

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FULL YEAR ENDED 31 DECEMBER 2016

PART I - INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2, Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a)(i) An income statement, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	The Group					
	For the fourth quarter ended 31 December			For the year ended 31 December		
	4Q2016 (\$'000)	4Q2015 (\$'000)	Increase/ (decrease) (%)	FY2016 (\$'000)	FY2015 (\$'000)	Increase/ (decrease) (%)
Revenue	7,239	15,616	(54)	60,091	90,622	(34)
Cost of sales	(12,197)	(17,873)	(32)	(52,897)	(71,678)	(26)
Gross (loss)/profit	(4,958)	(2,257)	NM	7,194	18,944	(62)
Other (losses)/gains – net	(11,414)	2,164	NM	(10,122)	7,746	NM
Expenses						
- Administrative	(7,976)	(5,003)	59	(18,285)	(18,719)	2
- Finance	(734)	(1,557)	(53)	(5,111)	(5,656)	(10)
(Loss)/profit before income tax	(25,082)	(6,653)	NM	(26,324)	2,315	NM
Income tax	(106)	602	NM	(46)	(161)	(71)
Net (loss)/profit	(25,188)	(6,051)	NM	(26,370)	2,154	NM
Other comprehensive (loss)/income that may be reclassified subsequently to profit or loss						
Fair value loss on financial assets, available-for-sale	(78)	-	NM	(78)	-	NM
Currency translation differences arising from consolidation ⁽²⁾	(1,107)	(1,080)	3	(1,422)	(570)	NM
Total comprehensive (loss)/income	(26,373)	(7,131)	NM	(27,870)	1,584	NM
Net (loss)/profit attributable to :						
Equity holders of the Company	(24,427)	(5,678)	NM	(26,914)	1,582	NM
Non-controlling interests	(761)	(373)	NM	544	572	(5)
	(25,188)	(6,051)	NM	(26,370)	2,154	NM
Total comprehensive (loss)/income attributable to :						
Equity holders of the Company	(25,612)	(6,758)	NM	(28,414)	1,012	NM
Non-controlling interests	(761)	(373)	NM	544	572	(5)
	(26,373)	(7,131)	NM	(27,870)	1,584	NM

(1) "NM" denotes not meaningful.

(2) The currency translation difference arising from consolidation relates mainly to the fluctuations of Chinese Renminbi and Indonesian Rupiah against Singapore Dollar FY2016.

MENCAST HOLDINGS LTD.
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1(a)(ii) Notes to statement of comprehensive income

	The Group					
	For the fourth quarter ended 31 December			For the year ended 31 December		
	4Q2016 (\$'000)	4Q2015 (\$'000)	Increase/ (decrease) (%)	FY2016 (\$'000)	FY2015 (\$'000)	Increase/ (decrease) (%)
<u>Included in Other (losses)/gains</u> <u>– net:</u>						
- Write-down of fair values of asset-held-for-sale ⁽¹⁾	(150)	-	NM	(936)	-	NM
- Impairment of property, plant and equipment ⁽²⁾	(11,482)	-	NM	(11,482)	-	NM
- Impairment loss on Joint venture ⁽³⁾	(207)	-	NM	(207)	-	NM
- Impairment loss on goodwill arising on consolidation	(380)	-	NM	(380)	-	NM
- Foreign exchange gain/(loss), net	176	54	NM	(26)	93	NM
- Gain on bargain purchase ⁽⁴⁾	(129)	-	NM	1,025	-	NM
- Government grants	431	63	NM	785	478	64
- Loss/(gain) on sale of property, plant and equipment ⁽⁵⁾	(81)	(10)	NM	94	4,183	(98)
- Rental income	112	105	7	414	395	5
- Sale of scrap metals	85	36	NM	217	255	(15)
- Write-back of deferred consideration on a previous acquisition	-	1,892	NM	-	1,892	NM
- Write-back of long outstanding payable	147	24	NM	169	104	63
- Other income ⁽⁶⁾	64	-	NM	205	346	(41)
	(11,414)	2,164	NM	(10,122)	7,746	NM
<u>Included under finance</u> <u>expense:</u>						
- Interest expense	734	1,557	(53)	5,111	5,656	(10)
<u>Included under cost of sales</u> <u>and administrative</u> <u>expenses:</u>						
- Depreciation of property, plant and equipment	4,850	2,862	69	13,997	13,695	2
<u>Included under</u> <u>administrative expenses:</u>						
- Allowance for impairment of trade receivables	1,491	636	NM	1,519	712	NM
- Write-off of trade receivables	1,428	-	NM	1,428	-	NM
<u>Included under income tax:</u>						
- Under/(over) provision of current income tax in prior financial years	94	(80)	NM	2	(110)	NM
- Under/(over) provision of deferred income tax in prior financial years	-	(326)	NM	(62)	(326)	(81)

Notes:

- (1) Write-down of fair values of asset-held-for-sale pertains to property in 11 Tuas Basin Close.
- (2) Impairment of property, plant and equipment refers mostly to certain vessels of the Group.
- (3) The impairment loss on Joint venture relates to 50%-owned Towell Top Great Engineering Services LLC, a company in Sultanate of Oman which remains dormant.
- (4) The net gain on bargain purchase of \$1.0 million relates to the acquisition of business and certain assets of Stone Marine Singapore Private Limited as announced on 14 June 2016.
- (5) The gain on disposal in FY2015 is mainly due to disposal of property in 6 Tech Park Crescent.
- (6) Other income relates to miscellaneous income.
- (7) "NM" denotes not meaningful.

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1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	As at 31 December 2016 (\$'000)	As at 31 December 2015 (\$'000)	As at 31 December 2016 (\$'000)	As at 31 December 2015 (\$'000)
ASSETS				
Current assets				
Cash and cash equivalents	7,416	10,896	425	410
Trade and other receivables	45,158	61,473	107,332	95,731
Inventories	10,065	8,775	-	-
	62,639	81,144	107,757	96,141
Asset of disposal group classified as held-for-sale	6,350	20,511	-	-
	68,989	101,655	107,757	96,141
Non-current assets				
Financial assets, available-for-sale	91	169	-	-
Investment in subsidiaries	-	-	82,030	82,030
Investment in joint venture	-	207	-	-
Property, plant and equipment	225,625	208,066	10	33
Deposits for purchase of property, plant and equipment	1,193	283	-	-
Intangible assets	44,800	45,180	-	-
Club memberships	60	60	-	-
Deferred income tax asset	-	-	524	524
	271,769	253,965	82,564	82,587
Total assets	340,758	355,620	190,321	178,728
LIABILITIES				
Current liabilities				
Trade and other payables	13,113	21,765	60,088	61,786
Borrowings	46,693	103,184	-	49,843
Current income tax liabilities	815	775	-	-
	60,621	125,724	60,088	111,629
Liabilities directly associated with disposal group classified as held-for-sale	2,525	5,522	-	-
	63,146	131,246	60,088	111,629
Non-current liabilities				
Borrowings	151,136	86,123	50,000	-
Deferred income tax liabilities	4,478	4,478	-	-
	155,614	90,601	50,000	-
Total liabilities	218,760	221,847	110,088	111,629
NET ASSETS	121,998	133,773	80,233	67,099
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	91,657	75,562	91,657	75,562
Fair value reserves	14	92	-	-
Other reserve	509	509	-	-
Translation reserves	(3,973)	(2,551)	-	-
Retained earnings/(accumulated losses)	27,200	54,114	(11,424)	(8,463)
	115,407	127,726	80,233	67,099
Non-controlling interests	6,591	6,047	-	-
Total equity	121,998	133,773	80,233	67,099

1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 31 December 2016		As at 31 December 2015	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Current borrowings	37,543	9,150	40,248	62,936
Borrowings included in the disposal group classified as held-for-sale	2,525	-	2,355	3,167
Total	40,068	9,150	42,603	66,103

Amount repayable after one year

	As at 31 December 2016		As at 31 December 2015	
	Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
Borrowings				
Non-current borrowings	146,431	4,705	82,395	3,728

Details of any collaterals

The bank borrowings are secured by the Group's leasehold buildings, certain short-term bank deposits and corporate guarantees by the Company.

Finance lease liabilities of the Group are secured by leased machinery and equipment and motor vehicles, as the legal title is retained by the lessor and will be transferred to the Group upon full payment.

The secured borrowing that is repayable after one year includes \$50.0 million secured five-year term loan used solely for the redemption of \$50.00 million fixed rate notes on 12 September 2016.

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1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.
CONSOLIDATED STATEMENT OF CASH FLOWS

	The Group			
	For the fourth quarter ended 31 December		For the year ended 31 December	
	4Q2016 (\$'000)	4Q2015 (\$'000)	FY2016 (\$'000)	FY2015 (\$'000)
Cash flows from operating activities				
Net profit	(25,188)	(6,051)	(26,370)	2,154
Adjustments for:				
- Income tax	14	(601)	(46)	161
- Depreciation of property, plant and equipment	4,850	2,862	13,997	13,695
- Impairment loss on joint venture	207	-	207	-
- Impairment loss on goodwill arising on consolidation	380	-	380	-
- Impairment of property, plant and equipment	11,482	-	11,482	-
- Loss/(gain) on disposal of property, plant and equipment	81	10	(94)	(4,183)
- Gain on bargain purchase	129	-	(1,025)	-
- Write-back of deferred consideration on a previous acquisition	-	(1,892)	-	(1,892)
- Write-down of fair values of asset-held-for-sale	150	-	936	-
- Dividend income on available-for-sale financial assets	(5)	(2)	(5)	(2)
- Award of performance shares	-	-	12	70
- Interest income	(3)	(3)	(44)	(19)
- Interest expense	734	1,557	5,111	5,656
- Currency translation differences	(1,107)	(1,080)	(1,422)	318
	(8,276)	(5,200)	3,119	15,958
Changes in working capital:				
- Trade and other receivables	10,737	11,685	15,094	27,620
- Inventories	(1,128)	1,778	(725)	1,553
- Trade and other payables	848	(6,507)	(12,302)	(15,518)
Cash generated from operations	2,181	1,756	5,186	29,613
Interest received	3	3	44	19
Income tax refunded/(paid)	75	175	86	(230)
Net cash provided by operating activities	2,259	1,934	5,316	29,402
Cash flows from investing activities				
Acquisition of business	(347)	-	(1,484)	-
Dividend received on available-for-sale financial assets	5	2	5	2
Payments of other payables relating to prior financial years' acquisitions	(300)	-	(700)	(2,625)
Dividend from investment in joint venture	-	-	-	674
Proceeds from disposal of property, plant and equipment	483	2,665	2,095	11,133
Proceeds from disposal of financial assets, available-for sale	-	-	-	3
Purchase of property, plant and equipment	(1,028)	(2,492)	(7,594)	(16,445)
Release of short-term bank deposits pledged	674	267	(677)	317
Net cash (used in)/provided by investing activities	(513)	442	(8,355)	(6,941)
Cash flows from financing activities				
Dividend paid	-	-	-	(3,621)
Interest paid	(278)	(788)	(6,497)	(4,925)
Repayment of bank borrowings	(3,901)	(9,391)	(64,753)	(37,272)
Repayment of finance lease liabilities	(1,346)	(1,325)	(6,079)	(6,759)
Proceeds from bank borrowings	1,483	5,762	61,006	23,230
Proceeds from private placements	-	-	14,708	-
Purchase of treasury shares	-	-	-	(10)
Net cash used in financing activities	(4,042)	(5,742)	(1,615)	(29,357)
Net decrease in cash and cash equivalents	(2,296)	(3,366)	(4,654)	(6,896)
Cash and cash equivalents at beginning of financial period/year	4,916	10,640	7,274	14,170
Cash and cash equivalents at end of financial period/year	2,620	7,274	2,620	7,274

(1) Cash and cash equivalents, for the purpose of presenting consolidated statement of cash flows, consist of :

	As at 31 December 2016 (\$'000)	As at 31 December 2015 (\$'000)
Cash and bank balances	7,416	10,896
Short-term bank deposits and cash at bank pledged	(3,395)	(2,718)
Bank overdrafts included in borrowings	(1,401)	(904)
	2,620	7,274

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1(d)(i)A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY

	Share capital (\$'000)	Treasury shares (\$'000)	Retained Earnings/ (accumulated losses) (\$'000)	Fair Value reserve (\$'000)	Translation reserve (\$'000)	Other reserve (\$'000)	Total (\$'000)	Non- controlling interests (\$'000)	Total equity (\$'000)
Group									
Balance as at 1 January 2016	75,765	(203)	54,114	92	(2,551)	509	127,726	6,047	133,773
Issue of new shares from private placement (net of transaction cost)	14,708	-	-	-	-	-	14,708	-	14,708
Issue of new shares for acquisition of business in prior financial years	1,375	-	-	-	-	-	1,375	-	1,375
Total comprehensive (loss)/income	-	-	(104)	-	66	-	(38)	343	305
Balance as at 31 March 2016	91,848	(203)	54,010	92	(2,485)	509	143,771	6,390	150,161
Total comprehensive income/(loss)	-	-	387	-	(176)	-	211	883	1,094
Balance as at 30 June 2016	91,848	(203)	54,397	92	(2,661)	509	143,982	7,273	151,255
Award of FY2013 performance shares to employees	12	-	-	-	-	-	12	-	12
Total comprehensive (loss)/income	-	-	(2,770)	-	(205)	-	(2,975)	79	(2,896)
Balance as at 30 September 2016	91,860	(203)	51,627	92	(2,866)	509	141,019	7,352	148,371
Total comprehensive loss	-	-	(24,427)	(78)	(1,107)	-	(25,612)	(761)	(26,373)
Balance as at 31 December 2016	91,860	(203)	27,200	14	(3,973)	509	115,407	6,591	121,998

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STATEMENT OF CHANGES IN EQUITY (continued)

	Share capital (\$'000)	Treasury shares (\$'000)	Retained earnings (\$'000)	Fair value reserve (\$'000)	Translation reserve (\$'000)	Other reserve (\$'000)	Total (\$'000)	Non- controlling interests (\$'000)	Total equity (\$'000)
Group									
Balance as at 1 January 2015	72,220	(193)	56,153	92	(1,981)	-	126,291	3,253	129,544
Disposal of non-controlling interest without a change in control	-	-	-	-	-	509	509	2,011	2,520
Additional investment by non-controlling interest	-	-	-	-	-	-	-	211	211
Total comprehensive income	-	-	1,125	-	85	-	1,210	1,080	2,290
Balance as at 31 March 2015	72,220	(193)	57,278	92	(1,896)	509	128,010	6,555	134,565
Issue of new shares for acquisition of business in prior financial years	2,625	-	-	-	-	-	2,625	-	2,625
Total comprehensive income/(loss)	-	-	1,314	-	(150)	-	1,164	(48)	1,116
Balance as at 30 June 2015	74,845	(193)	58,592	92	(2,046)	509	131,799	6,507	138,306
Dividend paid	-	-	(3,621)	-	-	-	(3,621)	-	(3,621)
Award of FY2013 performance shares to employees	70	-	-	-	-	-	70	-	70
Share buy back	-	(10)	-	-	-	-	(10)	-	(10)
Issue of new shares for acquisition of business in prior financial years	850	-	-	-	-	-	850	-	850
Total comprehensive income/(loss)	-	-	4,821	-	575	-	5,396	(87)	5,309
Balance as at 30 September 2015	75,765	(203)	59,792	92	(1,471)	509	134,484	6,420	140,904
Total comprehensive loss	-	-	(5,678)	-	(1,080)	-	(6,758)	(373)	(7,131)
Balance as at 31 December 2015	75,765	(203)	54,114	92	(2,551)	509	127,726	6,047	133,773

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STATEMENT OF CHANGES IN EQUITY (continued)

	Share capital (\$'000)	Treasury shares (\$'000)	Retained earnings/ (accumulated losses) (\$'000)	Total equity (\$'000)
Company				
Balance as at 1 January 2016	75,765	(203)	(8,463)	67,099
Issue of new shares from private placement (net of transaction cost)	14,708	-	-	14,708
Issue of new shares for acquisition of business in prior financial years	1,375	-	-	1,375
Total comprehensive loss	-	-	(878)	(878)
Balance as at 31 March 2016	91,848	(203)	(9,341)	82,304
Total comprehensive loss	-	-	(913)	(913)
Balance as at 30 June 2016	91,848	(203)	(10,254)	81,391
Award of FY2013 performance shares to employees	12	-	-	12
Total comprehensive loss	-	-	(868)	(868)
Balance as at 30 September 2016	91,860	(203)	(11,122)	80,535
Total comprehensive loss	-	-	(302)	(302)
Balance as at 31 December 2016	91,860	(203)	(11,424)	80,233
Balance as at 1 January 2015	72,220	(193)	(3,365)	68,662
Total comprehensive loss	-	-	(502)	(502)
Balance as at 31 March 2015	72,220	(193)	(3,867)	68,160
Issue of new shares for acquisition of business in prior financial years	2,625	-	-	2,625
Total comprehensive loss	-	-	(824)	(824)
Balance as at 30 June 2015	74,845	(193)	(4,691)	69,961
Dividend paid	-	-	(3,621)	(3,621)
Award of FY2013 performance shares to employees	70	-	-	70
Share buy back	-	(10)	-	(10)
Issue of new shares for acquisition of business in prior financial years	850	-	-	850
Total comprehensive loss	-	-	(941)	(941)
Balance as at 30 September 2015	75,765	(203)	(9,253)	66,309
Total comprehensive loss	-	-	790	790
Balance as at 31 December 2015	75,765	(203)	(8,463)	67,099

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The details of the changes in issued share capital of the Company from 1 January 2016 to 31 December 2016 are as follows:

CHANGES IN ISSUED SHARE CAPITAL	Number of shares ('000)	Paid-up capital (S\$'000)
Issued share capital as at 1 January 2016	364,269	75,562
Issue of new shares from private placement (net of transaction cost)	54,640	14,708
Issue of new shares for acquisitions of business in prior financial years	2,742	1,375
Award of FY2013 performance shares to employee	88	12
Issued share capital as at 31 December 2016 excluding treasury shares	<u>421,739</u>	<u>91,657</u>

Save as disclosed above, the Company did not have any outstanding options or convertibles as at 31 December 2016 and 31 December 2015.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	As at 31 December 2016 ('000)	As at 31 December 2015 ('000)
Total number of issued shares (excluding treasury shares)	<u>421,739</u>	<u>364,269</u>

- 1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

There are no sales, transfers, disposal, cancellation and/or use of treasury shares as at end of 31 December 2016.

- 2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the independent auditor.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group and the Company have adopted the same accounting policies and methods of computation in the financial statements for the current financial period compared with those audited financial statements for the financial year ended 31 December 2016.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial year, the Group and the Company adopted the new Financial Reporting Standards ("FRS") and Amendments to FRS that are effective for annual periods beginning on or after 1 January 2016.

The adoption of the new FRSs and Amendments to FRSs did not result in any substantial change to the Group and the Company's accounting policies nor any material impact on the financial statements of the Group.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

	The Group			
	For the fourth quarter ended 31 December 4Q2016	4Q2015	For the year ended 31 December FY2016	FY2015
Earnings attributable to equity holders of the Company (\$'000)	(24,427)	(5,678)	(26,914)	1,582
Weighted average number of shares outstanding for basic EPS ('000)	421,739	364,269	417,276	361,035
Basic EPS attributable to equity holders of the Company (SGD cents)	(5.79)	(1.56)	(6.45)	0.44
Weighted average number of shares outstanding for basic EPS ('000)	421,739	364,269	417,276	361,035
Adjustment for 2014 Performance Share Award to be issued ('000)	-	53	-	53
	421,739	364,322	417,276	361,088
Diluted EPS attributable to equity holders of the Company (SGD cents)	(5.79)	(1.56)	(6.45)	0.44

Basic and Diluted EPS are computed by dividing the earnings attributable to the equity holders of the Company in each financial period by the weighted average number of ordinary shares outstanding at the end of the respective financial period/year.

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) **current financial period reported on; and**
(b) **immediately preceding financial year.**

NET ASSET VALUE (“NAV”)

	Group		Company	
	As at		As at	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
NAV per ordinary share (SGD cents)	27.36	35.06	19.02	18.42
Number of shares used in computation of NAV per share ('000)	421,739	364,269	421,739	364,269

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

REVIEW OF INCOME STATEMENT OF THE GROUP

FY2016 vs FY2015

Revenue

<u>Revenue by segment</u>	4Q2016		4Q2015		FY2016		FY2015	
	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)	(\$'000)	(%)
Offshore & Engineering	177	3	3,384	21	21,218	35	40,138	44
Marine	3,627	50	9,924	64	23,857	40	37,322	41
Energy Services	3,435	47	2,308	15	15,016	25	13,162	15
	7,239	100	15,616	100	60,091	100	90,622	100

Notes:

- (1) Offshore & Engineering includes offshore structures, engineering, manufacturing, inspection and maintenance. This also includes rope access services.
- (2) Marine includes stearngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. This also includes diving services.
- (3) Energy Services includes oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes before landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

The Group experienced a 34% decline in revenue bringing its total revenue to \$60.1 million in FY2016. The decline concludes a challenging twelve months brought by the lower oil price environment.

Offshore & Engineering segment

FY2016 and FY2015 showed a two dismal years in the oil and gas industry. In FY2016, Offshore and Engineering segment experienced a further decrease in revenue from \$40.1 million in FY2015 to only \$21.2 million in FY2016 or a 47% cut in the revenue stream.

Amongst our three business segments, the Offshore & Engineering segment experienced the worse impact of the downturn in Oil & Gas.

This also explains the decrease in revenue in 4Q2016 as compared to 4Q2015.

Marine segment

The two years slump in oil prices dragged the year on year revenue from Marine segment from \$37.3 million in FY2015 to \$23.9 million in FY2016.

This also explains the decrease in revenue in 4Q2016 as compared to 4Q2015.

Energy Services segment

Revenue from Energy Services grew by 14% or \$1.9 million from \$15.0 million mainly due to overseas project and continuous support from the major Oil & Gas players.

These also explain the increase in revenue from Energy Services segment in 4Q2016 vs 4Q2015.

Cost of sales, gross profit and gross profit margin

Gross profit decreased by \$11.8 million or 62% from \$18.9 million in FY2015 due to lower revenue in Offshore & Engineering and Marine segments as explained above.

Gross profit margin dropped from 21% in FY2015 to 12% in FY2016 due to lower revenue from Offshore & Engineering segment to cover its running fixed cost such as depreciation, rental and property taxes.

These also explain the fluctuations in cost of sales, gross profit and gross profit margin in 4Q2016 as compared to 4Q2015.

Other income

FY2016 vs FY2015

Other income decreased by \$17.9 million or 231% from \$7.7 million gain mainly due to:

- Write-down of fair values of asset-held-for-sale of \$936,000 in FY2016;
- Impairment of property, plant and equipment for \$11.5 million mainly due from certain vessels of the Group;
- Impairment loss on Joint Venture in Sultanate of Oman which remains dormant;
- Impairment loss on goodwill arising on consolidation of \$380,000;
- \$4.2 million gain on disposal of 6 Tech Park property during 3rd quarter of FY2015;
- Lower government grant received in FY2016 as compared to FY2015;
- higher foreign currency exchange loss recorded in FY2016; and partially offset
- net gain on bargain purchase of \$1.0 million in relation to acquisition of business and certain assets of Stone Marine Singapore Private Limited during FY2016;

These also explain the decrease in other income in 4Q2016 as compared to 4Q2015.

Administrative expenses

FY2016 vs FY2015

The Group's administrative expenses marginally decreased by 2% or \$434,000 as a result of management's strategy to increase efficiency and eliminate redundancy across the Group. This lowered our costs for wages, welfare and medical insurance by approximately \$2.6 million to \$6.6 million in FY2016.

The decrease was offset by:

- one-off transaction in 4Q2016 due to write-off of trade receivables for \$1.4 million;
- allowance for impairment of trade receivables of approximately \$1.5 million (FY2015: \$712,000) from customers which suffered significant losses in its operation;
- catch up on depreciation on two properties previously classified under disposal group

These also explain the increase in administrative expenses in 4Q2016 as compared to 4Q2015.

Finance expenses

The Group's finance expenses decreased by 10% or \$545,000 mainly attributable to reduction in short term loans together with lower utilisation of trade financing as a result of lower business demand.

These also explain the fluctuations in finance expense in 4Q2016 as compared to 4Q2015.

Income tax

The Group has a minimal income tax charge due to utilisation of Group relief.

Net loss

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

REVIEW OF FINANCIAL POSITION

Current assets

Current assets (excluding disposal group) declined by \$18.5 million or 23% to \$62.6 million as at 31 December 2016 mainly due to decrease of \$12.4 million in net trade receivables as a result of intensive collection effort and rigid measures on those critical backlogs in billings, collection and receivables.

REVIEW OF FINANCIAL POSITION (continued)

Non-current assets

The total non-current assets showed a 7% increase of \$17.8 million from \$254.0 million as at 31 December 2015 and is attributable to:

- reclassification of assets classified as held-for-sale of approximately \$14.2 million (net of depreciation) for the two properties previously under disposal group as the sale of such properties is no longer highly probable given the low prices offered by potential buyers;
- progressive payment for construction of property at 42A Penjuru Road of approximately \$16.0 million;
- increase in deposit for the purchase of machineries \$910,000 for Energy segment; partially offset by
- Impairment loss on Joint Venture in Sultanate of Oman which remains dormant;
- Impairment loss on goodwill arising on consolidation of \$380,000;
- Impairment of property, plant and equipment of \$11.5 million; and
- depreciation during the year and disposal of some unutilised assets.

Current liabilities

Current liabilities displayed a substantial decline of 52% from \$131.2 million as at 31 December 2015 to \$63.1 million as at 31 December 2016 mainly due to:

- successful completion of bank debt refinancing of \$50.0 million Medium Term Note in August 2016;
- payments of trade payables and bank borrowings and;
- decreased in liabilities directly associated with disposal group of approximately \$8.2 million as a result of reclassification of loans related to 2 properties previously under disposal group as mentioned above.

Non-current liabilities

Non-current liabilities increased from \$90.6 million as at 31 December 2015 to \$155.6 million as at 31 December 2016 as a result of:

- bank debt refinancing of \$50.0 million as stated above;
- restructuring of certain loan facilities;
- drawdown of construction loan pertaining to the construction of property at 42A Penjuru Road and;
- reclassification to non-current borrowings the term loans related to 2 properties previously under disposal group as mentioned above.

Disposal Group classified as held-for-sale

The Group reclassified certain assets and liabilities under disposal group as held-for-sale as part of the key initiatives of management to dispose some under utilised assets for cost savings and improve the cash flow position.

As at 31 December 2016, the remaining asset held-for-sale is the building on leasehold land for approximately \$6.3 million.

REVIEW OF CASHFLOW STATEMENT

The Group has a net cash inflow from operating activities of \$5.2 million mainly as a result of intensive collection of trade and other receivables of \$15.1 million and cash generated from operations of \$3.1 million reduced by payments of trade and other payables of \$12.3 million.

The Group has a net cash outflow from investing activities of \$8.4 million due mainly to:

- purchases of property, plant and equipment of \$7.6 million;
- payment for acquisition of business in current period of \$1.5 million;
- payments of deferred consideration relating to prior financial year's acquisitions of \$700,000 offset by; and
- proceeds from disposal of property, plant and equipment.

The Group's cash outflow from financing activities of \$1.6 million relates repayment of borrowings less net proceeds from private placement.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Notwithstanding the downturn in the Oil & Gas sector, the Group continues to generate positive cash flows from operations in the last two years.

The business conditions in the marine and offshore industry remain challenging. To augment our revenue stream, we are actively looking at engineering works in the construction industry. The Group had clinched contracts worth \$5.5 million in FY2016.

Our Energy Services segment has been performing well and, barring unforeseen circumstances, is expected to continue to perform.

Group's order book as at 31 December 2016 stands at \$12.1 million (as at 31 December 2015: \$12.1 million).

11 Dividend

(a) *Current financial period reported on*

Any dividend declared for the current financial period reported on?

None.

(b) *Corresponding period of the immediately preceding financial year*

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

(c) *Date payable*

Not applicable.

(d) *Books closure date*

Not applicable.

12 If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13 Interested Person Transactions.

There were no interested person transactions, as defined in Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited, entered into by the Group or by the Company for the financial year ended 31 December 2016. The Company does not have a general mandate from shareholders for interested person transactions.

PART II: ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14 Segmented revenue and results for the business or geographical segments (of the group) in the form presented in the issue's most recently audited annual financial statements, with comparative information for the immediately preceding year.

The Group's activities comprise the following segments:

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

The segment information are as follows:

	The Group			
	Offshore & Engineering (\$'000)	Marine (\$'000)	Energy (\$'000)	Total (\$'000)
<u>FY2016</u>				
Revenue				
Revenue from external parties	21,218	23,857	15,016	\$60,091
Gross (loss)/profit	<u>(4,787)</u>	<u>8,439</u>	<u>3,542</u>	7,194
Other losses, net				(10,122)
Expenses				
- Administrative				(18,285)
- Finance				(5,111)
Loss before income tax				<u>(26,324)</u>
Income tax				(46)
Net loss for the financial year				<u>(26,370)</u>

	The Group			
	Offshore & Engineering (\$'000)	Marine (\$'000)	Energy (\$'000)	Total (\$'000)
<u>FY2015</u>				
Revenue				
Revenue from external parties	40,138	37,322	13,162	90,622
Gross profit	<u>3,727</u>	<u>12,654</u>	<u>2,563</u>	18,944
Other gains, net				7,746
Expenses				
- Administrative				(18,719)
- Finance				(5,656)
Profit before income tax				<u>2,315</u>
Income tax				(161)
Net profit for the financial year				<u>2,154</u>

Geographical Segments

Group's revenue by geographical market which is analysed based on the country of domicile of the customers is as follows:

	For the year ended 31 December	
	FY2016 (\$'000)	FY2015 (\$'000)
Singapore	51,388	69,184
Asia ⁽¹⁾	8,013	15,698
Rest of the world ⁽²⁾	690	5,740
	60,091	90,622

Notes:

- (1) Asia refers to customers from Malaysia, Brunei, China, Indonesia, the Philippines, Thailand, Vietnam, Hong Kong, India, Sri Lanka, Maldives and Australia.
(2) Rest of the world refers to customers from Europe, the Middle East and USA.

15 In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

The decrease in revenue from all geographical segments were mainly due to global trend in the oil and gas industry.

16 A breakdown of sales as follows:

	Group		
	Financial year ended		Increase / (decrease) (%)
	31 December 2016 (\$'000)	31 December 2015 (\$'000)	
Sales reported for:			
First half ended 30 June	37,550	54,184	(31)
Second half ended 31 December	22,541	36,438	(38)
	60,091	90,622	(34)
Net profit before deducting non-controlling interests reported for:			
First half ended 30 June	1,509	3,471	(57)
Second half ended 31 December	(27,879)	(1,317)	NM
	(26,370)	2,154	NM

17 A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

Total annual dividend	Latest Full Year (FY2016) (\$'000)	Previous Full Year (FY2015) (\$'000)
	Ordinary – First and Final	-

18 Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1) of the SGX Listing Manual.

The Company confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720 (1) of the SGX Listing Manual.

19 Use of proceeds as at 31 December 2016

Issuance of 54,640,000 ordinary shares at \$0.27 for each new share for \$14,707,640 (net of transaction cost of \$45,160).

Use of proceeds	Amount allocated (\$'million)	Amount utilised (\$'million)	Balance amount (\$'million)
Payment of existing borrowings	14.7	14.7	-

21 Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and/or substantial shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Sim Wei Wei	36	Daughter of substantial shareholder of the Company, Chua Kim Choo, and sister of Executive Chairman and Chief Executive Officer of the Company, Sim Soon Ngee Glennle.	Head of HR and Corporate Services since 2013. Oversee, coordinate and allocate the Group resources for the achievement of Mencast's strategic objectives.	No change.
Wong Boon Hwee	46	Brother of the Executive Director of the Company, Wong Boon Huat	Head of Marine division of Top Great Engineering & Marine Pte Ltd ("TGEM") and Mencast Offshore & Marine Pte Ltd since 2000 and 2012 respectively. Overseeing the day-to-day operation of projects in the marine repairs work and new fabrications.	No change.

BY ORDER OF THE BOARD

SIM SOON NGEЕ GLENNLE
 Executive Chairman and Chief Executive Officer

24 February 2017