A proxy need not be a member of the Company.
6. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
7. The instrument appointing a proxy or proxies must be duly deposited at the registered office of the Company at **25 International Business Park, #02-57 German Centre, Singapore 609916** not less than 72 hours before the time appointed for the AGM.
8. The instrument appointing a proxy or proxies must be signed by the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.
11. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

## PERSONAL DATA PRIVACY:

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

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Mr Ting Teck Jin**

*Executive Chairman and Chief Executive Officer*

**Mr Lim Siong Sheng**

*Non-Executive and Lead Independent Director*

**Mr Lim Poh Boon**

*Non-Executive and Independent Director*

**Mr Ung Gim Sei**

*Non-Executive and Independent Director*

## COMPANY SECRETARY

Mr Chew Kok Liang

## REGISTERED OFFICE

25 International Business Park  
#02-57 German Centre  
Singapore 609916  
T +65 6261 5755  
F +65 6261 5255

## PRINCIPAL PLACE OF BUSINESS

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

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

## AUDITORS

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

*Partner in charge:* Mr Ng Kian Hui  
Appointed since FY2015

## SOLICITORS

Rajah & Tann Singapore LLP

## SPONSOR

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





(Co. Reg. No. 200300485D)

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