



ES Group (Holdings) Limited

The background of the cover is a photograph of a large industrial ship, likely a bulk carrier, docked at a pier. The ship's hull is black with a red bottom. A large yellow crane is visible on the pier to the right. The sky is a vibrant orange and yellow, suggesting a sunset or sunrise. The water in the foreground is dark and reflects the light from the sky. The image is partially obscured by a large yellow diagonal shape on the left side of the cover.

Annual Report 2016

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

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

The contact person for the Sponsor is Ms. Lee Khai Yinn (Tel: (65) 6532 3829) at 1 Robinson Road #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.

VISION

We endeavour to be a world leader in the offshore and marine industry, providing innovative products and solutions that surpass our clients' expectations and align with their future growth.

MISSION

To provide world-class services without compromising on safety.

To continuously improve and enhance our technologies, work processes as well as the knowledge and skills of our workforce to cater to evolving customer demands.

To be committed in working with all stakeholders in achieving common goals and results.

TABLE OF CONTENTS

Corporate Profile	01	Financial Highlights	10
Chairman's Message	02	Financial Contents	11
Board of Directors	04	Statistics of Shareholdings	106
Management Profile	07	Notice of Annual General Meeting	108
Corporate Milestones	08	Proxy Form	
Corporate Information	09		



CORPORATE PROFILE

Established in 1975, ES Group (Holdings) Limited (the “**Company**”), together with its subsidiaries (“**ES Group**” or the “**Group**”), is a Singapore-headquartered offshore and marine (“**O&M**”) group which offers a broad spectrum of services for O&M structures and vessels.

Listed on the Catalist board of the SGX-ST on 9 July 2010, ES Group has more than 40 years of experience in ship building and repair operations, working for prominent shipyard operators in Singapore. Upon its successful listing, it undertook a strategic shift to expand its revenue streams - the Group ventured into engineering, procurement and construction (“**EPC**”) projects and vessel owning and chartering which complement its core business. The EPC strategy will secure direct contracts to increase the Group’s revenue and profitability. The vessel owning and chartering strategy will generate a stable stream of recurring revenue for the Group in the medium to long term.

A new chapter began in 2013 when ES Group completed and delivered its first pair of bunker vessels, affirming the Group’s turnkey engineering, procurement and fabrication capabilities and uncompromising quality and safety standards. It has also created a new revenue stream from the chartering of a bunker vessel which provides stable recurring cash flow for the Group.

ES Group has on-site offices at the premises of its shipyard customers and operates out of its workshop and repair facilities within Singapore. The Company also owns a 70,000 square-metre shipyard with fabrication grounds in Thailand (through its 50%-owned subsidiary in Thailand), providing new building and conversion services.

With continued efforts to propel growth, the Group set up its Loyang workshop in 2013 to design and fabricate a range of offshore structures, such as geotechnical drilling rigs. The workshop also provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services. This addition further diversifies the competencies and capabilities of its core business.

CHAIRMAN'S MESSAGE



"Management will continue to strengthen relationships and explore new projects with clients and business partners to build a stronger value proposition."

Dear Shareholders

On behalf of the board of directors (the "**Board**" or "**Directors**"), I am pleased to present to you the annual report of ES Group for the financial year ended 31 December 2016 ("**FY 2016**").

2016 was very challenging for the Group. Another year of low crude oil prices deepened and prolonged the downturn in the marine and offshore industry. Consequently, the Group's FY 2016 financial performance was severely affected.

FINANCIAL PERFORMANCE

The Group's revenue for FY 2016 decreased by S\$15.8 million or 41.0% to S\$22.7 million as compared to S\$38.5 million in financial year ended 31 December 2015 ("**FY 2015**"). Both Singapore and Thailand operations and all business segments in the Group were impacted :

- Revenue from the new building and conversion segment decreased by S\$10.3 million or 35.2% to S\$19.1 million in FY 2016 from S\$29.4 million in FY 2015; and revenue from repair segment decreased by S\$5.5 million or 59.9% to S\$3.6 million in FY 2016 from S\$9.1 million in FY 2015.
- Revenue from Singapore operations decreased by S\$4.0 million or 17.1% to S\$19.5 million in FY 2016 from S\$23.5 million in FY 2015; and revenue from Thailand operations decreased by S\$11.8 million or 79.6% to S\$3.0 million in FY 2016 from S\$14.8 million in FY 2015.

Gross profit declined to S\$3.4 million in FY 2016 from S\$9.0 million in FY 2015. Gross profit margin decreased to 15.0% in FY 2016 from 23.3% in FY 2015 due to lower economy of scale.

While attempts were made by Management to rein in administrative expenses, it remained unchanged at S\$7.2 million in FY 2016 mainly due to additional provisions for doubtful debts of S\$0.8 million and impairment of property, plant and equipment of S\$0.4 million.

Cost control brought other operating expenses down to S\$3.1 million in FY 2016 from S\$4.6 million in FY 2015. This was mainly attributed to lower repair and maintenance expense, lower rental incurred for workshop and dormitory and lower foreign exchange loss.

As a result, the Group's loss after tax was S\$5.5 million for FY 2016 as compared to S\$1.6 million in FY 2015. The Group's net loss attributable to shareholders was S\$4.8 million in FY 2016 versus S\$1.9 million in FY 2015.

The Group's total assets as at 31 December 2016 decreased by S\$6.9 million or 12.8% to S\$47.4 million from S\$54.3 million as at 31 December 2015, mainly due to reduction in revenue and partially offset with the purchase of a vessel.

The Group's total liabilities as at 31 December 2016 decreased by S\$1.6 million or 9.3% to S\$16.2 million from S\$17.8 million as at 31 December 2015. This was mainly due to reduction in accruals, lower projects related purchases, partially offset by additional loans incurred for the purchase of the vessel.

Cash and cash equivalents declined to S\$4.4 million as at 31 December 2016. This reduction was mainly contributed by net cash outflows for purchase of the vessel.

Loss per share of the Group for FY 2016 amounted to 3.42 cents, compared to the loss per share of 1.35 cents for FY 2015. Net assets value per share of the Group was lower at 20.49 cents on 31 December 2016 as compared to 23.94 cents on 31 December 2015.

OPERATIONS

The new building and conversion segment continued to be the Group's main revenue contributor, accounting to S\$19.1 million (84.0% of the Group's total revenue) in FY 2016, as compared to S\$29.4 million (76.4% of the Group's total revenue) in FY 2015.

The repair segment recorded a decrease to S\$3.6 million (16.0% of the Group's total revenue) in FY 2016 from S\$9.1 million (23.6% of the Group's total revenue) in FY 2015, mainly due to fewer projects secured in the period under review.

OUTLOOK AND OFRWARD STRATEGY

Business conditions are expected to remain challenging in 2017 due to the continuing uncertainties in the offshore and marine sector.

Amid the challenges, the Group will continue to focus on improving revenue and managing operating costs. We will continue to invest on the skills set of our employees, improve project management efficiencies, as well as explore additional ways to streamline operations. Management will continue to strengthen relationships and explore new projects with clients and business partners to build a stronger value proposition. We hope these initiatives will allow us to retain our skilled and experienced workforce and be positioned to benefit from any upturn in business activities.

ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the Directors, I would like to extend my sincere appreciation to our shareholders, business partners, suppliers and customers for your continued loyalty and support. To all our staff, I thank you not only for your commitment and hard work but am fully appreciative of your cooperation with Management as we continue to navigate the downturn.

I also wish to extend my gratitude to my fellow Board members for their guidance and support. I look forward to the continued support from all our stakeholders as the Group enters into a new year ahead.

Yours faithfully

Wee Siew Kim
Chairman

BOARD OF DIRECTORS



- 1 **Wee Siew Kim**
Non-Executive Chairman
and Independent Director
- 2 **Low Chee Wee**
Chief Executive Officer & Chief Operating Officer
- 3 **Eddy Neo Chiang Swee**
Executive Director (Development)
- 4 **Tan Swee Ling**
Independent Director
- 5 **Jens Rasmussen**
Non-Executive Director



Wee Siew Kim

Wee Siew Kim is our Non-Executive Chairman and Independent Director and was appointed to our Board on 8 June 2010. Mr Wee is the Group CEO of the NIPSEA group of companies (manufacturers of paints and coatings under the "Nippon Paint" brand) since August 2009, and a Non-Executive Director of SBS Transit Ltd and Mapletree Logistics Trust (both companies listed on the Main Board of the SGX-ST). Mr Wee started his career in 1984, joining the aerospace arm ("**ST Aero**") of Singapore Technologies Engineering Ltd ("**ST Engineering**") as an Engineer. He subsequently held appointments as President of ST Aero, President of ST Engineering's European operations, President of ST Engineering's defence business and Deputy CEO of ST Engineering. Mr Wee obtained a Bachelor of Science (Engineering) from the Imperial College of Science and Technology, University of London in 1984 and a Master of Business Administration from Graduate School of Business, Stanford University in 1991. He was awarded a Fellowship by the Council of the City & Guilds of London Institute. Mr Wee was a Member of Parliament for the Ang Mo Kio Group Representative Constituency from 2001 to 2011.



Low Chee Wee

Low Chee Wee is our Executive Director and was appointed to our Board on 25 November 2009. He was re-designated as CEO on 18 August 2015 and expanded his scope of duty to assume COO role on 27 April 2016. His primary function is to formulate and oversee the operations and strategic development of our Group. Prior to this, Mr Low was our CFO from 2001 to 2009 and 2014 to 2015. He started his career in 1995 as an Audit Assistant at Deloitte & Touche (now known as Deloitte & Touche LLP) and left in 1999 as an Audit Supervisor. From 1999 to 2001, he was the Finance Manager for Harringale International Pte Ltd, a project management company, where he was in charge of the finance and accounting matters of the company. Mr Low obtained a Bachelor of Accountancy from the Nanyang Technological University, Singapore in 1994 and is a non-practising member of the Institute of Singapore Chartered Accountants.



Eddy Neo Chiang Swee

Eddy Neo Chiang Swee is our Executive Director (Development) and was appointed to our Board on 25 November 2009. He is responsible for overseeing and managing our Group's information technology, business development and receivables departments. Mr Neo joined our Group in 2000 as a Commercial Executive at Wang Fatt Oil and Gas Construction Pte Ltd, where he was in charge of preparation of sales quotation and invoicing matters. In 2001, he became a Commercial Executive of Eng Soon Engineering (1999) Pte Ltd where he was responsible for manpower and recruitment functions until 2004. He was promoted to Business Development Manager in 2005 and assumed responsibility for our Group's receivables functions. Mr Neo obtained a Diploma in Electrical Engineering from the Ngee Ann Polytechnic, Singapore in 1997.

BOARD OF DIRECTORS



Tan Swee Ling

Tan Swee Ling is our Independent Director and was appointed to our Board on 8 June 2010. She is also an Executive Director of Want Want Holdings Ltd (a company listed on the Main Board of the SGX-ST from 1996 to 2007) as well as its subsidiary, Want Want Food Pte Ltd. Prior to joining Want Want Holdings Ltd, she was a Treasurer at the investment banking arm of DBS Bank Ltd from 1994 to 1996. In 2000, she was also the Group Financial Controller for JK Yaming International Holdings Ltd (a company listed on the Main Board of the SGX-ST from 2001 to 2011), a position she held until 2002 while remaining as a Non-Executive Director of Want Want Holdings Ltd and Want Want Food Pte Ltd. Ms Tan obtained a Bachelor of Business Administration with Honours from the National University of Singapore in 1991 and is a Fellow of the Association of Chartered Certified Accountants.



Jens Rasmussen

Jens Rasmussen is our Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been Project Manager for new building projects of accommodation and drilling vessels at Keppel FELS Ltd yard in Singapore and Yiulian Dockyard in China. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 33 years of professional experience in the marine and offshore industry, having been involved in the management, engineering, certification and construction of various types of new building and conversion projects associated with offshore oil and gas exploration and development, as well as shipbuilding. From 1984 to 2006, he was a General Manager with GVA Consultants AB, where he was responsible for sales, concept development of new oil and gas fields, deep-water drilling semisubmersibles, commercial and technical feasibility evaluation for floating offshore platforms. During the period between 2000 and 2004, he also held the position of Engineering Manager and Construction Manager (Korea) and Engineering Coordination Manager (Houston) at BP Exploration Company Inc. In 2006, he was a Project Manager with Frontier Drilling Inc., where he was responsible for overseeing the upgrade and refurbishment of a drillship in Keppel FELS Ltd. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.

MANAGEMENT PROFILE

Koay Swee Heng

Koay Swee Heng is our General Manager (Operations / Commercial), reporting directly to our CEO and COO, Low Chee Wee. Mr Koay is in charge for overseeing our projects with Sembcorp Marine Integrated Yard (SMIY) @ Tuas (Megayard), Sembcorp Marine Repairs & Upgrades Pte. Ltd. and Singapore Technologies Marine Ltd, with overall responsibility of project tenders, reports and billings, project management, budget estimation, supervision of workers and manpower allocation. Mr Koay also oversees the quality assurance and safety assessment teams. Prior to joining our Group, Mr Koay was an Accommodation Design Draughtsman at Keppel FELS Ltd from 1989 to 1995, before he went on to become a Senior Draughtsman / Project Coordinator at Ho & Associates Chartered Architects in Malaysia. Mr Koay joined our Group in 1998 as a Commercial Executive and was responsible for project coordination and tenders. In 2004, he was promoted to Commercial Manager, in charge of project tendering, project management, budget planning and manpower planning. Mr Koay was subsequently appointed as Assistant General Manager in 2007, a position he held until January 2010. Mr Koay obtained his Certificate for Architectural Course conducted by the Ministry of Education (Malaysia) in 1988, Certificate in Introduction to Prime Medusa 2D Basic Drafting conducted by Singapore Polytechnic in 1989, Certificate in Basic Shipbuilding from Ngee Ann Polytechnic in 1990, Certificate of Quality Work Group Training conducted by FELS (now known as Keppel FELS Ltd) in 1991 and Certificate in Shipyard Supervisors Safety Course conducted by the Ministry of Manpower in 1999.

Teoh Han Chong

Teoh Han Chong is our Assistant General Manager, reporting directly to our General Manager (Operations / Commercial), Koay Swee Heng. As our Assistant General Manager, Mr Teoh is largely responsible for project management, budget planning and manpower allocation for our projects with Keppel FELS Ltd, as well as coordination between our Singapore operations and our shipyard in Thailand. Prior to joining our Group in 2005, Mr Teoh was a Manager at Symphony Engineering Pte. Ltd., a company in the business of steelworks repair and fabrication, where he was in charge of project tenders, reports and billings from 2000 to 2005. From 1997 to 2000, Mr Teoh was a Project Coordinator at Oakwell Engineering Limited, and was responsible for project management, reports and billings. Mr Teoh obtained his National Trade Certificate Grade 3 in Marine Steelwork from the Vocational and Industrial Training Board, Singapore in 1992.

Lou Tin Boang

Lou Tin Boang is our General Manager (Thailand) and has been in charge of overseeing the day-to-day operations of our Thailand operations since 2007. Mr Lou joined our Group in 1995 as a Commercial Executive and was promoted to Commercial Manager in 1997. In 2000, he became our General Manager and took on greater responsibility for project tenders, billings, project management, budget estimation and manpower supervision and planning. Mr Lou obtained his Certificate in Architectural conducted by the Institut Teknik Jasa Pusat Vocational, Malaysia in 1986, Certificate in Introduction to Prime Medusa 2D Basic Drafting conducted by Singapore Polytechnic in 1990 and Certificate in Basic Shipbuilding conducted by Ngee Ann Polytechnic Singapore in 1991.

Lim Fei Yen

Lim Fei Yen is our Financial Controller (“**FC**”) and is responsible for all finance-related matters. Aside from finance, she oversees the full spectrum of human resources department for the Group.

Ms Lim first started her career in 1996 as a Personal Assistant to the CEO of Tung Lok Restaurants (2000) Ltd, a company listed on the Catalist Board of the SGX-ST. She was then promoted to Management Accountant, and then to Financial Controller in 2007, overseeing the Singapore and China business project on the backend office support, covering finance, internal audit and purchasing and the Tung Lok Group’s financial performance reporting and budgeting.

She then joined Shopping Bag (S) Pte Ltd (a retailer of Garretts’ Popcorn, Candylicious and I Wanna Go Home) as Financial Controller in 2011 and left the company in 2013. Prior to joining our Group in 2016, she worked with Hersing Corporation Pte Ltd (an established renowned brand manager and service provider with diversified businesses in three main service industries, namely Financial Services, Lifestyle Furniture, Furnishing & Design Services and Food & Beverages Services – Tim Ho Wan) as Financial Controller.

Ms Lim obtained a Bachelor of Business Administration from National University of Singapore in 1996 and professional accounting qualification with the Association of Chartered Certified Accountants in 2001.

CORPORATE MILESTONES

- 1975**
Eng Soon Engineering Pte Ltd was first established by Low Chye Hin
- 1977**
Registered as a resident sub-contractor of Sembawang Shipyard Pte Ltd
- 1992**
Eng Soon Investment Pte Ltd was formed
- 1997**
Wang Fatt Oil & Gas Construction Pte Ltd was established to serve the marine industry of Singapore Technologies Marine Ltd
- 1999**
Eng Soon Engineering (1999) Pte Ltd was formed to provide marine piping work and mechanical installation catering for all major shipyards in Singapore
- 2001**
ISO 9001 was awarded to Eng Soon Investment Pte Ltd and Wang Fatt Oil & Gas Construction Pte Ltd for excellent commitment to quality
- 2003**
ES Offshore Engineering Pte. Ltd. was formed to provide oil rigs and semi submersible new building and repair services for Keppel Fels Ltd
- 2006**
ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in Thapsakae, Thailand covering 70,000 square-meters of land space to undertake EPC projects and provide new building services such as offshore modules and oil rigs structures
- 2007**
Built a 2-storey building at No. 10 Kwong Min Road having 4,700 square-feet of office space and 43,000 square-feet of workshop space. Therein also accommodates 383 of our marine skilled workers
- 2009**
Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Engineering (1999) Pte Ltd each attained OHSAS 18001 in Workplace Safety and Health management and Bizsafe Star Certification
- 2010**
July, IPO listing on the Catalist board of the SGX-ST as ES Group (Holdings) Limited

August, secured first direct order from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A.

October, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People’s Republic of China
- 2011**
Delivered an offshore barge to its first direct customer Subsea 7 S.A.
- 2012**
Successfully launched two bunker vessels – Sea Tanker I and Sea Tanker II
- 2013**
Successfully delivered the two bunker vessels

Incorporated a new subsidiary – ES Energy Pte. Ltd.

Set-up Loyang workshop which designs and fabricates a range of offshore structures, such as geotechnical drilling rigs, as well as provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services
- 2014**
Incorporated a new subsidiary – ES Oil & Gas Pte. Ltd.

Entered into a joint venture with Heatec Jietong Pte. Ltd. and Mr. Stuart Edmund Cox to form “Karnot Technology Pte. Ltd.” – to develop a heating and cooling system for marine and other industries
- 2015**
Entered into a joint venture with Mr. Tang Wei to establish ESW Automation Pte. Ltd. – to provide marine and offshore electrical installation and automation services

CORPORATE INFORMATION

Board of Directors

Wee Siew Kim
Non-Executive Chairman
and Independent Director

Low Chee Wee
Chief Executive Officer & Chief Operating Officer

Eddy Neo Chiang Swee
Executive Director (Development)

Tan Swee Ling
Independent Director

Jens Rasmussen
Non-Executive Director

Audit and Risk Committee

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Nominating Committee

Wee Siew Kim
Chairman

Tan Swee Ling
Jens Rasmussen

Remuneration and Compensation Committee

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Company Secretary

Adrian Chan Pengee

Registered Office

8 Ubi Road 2
#06-26 Zervex
Singapore 408538
Tel: +65 6748 9111
Fax: +65 6284 3005
Website: www.esgroup.com.sg
Email: eng_soon@esgroup.com.sg

Company Registration Number

200410497Z

Share Registrar and Share Transfer Office

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

Sponsor

SAC Advisors Private Limited
1 Robinson Road
#21-02 AIA Tower
Singapore 048542

Independent Auditors

BDO LLP
(Unique Entity Number: T10LL0001F)
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-in-charge: Poh Chin Beng
Date of Appointment: 31 March 2015
(Public Accountants and Chartered Accountants)

Legal Adviser

Lee & Lee
50 Raffles Place
#06-00 Singapore Land Tower
Singapore 048623

Bankers

United Overseas Bank Limited
DBS Bank Ltd
Standard Chartered Bank (Singapore) Limited

FINANCIAL HIGHLIGHTS

Financial Performance	FY2016 \$'000	FY2015 \$'000	FY2014 \$'000
Revenue	22,717	38,510	55,403
Cost of services	(19,308)	(29,539)	(38,822)
Gross profit	3,409	8,971	16,581
Other operating income	1,513	1,381	1,870
Administrative expenses	(7,200)	(7,191)	(6,997)
Other operating expenses	(3,120)	(4,612)	(5,499)
Finance costs	(64)	(99)	(174)
Share of loss of associate	-	(77)	(55)
(Loss) profit before income tax	(5,462)	(1,627)	5,726
Income tax credit (expense)	-	77	(111)
(Loss) profit for the year	(5,462)	(1,550)	5,615

Financial Position	As at 31 December 2016 \$'000	As at 31 December 2015 \$'000	As at 31 December 2014 \$'000
Shareholders' equity (excluding non-controlling interest)	28,932	33,809	36,202
Total assets	47,352	54,306	63,790
Total liabilities	16,154	17,806	21,403

Financial Ratios (per share)	FY2016	FY2015	FY2014
Net asset value	20.49	23.94	25.64
Basic and diluted (loss) earnings	(3.42)	(1.35)	1.87

FINANCIAL CONTENTS

Corporate Governance Report	12
Directors' Statement	32
Independent Auditor's Report	36
Statements of Financial Position	40
Consolidated Statement of Comprehensive Income	42
Consolidated Statement of Changes in Equity	43
Statements of Changes in Equity	44
Consolidated Statement of Cash Flows	45
Notes to the Financial Statements	47



CORPORATE GOVERNANCE REPORT

ES Group (Holdings) Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation that can in turn focus on sustaining good business performance and safeguarding the interests of the shareholders of the Company (“**Shareholders**”). The board of directors of the Company (the “**Board**” or the “**Directors**”) is committed to continually develop and uphold high standards of corporate governance, guided by the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the “**Code**”) issued by the Monetary Authority of Singapore.

This report sets out the Group’s corporate governance practices with specific reference to each of the principles and guidelines in the Code. The Board confirms that, for the financial year ended 31 December (“**FY**”) 2016, the Group has generally adhered as closely as possible to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Board is responsible for the overall management of the Group and is collectively responsible for the Group’s long-term success. All Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Apart from its statutory responsibilities, the role of the Board is to, among other things:-

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- review the Group’s investments and divestments and the performance of the business;
- review the Group’s management’s (“**Management**”) performance;
- review and approve the release of the Group’s half year and full year financial results;
- identify the key stakeholder groups and recognise that their perceptions affect the Group’s reputation;
- consider corporate governance matters;
- review internal policies and procedures and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the Shareholders’ interests and the Group’s assets;
- set the Company’s values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met;
- consider sustainability issues, for example, environmental and social factors, as part of its strategic formulation; and
- deliberate on other transactions and matters that require its direction or approval.

The Board holds meetings at least twice annually to coincide with the announcement of the Group’s half year and full year financial results and for the Management to update the Board on the significant business activities and overall business environment of the Group. Ad-hoc meetings will be held as and when warranted by particular circumstances and as deemed appropriate by the Board. The Directors are continually updated on the Group’s affairs by the Management via e-mails. The Company’s constitution (“**Constitution**”) is sufficiently flexible and allows meetings of the Board and Board Committees (as defined herein) to be conducted by way of telephone or video conference.

CORPORATE GOVERNANCE REPORT

The Board has, without abdicating its responsibility, delegated the authority to the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee (collectively, the “**Board Committees**”) to assist the Board in discharging its responsibilities and to enhance the Group’s corporate governance framework. Each Board Committee is regulated by a set of written terms of reference endorsed by the Board setting out their duties and responsibilities. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation from the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive officer to attend their meetings. The Board Committees report their activities regularly to the Board and minutes of the Board Committees are also regularly provided to the Board. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance. The composition and description of each Board Committee are set out in this corporate governance report. The Board accepts that while these Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lie with the Board.

During FY2016, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

Board / Board Committees	Board	Audit and Risk Committee	Nominating Committee	Remuneration and Compensation Committee
Number of meetings held	3	2	2	2
Name of Director				
Mr. Wee Siew Kim	3	2	1	2
Mr. Low Chee Wee	2	2*	2*	2*
Mr. Christopher Low Chee Leng**	2	1*	2*	2*
Mr. Eddy Neo Chiang Swee	2	2*	1*	1*
Ms. Tan Swee Ling	3	2	2	2
Mr. Jens Rasmussen	3	2	2	2

Notes:

* Attendance by invitation

** Mr. Christopher Low Chee Leng retired as a Director at the conclusion of the Annual General Meeting of the Company held on 26 April 2016. Due to internal restructuring, he was re-designated from Chief Operating Officer (“**COO**”) to Business Development Manager to focus on developing the Group’s overseas business.

The Board has adopted internal guidelines setting out the matters which are specifically reserved for its approval and clear directions have also been given to the Management that the following matters must be approved by the Board:-

- material acquisitions and disposals of assets;
- corporate or financial restructuring;
- corporate strategies;
- share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to Shareholders;

CORPORATE GOVERNANCE REPORT

- approval of annual audited financial statements for the Group and the Directors' Statement thereto;
- any public reports or press releases reporting the results of operations and all other announcements to be made on SGXNET; and
- matters involving a conflict or potential conflict of interest involving a substantial Shareholder or a Director or any interested person transactions.

Upon the appointment of a new Director, the Company will provide a formal letter to the Director, setting out his or her duties and obligations. The Board will ensure that all incoming Directors receive relevant induction on joining the Board, including briefing on their duties as Directors and how to discharge those duties, and a comprehensive orientation programme to ensure that they are familiar with the business activities of the Group, its strategic plans and direction and corporate governance practices. The orientation programme will also allow the new Director to get acquainted with the Management which aims to facilitate interaction and ensures that all Directors have independent access to the Management. The Company will also provide training for any new first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate.

Trainings will be arranged and funded by the Company for all Directors as and when required to keep them up to date on relevant new laws, regulations and changing commercial risks. The Directors are provided with continuing briefings and updates in areas such as their duties and responsibilities and particularly on risk management (taking into account, the changing commercial risks), corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Directors.

Principle 2: Board Composition and Guidance

The Board currently consists of 5 members, as set out below:-

Directors ⁽¹⁾	Board Membership	Date of First Appointment	Date of Last Re-Appointment	Audit and Risk Committee ⁽²⁾	Nominating Committee ⁽²⁾	Remuneration and Compensation Committee ⁽²⁾
Mr. Wee Siew Kim	Non-Executive Chairman and Independent Director	8 June 2010	26 April 2016	Member	Chairman	Member
Mr. Low Chee Wee	Chief Executive Officer ("CEO") and COO ⁽³⁾	25 November 2009	29 April 2014	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director (Development)	25 November 2009	28 April 2015	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010	29 April 2014	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010	28 April 2015	Member	Member	Member

Notes:

- (1) Please refer to pages 5 to 6 of the annual report for key information regarding the Directors' profiles, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies and other principal commitments.

CORPORATE GOVERNANCE REPORT

- (2) Please refer to Principles 4, 7 and 12 on pages 16, 20 and 26 respectively of the annual report for key information regarding the composition of the Board Committees, names of the respective Board Committee chairman and members and their primary responsibilities.
- (3) Following the re-designation of Mr Christopher Low Chee Leng to Business Development Manager and with effect from 27 April 2016, Mr. Low Chee Wee has expanded his scope of duty to assume the role of COO.

An effective and robust board is fundamental to good corporate governance. All Directors are continually encouraged to engage actively in open and constructive debate and challenge the Management on its assumptions and proposals. The Board comprises one-third Independent Directors who provide different perspectives of the Group's business and corporate activities. This ensures that no individual or small group of individuals dominates the Board's decision making. To facilitate a more effective check on the Executive Directors and the Management, the Non-Executive Directors, which constitutes half of the Board, meet at least once annually without the presence of the Management to discuss matters that they wish to raise privately. The Non-Executive Directors also constructively challenge the Executive Directors and the Management and help develop proposals on strategy and review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

The respective chairmen of the Board Committees are Independent Directors and are considered by the Board to be well qualified to chair the Board Committees with their many years of relevant experience and expertise. The independence of each Independent Director is reviewed annually by the Nominating Committee based on the definition of independence as set out in the Code. The Independent Directors, who are members of the Nominating Committee, have abstained from voting on any resolutions and making any recommendations and/or participated in any deliberations of the Nominating Committee in respect of the evaluation of his or her independence. Taking into account the views of the Nominating Committee, the Board is satisfied as to the independence of Mr. Wee Siew Kim and Ms. Tan Swee Ling, both of whom do not have any relationship with the Company, its related corporations, its Shareholders who have an interest of at least 10% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The independence of a director who has served on the Board beyond 9 years from the date of his first appointment will be subject to more rigorous review. None of the Independent Directors has served on the Board beyond 9 years from the date of his or her first appointment.

The Board has considered its current size appropriate for effective debate and decision-making, based on the Group's present circumstances and taking into account the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

The Board has also considered that its Directors as a group provide an appropriate balance and a diversity of skills, experience, gender and knowledge of the Company and its business operations. The Directors as a group provide a wide spectrum of core competencies such as accounting, finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge to lead and govern the Group effectively. All Directors have exercised due diligence and independent judgement and demonstrated objectivity in their deliberations in the interests of the Company.

CORPORATE GOVERNANCE REPORT

Principle 3: Chairman and Chief Executive Officer

The chairman of the Board (the “**Chairman**”) and the CEO are separate persons in order to provide an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the leadership of the Board and the Management responsible for managing the Company’s business. The Chairman, Mr. Wee Siew Kim, an Independent Director, and the CEO, Mr. Low Chee Wee, are not related to each other. In line with the Code, a lead independent director need not be appointed.

The responsibilities of the Chairman include:-

- assuming the formal role of an independent leader and chairing all Board meetings;
- leading the Board to ensure its effectiveness on all aspects of its role, in particular its oversight of the Management;
- in consultation with the CEO, approving meeting schedules of the Board, setting the agenda for Board and Board Committee meetings and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board meetings;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication by the Board and the Management with Shareholders;
- encouraging constructive relations within the Board and between the Board and the Management and between the Executive Directors and the Non-Executive Directors;
- facilitating the effective contribution of the Non-Executive Directors in particular; and
- promoting high standards of corporate governance for the Group.

The CEO has full executive responsibilities in the business directions and operational efficiency of the Group. He oversees execution of the Group’s corporate and business strategies and is responsible for the day-to-day running of the business.

Principle 4: Board Membership

The Nominating Committee comprises 3 Non-Executive Directors, namely, Mr. Wee Siew Kim (chairman), Ms. Tan Swee Ling and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. In accordance with its terms of reference, the responsibilities of the Nominating Committee include:-

- (a) developing and maintaining formal and transparent processes for the appointment and re-appointment of Directors to the Board and all things incidental including without limitation:-
 - (i) to determine annually, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in guidelines 2.3 and 2.4 of the Code and any other salient factors;

CORPORATE GOVERNANCE REPORT

- (ii) to make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors, in particular, the Chairman and the CEO; the development of a process for evaluation of the performance of the Board, Board Committees and Directors; the review of training and professional development programmes for the Board; and the appointment and re-appointment of Directors (including alternate directors, if applicable); and
 - (iii) where a Director has multiple board representations, to decide if such Director is able to and has been adequately carrying out his or her duties as a director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments;
- (b) assessing the effectiveness of the Board and Board Committees and the contribution by each Director to the effectiveness of the Board; and
- (c) deciding how the performance of the Board may be evaluated and to propose objective performance criteria.

The Nominating Committee will have regard to whether each Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations. The Nominating Committee has provided in its terms of reference that the maximum number of listed company board representations which any Director may hold at any time shall be 6 (the “**Cap**”). A Director who proposes to hold any additional appointment on the board of a listed company in excess of the Cap will have to submit an application in writing to the Nominating Committee which will make recommendation to the Board for its approval. Any Director who makes such application will not participate in deliberations of the Nominating Committee and the Board in considering such application. No Director has exceeded the maximum number of listed company board representations. Although some of the Directors have other board representations, the Nominating Committee is satisfied that all Directors are able to devote adequate time and attention to the affairs of the Company to fulfil his or her duties effectively as a Director. The Nominating Committee monitors and determines annually whether Directors who have multiple board representations are able to give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a Director. The Nominating Committee assesses the effectiveness of the individual Director and takes into account his actual conduct on the Board in making this determination. There is no alternate Director on the Board.

The Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole as well as its individual members based on attributes of the existing Board and the requirements of the Group. The Board is of the view that the Directors as a group should provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company. The Board takes steps to achieve the diversity necessary with the aim of maximizing its effectiveness. The Directors are respectively experienced in business management, human capital development, strategies planning and are subject-matter experts in the industries that the Company operates in.

The Nominating Committee also considers the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director as part of the process for selection, appointment and re-appointment of Directors. The search for new Directors, if any, will be via contacts and recommendations so as to cast its net as wide as possible for the right candidate. Executive recruitment agencies will also be engaged to assist in the search process where necessary. The Nominating Committee will arrange for interviews with the shortlisted candidates for its assessment before arriving at a decision. During the interviews, the Nominating Committee takes into consideration whether the appointee will have sufficient time available to devote himself to the position, the skill sets of the appointee and how he will complement the current Board. Upon the Nominating Committee's review and recommendation to the Board, the new Directors will be appointed by way of a board resolution.

CORPORATE GOVERNANCE REPORT

In accordance with the Company's Constitution, all Directors, including the CEO, are subject to re-nomination and re-appointment at regular intervals of at least once every 3 years. At each annual general meeting of the Company (the "AGM"), at least one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, are required to retire and to submit themselves for re-election. The Company's Constitution also provides that a newly appointed Director must retire and submit himself or herself for re-election at the next AGM following his or her appointment. In making the recommendation, the Nominating Committee has considered each of the said Directors' overall contributions and performances. Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as Director.

Pursuant to the one-third rotation rule, Mr. Low Chee Wee and Ms. Tan Swee Ling shall retire at the forthcoming AGM and shall be eligible for re-election. The Nominating Committee has recommended to the Board that Mr. Low Chee Wee and Ms. Tan Swee Ling be nominated for re-election at the forthcoming AGM. The Board has accepted the Nominating Committee's recommendation. Mr. Low Chee Wee will, upon re-election as a Director, remain as the CEO and COO. Ms. Tan Swee Ling will, upon re-election as a Director, remain as the Independent Director, the chairman of the Audit and Risk Committee and the Remuneration and Compensation Committee as well as the member of the Nominating Committee. Please refer to pages 5 to 6 for the key information regarding the Directors.

The Board recognises the importance of good succession planning to facilitate better corporate governance processes and practices. The Nominating Committee is tasked to review the Board membership progressively and identify the potential successors to key positions. Succession and leadership development plans for the senior Management will be implemented to ensure a smooth transition. The review, if any, will be presented to the Board for its approval.

The Nominating Committee is also tasked to review annually the independence of a Director bearing in mind the Code's definition of an 'independent' Director and guidance as to relationships the existence of which would deem a Director not to be independent. The Nominating Committee will consider in its review, the confirmation on the independence of each Director which each Independent Director provides to the Board annually.

Principle 5: Board Performance

The Board has implemented a process to be carried out by the Nominating Committee to assess the performance and effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

An annual evaluation of the Board's performance for FY2016 was conducted to assess and identify areas for continuous improvement to the Board's overall effectiveness. The evaluation was carried out by way of a Board assessment checklist through which each Director was required to complete and assess individually the Board as a whole on several parameters namely, the board structure, conduct of meetings or affairs, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with Shareholders. Attendance at the meetings of the Board and Board Committees, effectiveness of discussions at such meetings and the discharge of the Board's duties in relation to the affairs of the Group were also evaluated. The consolidated findings were then reported and recommendations were made to the Board for consideration for further improvements to assist the Board in discharging its duties more effectively. The performance criteria, which allows for comparison with industry peers, are approved by the Board and they address how the Board has enhanced long-term Shareholders' value by allowing the Board to further improve on discharging their duties more effectively. The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. The Code recommends that individual evaluation should be conducted to assess whether each Director continues to contribute

CORPORATE GOVERNANCE REPORT

effectively and demonstrate commitment to the role. The Board, together with the Nominating Committee, have taken cognizance of the recommendations under the Code, but is of the view that due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director and the Board Committees.

The Board has not engaged any external consultant to conduct an assessment of the performance of the Board. Where relevant, the Nominating Committee will consider such an engagement.

Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, the Management provides all Directors with the appropriate financial accounts and complete, adequate and timely information detailing the Group's performance, financial position and prospects on an ongoing basis. The information provided by the Management includes board papers and related materials, background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and quarterly internal financial statements. In respect of budgets, any material variance between the projections and actual results is also disclosed and explained. This enables the Directors to make informed decisions to discharge their duties and responsibilities as and when there are affairs and issues that require the Board's decision. Draft agendas for the Board and Board Committee meetings are circulated to all members prior to the meetings so that they can suggest items for the agenda and review the usefulness of the items in the proposed agenda. This facilitates the ease and effectiveness of the conduct of the meetings. The meeting and presentation materials of each Board and Board Committee are also distributed to the Directors at least a week in advance of each meeting. This enables the discussion during the meetings to focus on questions that the Directors may have. Further enquires may be made by the Directors to discharge their duties properly and any additional material or information requested by the Directors is promptly furnished. Key management personnel of the Group and external professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.

The Directors have separate and independent access to, and are provided with the names and contact details of, the senior Management and the company secretary at all times. The Board has established a procedure for Directors, either individually or as a group, in the furtherance of their duties, to obtain professional advice and assistance from the company secretary or independent professionals, if necessary, and the cost of such advice and assistance will be borne by the Company.

The company secretary provides secretarial support to the Board and Board Committees and his role includes:-

- (a) assisting the respective chairmen of the Board and Board Committees and the Management in the preparation of the agendas for the Board and Board Committee meetings;
- (b) attending all Board and Board Committee meetings and preparing minutes of the meetings;
- (c) ensuring that all meetings are properly convened and Board procedures are followed;
- (c) advising the Board and the Management on the Company's compliance with the requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Rules of Catalist**") and all other rules, regulations and governance matters which are applicable to the Group;
- (d) under the direction of the Chairman, ensuring good information flows within the Board and Board Committees and between Management and the Non-Executive Directors; and
- (e) facilitating the orientation of incoming Directors and assisting with professional development as required.

The appointment and removal of the company secretary is a matter for consideration for the Board as a whole.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration and Compensation Committee comprises 3 Non-Executive Directors, namely, Ms. Tan Swee Ling (chairman), Mr. Wee Siew Kim and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. According to its terms of reference, the responsibilities of the Remuneration and Compensation Committee include:-

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and key Management and also reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key Management;
- (b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key Management's contracts of service to ensure that such contracts of service, if any, contain fair and reasonable termination clauses which are not overly generous;
- (c) reviewing working environments and succession planning for the key Management;
- (d) reviewing the terms of the employment arrangements with the key Management so as to develop consistent group-wide employment practices subject to regional differences;
- (e) reviewing whether the Executive Directors and key Management should be eligible for benefits under long-term incentive schemes, including share schemes; and
- (f) to have and exercise all the powers of the Board in respect of all matters relating to or in connection with the Eng Soon Employee Share Option Scheme ("ESOS") and the Eng Soon Performance Share Plan ("PSP") approved by Shareholders on 25 June 2010 and all things incidental thereto.

The Remuneration and Compensation Committee aims to motivate and retain Directors and key Management without making excessive payments to them, and to ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term Shareholders' value. The Remuneration and Compensation Committee aims to be fair and to avoid rewarding poor performance.

The Remuneration and Compensation Committee's recommendations are submitted for endorsement by the entire Board. The recommendations include all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind.

The Remuneration and Compensation Committee will, from time to time, and where necessary, seek advice from external remuneration consultant in structuring the remuneration policy and determine the level and mix of remuneration for Directors and key Management. No external remuneration consultant has been engaged for FY2016.

CORPORATE GOVERNANCE REPORT

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the Remuneration and Compensation Committee aligns the level and structure of remuneration with the long-term interest and risk policies of the Company and considers what is appropriate to attract, retain and motivate (a) the Directors to provide good stewardship of the Company; and (b) the key Management to successfully manage the Company.

A significant and appropriate proportion of the Executive Directors' and key Management's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration is aligned with Shareholders' interests and promotes the long-term success of the Company. The Remuneration and Compensation Committee also takes into account the risk policies of the Company, and ensures that remuneration is symmetric with risk outcomes and is sensitive to the time horizon of risks and the industry practices and norms in compensation. These measures are appropriate and meaningful for the purpose of assessing the Executive Directors' and key Management's performance.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key Management in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. The Remuneration & Compensation Committee would review such contractual provisions as and when necessary.

The Remuneration and Compensation Committee ensures that both the total remuneration and individual pay components, in particular, the annual fixed cash, annual performance incentives and long-term incentives, are market competitive and performance-driven. The annual fixed cash component consists of the annual basic salary and fixed allowances which the Company benchmarks with the relevant industry market data, where available. The annual performance incentive variable bonus is tied to the performance of the Group, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives include benchmarking performance to industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Group's financial performance vis-à-vis industry performance and individual performance.

The Company had entered into fixed-period service agreements with the Executive Directors, Mr. Christopher Low Chee Leng (who retired on 26 April 2016) and Mr. Low Chee Wee, on 1 February 2010, as well as a letter of appointment with Mr. Eddy Neo Chiang Swee on 25 November 2009, governing the terms and conditions of their employment by the Company. The remuneration packages for Executive Directors are based on terms stipulated in their service agreements and letter of appointment. The remuneration packages include a profit sharing scheme that is performance-related to align their interests with those of Shareholders.

The Non-Executive Directors do not have service agreements with the Company. They are paid fixed Directors' fees appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities on the Board and Board Committees. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. The Shareholders had approved the payment of the Non-Executive Directors' fees of S\$137,500 for FY2016. Executive Directors do not receive Directors fees.

CORPORATE GOVERNANCE REPORT

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual Director's remuneration for FY2016, is as follows:-

	Directors' Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits ⁽¹⁾ (%)	Total (%)
Executive Directors					
<u>S\$250,000 to S\$500,000</u>					
Mr. Low Chee Wee	-	87	7	6	100
Mr. Christopher Low Chee Leng ⁽²⁾	-	82	7	11	100
<u>Below S\$250,000</u>					
Mr. Eddy Neo Chiang Swee	-	75	6	19	100
Non-Executive Directors					
<u>Below S\$250,000</u>					
Mr. Wee Siew Kim	100	-	-	-	100
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100

Notes:

- (1) Includes mainly employers' contributions to the Central Provident Fund and allowances.
- (2) Mr. Christopher Low Chee Leng retired as a Director at the conclusion of the Annual General Meeting of the Company held on 26 April 2016. Due to internal restructuring, he was re-designated from COO to Business Development Manager to focus on developing the Group's overseas business.

A breakdown, showing the level and mix of the top 5 key Management who are not Directors or CEO in remuneration bands of S\$250,000 for FY2016, is as follows:-

	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
<u>S\$250,000 to S\$500,000</u>				
Christopher Low Chee Leng ⁽²⁾	82	7	11	100
<u>Below S\$250,000</u>				
Lim Fei Yen	82	7	11	100
Koay Swee Heng	73	11	16	100
Teoh Han Chong	79	7	14	100
Lou Tin Boang	75	13	12	100

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Includes mainly employers' contributions to the Central Provident Fund and allowances.
- (2) Mr. Christopher Low Chee Leng retired as a Director at the conclusion of the Annual General Meeting of the Company held on 26 April 2016. Due to internal restructuring, he was re-designated from COO to Business Development Manager to focus on developing the Group's overseas business.

The total remuneration, in aggregate, paid to the above top 5 key Management (who are not Directors or the CEO) for FY2016 was approximately S\$778,000.

Mr. Low Chee Wee and Mr. Christopher Low Chee Leng (who retired as a Director at the conclusion of the Annual General Meeting of the Company held on 26 April 2016) are brothers. The remuneration paid to Mr. Christopher Low Chee Leng for FY2016 was between S\$350,000 and S\$400,000. The total remuneration paid to Mr. Christopher Low Chee Leng for the period from 1 January 2016 up to his cessation as a Director and COO on 26 April 2016 was S\$110,577. The total remuneration paid to Ms Low Nengduan for the period from 1 January 2016 up to her cessation as a Chief Financial Officer of the Company on 17 May 2016 was S\$52,633.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded S\$50,000 during FY2016, was an immediate family member of a Director or the CEO.

The Board has, on review, decided not to disclose the remuneration of the Directors to the nearest thousand and the remuneration of the top 5 key Management who are not Directors or CEO to the nearest thousand given the competitive pressure and disadvantages that this might bring.

There were no termination, retirement and post-employment benefits granted to the Directors, the CEO and key Management pursuant to the terms of their employment agreements.

The Company currently has in place the ESOS and the PSP. The ESOS and the PSP are designed to complement each other in the Company's efforts and provide eligible participants with an opportunity to participate in the equity of the Company and to reward, retain and motivate employees to achieve better performance through increased dedication and loyalty. The ESOS is meant to be more of a "loyalty" driven time-based incentive programme and will be available to all employees and function as a generic share-based incentive scheme. The ESOS will thus be complementary to the PSP. The aim of putting in place more than one incentive plan is to grant the Company the flexibility in tailoring reward and incentive packages suitable for each group of the participants by providing an additional tool to motivate, reward and retain staff members so that the Company can offer compensation packages that are competitive.

The focus of the PSP is principally to target the Management in key positions who are able to drive the growth of the Company through creativity, firm leadership and excellent performance. The eligible participants for PSP include employees of the Group and all Directors. The number of shares to be granted under the PSP is determined by performance targets. Awards granted under the PSP will principally be performance-based, incorporating an element of stretched targets for key senior Management, aimed at delivering long-term Shareholders' value. Examples of performance targets to be set include targets based on criteria such as sales growth, earnings per share and return on investment. The Company believes that it will be more effective than merely having pure cash bonuses in place to motivate executives to work towards determined goals.

The PSP contemplates the award of fully-paid shares, when and after predetermined performance or service conditions are accomplished. A participant's award under the PSP will be determined at the sole discretion of the Remuneration and Compensation Committee. In considering the grant of an award to a participant, the Remuneration and Compensation Committee may take into account, amongst others, the participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill set. Awards granted under the PSP will be performance-based, with performance targets

CORPORATE GOVERNANCE REPORT

to be set over a designated performance period (typically 3 years). Performance targets set are intended to be premised on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets will be stretched targets aimed at sustaining long-term growth. These targets will be tied in with the Board's as well as the Chairman and the CEO's corporate key performance indicators. Under the PSP, participants are encouraged to continue serving the Group beyond the deadline for the achievement of the pre-determined performance targets. The Remuneration and Compensation Committee has the discretion to impose a further vesting period after the performance period to encourage the participant to continue serving the Group.

The ESOS is a long-term incentive plan and the mechanism involves deferring incentive compensation over a time horizon to ensure that the employees focus on generating Shareholders' value over a longer term. Conditions to entitlement to such long-term incentive include assessment and recognition of potential progressive performance and enhancement to asset value and Shareholders' value over time, taking into consideration current and future plans of the Company.

The Company has adopted the ESOS for eligible employees, including all Directors, of the Group. Special approval from independent shareholders will be obtained where necessary. The ESOS complies with the relevant rules as set out in Chapter 8 of the Rules of Catalist and is administered by the Remuneration and Compensation Committee.

The aggregate number of shares over which the Remuneration and Compensation Committee may grant options on any date, when aggregated with the number of shares issued and/or issuable in respect of all options granted under the ESOS, the PSP and any other share schemes of the Company, shall not exceed 15% of the issued shares of the Company (excluding treasury shares) on the day preceding the date of relevant grant.

The options that are granted under the ESOS may have exercise prices that are set at a price (the "**Market Price**") equal to the average of the closing market prices for the shares on Catalist for the last 5 market days immediately preceding the relevant date of grant of the relevant option of a share; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date of grant of the option. Options granted to the employees of the Group and all other options granted under the ESOS will have a life span of 5 years.

Since the commencement of the ESOS and the PSP up till end of FY2016, no options were granted and no shares were issued under the ESOS and the PSP respectively.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board provides Shareholders with the half year and full year financial results, which are reviewed by the Audit and Risk Committee and approved by the Board, within 45 days from end of the half year period and 60 days from end of the full year period respectively. In presenting the half year and full year financial results to Shareholders, the Board aims to provide Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. The responsibility to provide a balanced and understandable assessment extends to interim and other price sensitive public reports, and reports to regulators (if required). The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Rules of Catalist.

The Management provides the Board with management accounts and a continual flow of relevant explanation and information on a quarterly basis and as the Board may require from time to time. These enable the Board to keep abreast of the Group's operating and financial performance, position and prospects and effectively discharge its duties.

CORPORATE GOVERNANCE REPORT

Principle 11: Risk Management and Internal Controls

The Company has put in place risk management frameworks and internal control systems to manage different risk aspects of the Group including financial, operational, compliance and information technology risks, which are detailed in formal instructions, standard operating procedures and policies on financial authority limits. Some examples of the internal controls in place are policies and procedures that are established in relation to the safeguarding of assets, maintenance of proper accounting records, maintenance of reliable financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risks.

The Board, who is responsible for the governance of risk, ensures that the Management maintains a sound system of risk management and internal controls to safeguard Shareholders' interests and the Group's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board determines the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board monitors the Group's risks through the Audit and Risk Committee, external and internal auditors. The Audit and Risk Committee reviews the audit plans of the external and internal auditors at least once annually, including the results of the external and internal auditors' review and evaluation of the system of internal controls. During FY2016, the Company's external and internal auditors have conducted their annual and biannual review respectively on the effectiveness of the Company's material internal controls procedures, including financial, operational, compliance and information technology controls as well as risk management policy and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of internal controls in light of the key business and financial risks affecting its business. The Board received assurance from the CEO and the Financial Controller ("FC") 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 regarding the effectiveness of the Group's risk management and internal control systems. Commentaries are provided to Shareholders in the annual report to enable them to make an informed assessment of the Company's risk management framework and internal control systems.

The Group has established its enterprise risk management framework to manage its exposure to risks that it is exposed to in the conduct of its business. The Group has engaged an external risk management consultant, RHT Governance & Risk (Singapore) Pte. Ltd. ("RHTGRS"), to undertake the enterprise strategy and risk assessment exercise. In accordance with the internal audit plan approved and adopted by the Audit and Risk Committee, internal audit reports have been produced for review by the Audit and Risk Committee. The objectives of the audit were to review the adequacy and appropriateness of the internal policies and procedures in deriving a sound system of risk management and internal controls, including financial, operational, compliance and information technology controls, within the subsidiary under review and the Group, in deriving the Group's strategies. From the internal audit review exercise conducted by RHTGRS, there were no material control weakness that would hamper the operations or control breakdowns that would lead to major financial impact to the subsidiary under review and the Group. In conclusion, the systems of internal controls in place on major processes covered under audits are adequate and effective in meeting the needs of the subsidiary under review and the Group to address the financial, operational, compliance and information technology control risks. Nonetheless, RHTGRS has recommended certain actions and additional controls, which are practical solutions to further enhance the operational and control efficiencies for the subsidiary under review and the Group.

Based on the work carried out by the internal auditors, the review undertaken by the external auditors, the existing management controls in place and the assurance received from the CEO and the FC, the Audit and Risk Committee and the Board are of the opinion that, for the financial year under review, the internal controls in place in the Group to address risks relating to financial, operational, compliance, information technology controls and risk management systems are effective and adequate.

CORPORATE GOVERNANCE REPORT

The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. While no system can provide absolute assurance against the occurrence of material errors, financial misstatement, poor judgement in decision-making, human error, losses, fraud and other irregularities, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, the Company has had regard to the risks to which the business is exposed to, the likelihood of such risks occurring and the costs of protecting against them. The Board, together with the Audit and Risk Committee and the Management, will continue to enhance and improve the existing risk management framework and internal control system to identify and mitigate these risks.

Principle 12: Audit and Risk Committee

In line with the recommendation of the Code, the Audit and Risk Committee will also assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.

The Audit and Risk Committee comprises 3 Non-Executive Directors, namely Ms. Tan Swee Ling (chairman), Mr. Wee Siew Kim and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. Members of the Audit and Risk Committee are appropriately qualified and possess the recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. As set out in its terms of reference, the duties and responsibilities of the Audit and Risk Committee include:-

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) reviewing the half year and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:-
 - (i) changes in accounting policies and practices;
 - (ii) major risk areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) going concern statement;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and statutory / regulatory / requirements;
- (c) reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls;
- (d) at least annually, reviewing the adequacy and effectiveness of the Company's internal audit function and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- (e) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;
- (f) making recommendations to the Board on the proposals to Shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

CORPORATE GOVERNANCE REPORT

- (g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (h) reviewing and advising the Board on any interested person transactions;
- (i) reviewing with the external auditors:-
 - (i) the audit plan, including the nature and scope of the audit before the audit commences;
 - (ii) their evaluation of the system of internal accounting controls;
 - (iii) their audit report; and
 - (iv) their management letter and the Management's response;
- (j) reviewing the assistance given by the Management to the auditors; and
- (k) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response.

The Audit and Risk Committee's primary role is to investigate any matter within its terms of reference. It has full access to, and the co-operation of, the Management and full discretion to invite any Director or executive officer to attend its meetings. The Audit and Risk Committee has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. In performing its functions, the Audit and Risk Committee and the Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audit. The Audit and Risk Committee also meets regularly with the Management, the FC and external auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the Audit and Risk Committee meets with the external and internal auditors without the presence of the Management, to review any matters that might be raised privately. For FY2016, the Audit and Risk Committee met up once with the external and internal auditors without the presence of the Management.

The external auditors are responsible for performing an independent audit of the Group's financial statements in accordance with the financial reporting standards, and for issuing a report thereon. The Audit and Risk Committee's responsibility is to monitor these processes. In addition to reviewing the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors, the Audit and Risk Committee has also conducted an annual review of the independence of the external auditors and the total fees for non-audit services compared with audit services, and satisfied itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the external auditors. During FY2016, the remuneration paid to the external auditors, is set out below:-

Service Category	Fees
	\$'000
Audit services	103
Non-audit services (taxation and company secretarial)	Nil
Total	103

CORPORATE GOVERNANCE REPORT

In proposing to Shareholders on the re-appointment of BDO LLP as the Company's external auditors and in line with Rule 712 of the Rules of Catalist, the Board and the Audit and Risk Committee have considered and are satisfied with the adequacy of the resources and experience of BDO LLP and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit. BDO LLP has also confirmed that it is registered with the Accounting and Corporate Regulatory Authority.

The Board and the Audit and Risk Committee are satisfied that the Company is in compliance with Rule 715 of the Rules of Catalist. The external auditors appointed for the Company and its subsidiaries for FY2016 are set out in the notes to financial statements at pages 75 to 76 of the annual report. For FY2016, the Company is in compliance with Rules 712 and 715 of the Rules of Catalist in relation to the appointment of auditing firms for the Group.

To achieve a high standard of corporate governance for the operations of the Group, the Group has put in place a whistle-blowing policy which encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. The objective of such policy is to provide for procedures to validate concerns and to ensure independent investigation of such matters and for appropriate follow-up action. The Audit and Risk Committee will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. The whistle-blowing policy has been circulated to all employees. No whistle-blowing reports were received in FY2016.

No former partner or director of the Company's current auditing firm or auditing corporation is a member of the Audit and Risk Committee.

Principle 13: Internal Audit

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group has therefore appointed a professional internal audit firm to undertake the functions of its internal audit. For the financial year under review, the Group's internal auditor is RHTGRS. The Audit and Risk Committee is responsible for approving the hiring, removal, evaluation and compensation of the professional firm to which the internal audit function is outsourced. The Audit and Risk Committee reviews the adequacy and effectiveness of the internal audit function on a yearly basis. The internal auditors' primary line of reporting is to the chairman of the Audit and Risk Committee.

The Audit and Risk Committee has reviewed and ensured that the internal auditors are adequately resourced with persons with the relevant qualifications and experience and has appropriate standing within the Group. The internal auditors have carried out their function according to Committee of Sponsoring Organisation of the Treadway Commission Framework which is consistent with the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Group's internal audits are conducted with the following objectives:-

- to review the effectiveness of the Group's system of internal controls to address key business and operational risks;
- to review compliance to the system of internal controls; and
- to assess whether operations are conducted in an effective and efficient manner.

CORPORATE GOVERNANCE REPORT

The internal auditors have unfettered access to all the Company's documents records, properties and personnel, including access to the Audit and Risk Committee. The internal auditors discuss and agree on the annual internal audit plan with the Audit and Risk Committee at the beginning of each financial year. Subsequent internal audit findings and corresponding Management responses to address these findings are reported at the meetings of the Audit and Risk Committee. The Audit and Risk Committee is continually working with the internal auditors to improve on the existing internal control and risk management systems.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

In recognition of the importance of treating all Shareholders fairly and equitably, the Company aims to protect and facilitate the exercise of ownership rights by all Shareholders, and continually review and update such governance arrangements. The Company also notes that Shareholders have the right to be sufficiently informed of changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares. The Company will ensure that Shareholders have equal opportunity to participate effectively in and vote at general meetings and brief Shareholders on the rules, including voting procedures that govern the general meetings. Pursuant to Article 77 of the Company's Constitution, Shareholders may appoint not more than 2 proxies to attend and vote at the same general meeting. However, the Company allows Shareholders who are relevant intermediaries (as defined under Section 181(6) of the Companies Act) to appoint more than 2 proxies to attend, speak and vote at general meetings.

Principle 15: Communication with Shareholders

To promote regular, effective and fair communication with the Shareholders, the Company actively engages Shareholders and has put in place an effective investor relations policy to regularly convey pertinent information to Shareholders. In line with continuous disclosure obligations of the Company pursuant to the Rules of Catalist and the Companies Act, the Board's policy is that Shareholders be informed promptly of all major developments that would, or are likely to, impact the Group. The Company does not practise selective disclosure of material information. Information (for example, notice of and explanatory memoranda for AGMs and extraordinary general meetings and other announcements) is communicated to Shareholders on a timely basis through SGXNET. Communication is also made through the half year and full year financial statements, and annual reports that are issued to all Shareholders, within the mandatory period. The Company maintains a corporate website at <http://www.esgroup.com.sg/> through which Shareholders are able to access up-to-date information on the Group. The website provides corporate announcements, annual reports, and profiles of the Group, the Board and Board Committees.

The Company currently does not have a formal policy on payment of dividends. With reference to the Company's offer document dated 1 July 2010, the Company may declare dividends by way of an ordinary resolution of Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may also declare an interim dividend without the approval of Shareholders. The Board has proposed that no dividends will be payable for FY2016, as the Group recorded a loss during the year.

Principle 16: Conduct of Shareholder Meetings

Information on general meetings is disseminated through notices in the annual report or circulars sent to all Shareholders. The notices are also released via the SGXNet and published in local newspapers.

The Company's Constitution allows Shareholders to appoint proxies to attend and vote in their stead at general meetings.

CORPORATE GOVERNANCE REPORT

The Company has not amended its Constitution to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of Shareholders' identities through the web are not compromised.

General meetings of the Company represent the principal forum for dialogue and interaction with all Shareholders. Resolutions at general meetings of the Company are on each substantially separate issue. At each AGM, the Board presents the progress and performance of the Group's businesses and invites all Shareholders to participate in the questions and answers session. The Directors, including the respective chairmen of the Board Committees and the Management are in attendance at the AGMs to allow Shareholders the opportunity to air their views and ask the Directors or the Management questions regarding the Group. The external auditors also attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. All minutes of general meetings that include substantial and relevant comments or queries from Shareholders and responses from the Board and the Management are made available to Shareholders upon their request.

The Company will put all resolutions to vote by poll and make an announcement on the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit and Risk Committee and that the transactions are carried out on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the independent Shareholders. All interested person transactions are subject to review by the Audit and Risk Committee to ensure compliance with established procedures.

No general mandate has been obtained from Shareholders in respect of interested person transactions for FY2016. The aggregate value of interested person transactions entered into during FY2016 as required for disclosure pursuant to Rule 1204(17) of the Rules of Catalist is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Mr. Low Chye Hin ⁽¹⁾ - Provision of consultancy services	S\$205,667	-
Total	S\$205,667	-

Note:

- (1) Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Low Chee Wee (CEO and COO) and Mr. Christopher Low Chee Leng (Business Development Manager).

The Board confirms that the above interested person transaction was entered into on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

CORPORATE **GOVERNANCE** REPORT

MATERIAL CONTRACTS

Save as disclosed above in the section entitled “**Interested Person Transactions**”, there were no material contracts or loans entered into by or taken up by the Group involving the interests of the CEO or any Director or controlling Shareholder either still subsisting at the end of FY2016 or if not then subsisting, entered into since the end of FY2015.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees paid to the Company’s sponsor, SAC Advisors Private Limited, for FY2016.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Rules of Catalist on dealings in the Company’s securities. The Company has devised and adopted its own internal compliance code to provide guidance to the Directors and all employees with regard to dealing in the Company’s securities. The Company prohibits the Directors and all employees from dealing in the Company’s securities on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company’s securities during the period commencing 1 month before the announcement of the Company’s half year and full year financial statements and ending on the date of announcement of the results. The Board is kept informed when a Director trades in the Company’s securities. The Directors and all employees are expected to observe the insider trading laws at all times even when dealing in securities within the permitted trading periods.

DIRECTORS' STATEMENT

The Directors of ES Group (Holdings) Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position as at 31 December 2016 and statement of changes in equity of the Company for the financial year ended 31 December 2016.

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 and the statement of changes in equity 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 2016, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and
- (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.

2. Directors

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

Wee Siew Kim
Low Chee Wee
Eddy Neo Chiang Swee
Tan Swee Ling
Jens Rasmussen

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.

DIRECTORS' STATEMENT

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:

Name of directors and companies in which interest are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
ES Group (Holdings) Limited				
(Ordinary shares)				
Low Chee Wee	30,235,000	30,235,000	53,540,000	53,540,000
Eddy Neo Chiang Swee	6,000,000	6,000,000	3,600,000	3,600,000

By virtue of Section 7 of the Act, Low Chee Wee is deemed to have an interest in all ordinary shares of the Company's related corporations. 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 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

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

DIRECTORS' STATEMENT

6. Audit and risk committee

At the date of this report, the Audit and Risk Committee comprises the following members:

Tan Swee Ling	Chairman and Independent director
Wee Siew Kim	Independent director
Jens Rasmussen	Non-executive director

The Audit and Risk Committee has met two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

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

The Audit and Risk 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 functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

7. Subsequent developments

There are no significant developments subsequent to the release of the Group's preliminary financial statements, as announced on 27 February 2017, which would materially affect the Group's and the Company's operating and financial performance as at the date of this report.

DIRECTORS' STATEMENT

8. Independent auditor

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

The Audit and Risk Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

9. Additional disclosure requirements of the listing manual of the SGX-ST

The auditors of the subsidiaries of the Company are disclosed in Note 10 to the financial statements. In the opinion of the Board of Directors and Audit and Risk Committee, Rule 715 of the listing manual of SGX-ST has been complied with.

On behalf of the Board of Directors

Low Chee Wee

Director

Singapore

24 March 2017

Eddy Neo Chiang Swee

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ES Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 40 to 105, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2016;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

KEY AUDIT MATTER	AUDIT RESPONSE
<p>1 Revenue recognition</p> <p>The Group's main revenue streams are from repair and conversion of vessels which involving long-term contracts for which revenue and margins are accounted for using the percentage of completion method. The percentage of completion is measured by reference to the proportion of costs incurred to-date to the estimated total costs for each contract. We have focused our audit procedures on these types of contract.</p> <p>Significant judgement is required in determining the stage of completion, and to estimate the extent of the costs incurred, the total revenue and costs and the recoverable variation works that will affect the stage of completion.</p> <p>The estimates are made based on past experience and knowledge of the work performed.</p> <p>We focused on this area as a key audit matter due to the significant judgement and estimation uncertainty arising from the recognition of revenue from contracts with customers.</p>	<p>In responding to this area of focus, our audit approach included test of controls and substantive procedures. Our audit procedures include, amongst others:</p> <ul style="list-style-type: none"> ▪ Examined revenue recognition policy and checked that an appropriate, consistent revenue recognition policy is applied during the year. ▪ Tested the operating effectiveness of the key controls identified for the revenue and receipt cycle and the purchase and payment cycle. ▪ Evaluated the reasonableness of management's estimates for the total contract costs, tested and reviewed management's computation and reviewed for cost overruns for selected samples. ▪ Performed substantive tests for selected samples, by vouching to contracts, agreements, customer acknowledged documents together with costing sheets and suppliers' invoices for costs of completion and direct wages.
<p>Refer to notes 3 and 22 of the accompanying financial statements.</p>	
<p>2 Impairment assessment for third party trade receivables</p> <p>As at 31 December 2016, there were unbilled trade receivables and trade receivables that are past due and not impaired of \$5,114,256 and \$4,199,552 respectively. The Group's customers have been operating in a challenging economic climate and these customers are taking longer time to settle the amounts owing to the Group. Furthermore, the Group's trade receivables are concentrated on a few major customers. The collectability of the Group's unbilled trade receivables and trade receivables is a key audit matter due to the judgement involved in considering factors such as the creditworthiness of its customers and historical payment trend.</p>	<p>In responding to this area of focus, our audit approach included evaluating and sample testing the Group's processes for unbilled trade receivables and trade receivables. Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> ▪ Checked for subsequent receipts of selected samples of unbilled trade receivables and trade receivables. ▪ Assessed the aging of trade receivables. ▪ Assessed the adequacy of the allowance for impairment loss on third party trade receivables which has shown indication of impairment by considering factors including past payment trend, financial position and the ongoing business relationship with the customers involved.
<p>Refer to notes 3, 5 and 35(b) of the accompanying financial statements.</p>	<ul style="list-style-type: none"> ▪ Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Poh Chin Beng.

BDO LLP
Public Accountants and
Chartered Accountants
Singapore
24 March 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	4	4,979,452	8,945,317	125,978	112,298
Trade receivables	5	10,356,155	16,548,242	-	353,000
Finance lease receivable	6	2,346,056	2,140,666	-	-
Work-in-progress	7	8,691,210	6,223,472	-	-
Other receivables	8	1,140,370	1,113,684	19,353,223	19,480,814
Inventories	9	585,245	915,318	-	-
Total current assets		28,098,488	35,886,699	19,479,201	19,946,112
Non-current assets					
Finance lease receivable	6	3,212,334	5,558,391	-	-
Deposits	8	3,956	22,795	-	-
Investments in subsidiaries	10	-	-	17,341,354	21,181,670
Investment in an associate	11	-	-	-	-
Club membership	12	49,500	49,500	-	-
Property, plant and equipment	13	15,988,086	12,788,701	-	-
Total non-current assets		19,253,876	18,419,387	17,341,354	21,181,670
Total assets		47,352,364	54,306,086	36,820,555	41,127,782
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	14	5,490,677	1,343,950	-	-
Trade payables	15	1,432,130	2,895,033	86	85,417
Other payables	16	7,949,893	8,525,663	12,635,403	13,373,543
Finance lease payables	17	91,158	362,284	-	-
Income tax payable		-	6,248	-	-
Total current liabilities		14,963,858	13,133,178	12,635,489	13,458,960

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group		Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
Non-current liabilities					
Bank loans	14	1,132,881	4,589,286	-	-
Finance lease payables	17	57,340	83,834	-	-
Deferred tax liabilities	18	-	-	-	-
Total non-current liabilities		1,190,221	4,673,120	-	-
Capital, reserves and non-controlling interests					
Share capital	19	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	20	403,660	391,660	-	-
Retained earnings		23,693,340	28,663,833	486,718	3,970,474
Currency translation reserve		(292,578)	(374,823)	-	-
Merger reserve	21	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		28,932,302	33,808,550	24,185,066	27,668,822
Non-controlling interests		2,265,983	2,691,238	-	-
Total equity		31,198,285	36,499,788	24,185,066	27,668,822
Total liabilities and equity		47,352,364	54,306,086	36,820,555	41,127,782

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group	
		2016 \$	2015 \$
Revenue	22	22,717,396	38,510,350
Cost of services	23	(19,308,242)	(29,539,078)
Gross profit		3,409,154	8,971,272
Other operating income	24	1,512,479	1,380,990
Administrative expenses		(7,200,350)	(7,190,957)
Other operating expenses	25	(3,119,577)	(4,612,329)
Finance costs	26	(64,211)	(99,451)
Share of loss of an associate	11	-	(76,995)
Loss before income tax		(5,462,505)	(1,627,470)
Income tax credit	27	298	77,211
Loss for the year	28	(5,462,207)	(1,550,259)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		160,744	(267,067)
Total comprehensive income for the year		(5,301,463)	(1,817,326)
(Loss)/Profit attributable to:			
Owners of the parent		(4,834,180)	(1,906,624)
Non-controlling interests		(628,027)	356,365
		(5,462,207)	(1,550,259)
Total comprehensive income attributable to:			
Owners of the parent		(4,751,935)	(2,040,412)
Non-controlling interests		(549,528)	223,086
		(5,301,463)	(1,817,326)
Basic and diluted loss per share (cents)	29	(3.42)	(1.35)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital	Currency translation reserve	Merger reserve	Statutory surplus reserve	Retained earnings	Equity attributable to owners of the Company	Non- controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Group								
Balance at 1 January 2016	23,698,348	(374,823)	(18,570,468)	391,660	28,663,833	33,808,550	2,691,238	36,499,788
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	(4,834,180)	(4,834,180)	(628,027)	(5,462,207)
Other comprehensive income for the year	-	82,245	-	-	-	82,245	78,499	160,744
Total	-	82,245	-	-	(4,834,180)	(4,751,935)	(549,528)	(5,301,463)
Transactions with owners, recognised directly in equity								
Appropriations	-	-	-	12,000	(12,000)	-	-	-
Acquisition of non- controlling interest without a change in control (Note 10)	-	-	-	-	(124,313)	(124,313)	124,273	(40)
Total	-	-	-	12,000	(136,313)	(124,313)	124,273	(40)
Balance at 31 December 2016	23,698,348	(292,578)	(18,570,468)	403,660	23,693,340	28,932,302	2,265,983	31,198,285
Balance at 1 January 2015	23,698,348	(241,035)	(18,570,468)	224,000	31,091,117	36,201,962	6,184,132	42,386,094
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	(1,906,624)	(1,906,624)	356,365	(1,550,259)
Other comprehensive income for the year	-	(133,788)	-	-	-	(133,788)	(133,279)	(267,067)
Total	-	(133,788)	-	-	(1,906,624)	(2,040,412)	223,086	(1,817,326)
Transactions with owners, recognised directly in equity								
Appropriations	-	-	-	167,660	(167,660)	-	-	-
Issuance of ordinary share	-	-	-	-	-	-	40	40
Dividends (Note 30)	-	-	-	-	(353,000)	(353,000)	(3,716,020)	(4,069,020)
Total	-	-	-	167,660	(520,660)	(353,000)	(3,715,980)	(4,068,980)
Balance at 31 December 2015	23,698,348	(374,823)	(18,570,468)	391,660	28,663,833	33,808,550	2,691,238	36,499,788

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share capital \$	Retained earnings \$	Total \$
Company			
Balance at 1 January 2016	23,698,348	3,970,474	27,668,822
Loss for the year, representing total comprehensive income for the year	-	(3,483,756)	(3,483,756)
Balance at 31 December 2016	<u>23,698,348</u>	<u>486,718</u>	<u>24,185,066</u>
Balance at 1 January 2015	23,698,348	540,134	24,238,482
Profit for the year, representing total comprehensive income for the year	-	3,783,340	3,783,340
Dividends (Note 30)	-	(353,000)	(353,000)
Balance at 31 December 2015	<u>23,698,348</u>	<u>3,970,474</u>	<u>27,668,822</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	\$	\$
Operating activities		
Loss before income tax	(5,462,505)	(1,627,470)
Adjustments for:		
Interest income	(59,276)	(29,058)
Interest expense	64,211	99,451
Property, plant and equipment written off	4,618	-
Share of loss of an associate	-	76,995
Impairment of investment in an associate	-	67,845
Impairment of property, plant and equipment	444,079	-
Allowance for impairment of amount due from an associate	5,874	302,864
Allowance for impairment of third parties trade receivables	466,070	-
Allowance for impairment of third parties other receivables	328,706	-
Depreciation of property, plant and equipment	1,810,957	1,900,108
(Gain)/Loss on disposal of property, plant and equipment	(42,641)	7,338
Operating cash flows before movements in working capital	(2,439,907)	798,073
Trade receivables	5,924,907	(201,937)
Work-in-progress	(2,399,077)	1,800,227
Other receivables	(339,729)	643,945
Inventories	337,836	409,213
Trade payables	(1,497,947)	(2,893,506)
Other payables	(942,921)	(953,045)
Finance lease receivable	2,140,667	1,953,258
Cash generated from operations	783,829	1,556,228
Interest received	59,276	29,058
Income tax paid	(5,943)	(17,108)
Net cash from operating activities	837,162	1,568,178
Investing activities		
Proceeds on disposal of property, plant and equipment	53,621	12,814
Purchases of property, plant and equipment (Note A)	(5,161,971)	(525,049)
Net cash used in investing activities	(5,108,350)	(512,235)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	
	2016	2015
	\$	\$
Financing activities		
Acquisition of non-controlling interests	(40)	-
Dividends paid to:		
Owners of the Parent	-	(353,000)
Non-controlling interests	-	(3,716,020)
Fixed deposit pledged	(251)	(100,000)
Interest paid	(64,211)	(99,451)
Proceeds from:		
Short term loan	1,600,000	-
Loan from a director of subsidiary	-	3,519,152
Repayments of:		
Term loans	(1,343,209)	(2,523,219)
Obligations under finance leases	(371,233)	(393,685)
Net cash used in financing activities	(178,944)	(3,666,223)
Net change in cash and cash equivalents	(4,450,132)	(2,610,280)
Cash and cash equivalents at beginning of the year	8,845,317	11,476,378
Effects of exchange rate changes on the balance of cash held in foreign currencies	50,485	(20,781)
Cash and cash equivalents at end of the year (Note 4)	4,445,670	8,845,317

Notes to consolidated statement of cash flows:

(A) Cash payments on purchases of property, plant and equipment		
Purchases of property, plant and equipment	5,225,597	525,049
Less: Property, plant and equipment acquired under finance arrangements	(63,626)	-
Net cash payments	5,161,971	525,049

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1. General

ES Group (Holdings) Limited (the "Company") is a public company limited by shares, incorporated and domiciled in the Republic of Singapore with its registered office at 8 Ubi Road 2 #06-26 Zervex Singapore 408538. The Company's registration number is 200410497Z.

The Company is listed on Catalist of the Singapore Exchange Securities Trading Limited.

The Group's ultimate controlling parties are Ms Neo Peck Keow @ Ng Siang Keng and close family members.

The principal activities of the Company are those of an investment holding company and provider of management and technical services. The principal activities of the subsidiaries are disclosed in Note 10 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on 24 March 2017.

2. Summary of 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.

Singapore-incorporated companies 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 Group will adopt the new framework on 1 January 2018.

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.

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 significant effect on the financial statements are disclosed in Note 3.

The Group incurred a net loss of \$5,462,207 for the financial year ended 31 December 2016. The slowdown and uncertainty in the global offshore, marine and shipping industry has continued to impact the Group's core business and margin.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The Directors of the Company are of the opinion that no material uncertainty exists and the going concern basis is appropriate in the preparation of the financial statements based on the following:

- (i) The Directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the 12 months ending 31 December 2017. Based on such forecast, the Directors of the Company have estimated that adequate liquidity exists to finance the working capital requirements of the Group for the next twelve months. The Directors of the Company are also confident that continuous support and sufficient credit facilities will be available from the Group's existing bankers to fund its operation.
- (ii) Management has secured a new term loan of \$3,000,000 from the Group's existing banker subsequent to financial year end.

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 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.

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

	Effective date (annual periods beginning on or after)
FRS 7 (Amendments) : Disclosure Initiative	1 January 2017
FRS 12 (Amendments) : Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 40 (Amendments) : Transfers of Investment Property	1 January 2018
FRS 102 (Amendments) : Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104 (Amendments) : Applying FRS 109 <i>Financial Instruments</i> with FRS 104 <i>Insurance Contracts</i>	1 January 2018
FRS 109 : Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments) : Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

		Effective date (annual periods beginning on or after)
FRS 116	: Leases	1 January 2019
Improvements to FRSs (December 2016)		
- FRS 28 (Amendments)	: Investments in Associates and Joint Ventures	1 January 2018
- FRS 101 (Amendments)	: First – time Adoption of Financial Reporting Standards	1 January 2018
- FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	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, where relevant, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to International Financial Reporting Standards (“IFRS”) in 2018. The Group will adopt the new framework on 1 January 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* 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 is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and IFRS 15 which is expected to be similar to the impact of FRS 109 and FRS 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

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 will adopt these amendments in the financial year beginning on 1 January 2017 and will include the additional disclosures in its financial statements for that financial year.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

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 can elect to recognise the gains and losses in other comprehensive income. 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 can also be measured at fair value through other comprehensive income.

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 a preliminary assessment of the impact of FRS 109 and does not expect any significant changes to the classification and measurement of its financial assets and financial liabilities.

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 other receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from subsidiaries, the Company will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

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, additional disclosures will be included in its financial statements for that financial year.

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.

The Group is still in the process of assessing whether revenue from construction contracts can continue to be recognised over time. On initial adoption of this standard, there may be changes to the measurement and recognition of revenue progress towards construction completion. The new standard permits either the output or input methods to be used to calculate the amount of revenue to be recognised.

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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 116 Leases (Continued)

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 and other operating facilities on the statements 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 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.

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

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 and an associate are carried at cost, less any impairment loss that has been recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

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.

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

2.4 Merger reserve

Merger reserve represents the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition under common control.

2.5 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.

Property, plant and equipment are subsequently stated at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land is stated at cost, except in the case where an impairment is deemed to have occurred. Loss on the impairment is recognised in profit or loss.

Other assets consist of office equipment, furniture and fittings, air conditioner, renovations and container.

Construction-in-progress consists of construction costs incurred during the period of construction and is transferred to the appropriate property, plant and equipment account when construction is completed and asset is ready for use.

Depreciation is charged so as to write off the cost of assets, other than freehold land and construction-in-progress, over their estimated useful lives, using the straight-line method, on the following bases:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Leasehold land and property	over the terms of lease which are from 2% to 5%
Freehold property	over the terms of lease which are from 5% to 10%
Land improvement	10%
Plant, machinery and equipment	10% to 33%
Motor vehicles	20%
Vessel	8%
Other assets	20% to 33%

Freehold land and construction-in-progress are not depreciated.

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.

Fully depreciated property, plant and equipment still in use are retained in the financial statements.

2.6 Intangible assets

Club membership

Club membership with indefinite useful life is stated at cost less any impairment loss.

2.7 Associates

An associate is an entity over which the Group has significant influence. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.7 Associates (Continued)

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 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) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate.

Where the Group transacts with an associate, unrealised profits are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated but only to the extent that there is no impairment.

2.8 Impairment of non-financial assets

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the statements 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.

Financial assets

Financial assets are classified as loans and receivables. 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.

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 statements of financial position comprise cash and cash equivalents, trade receivables, work-in-progress, other receivables (excluding prepayment and value-added tax receivables), finance lease receivable and deposits.

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 assets 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 and other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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 asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, net of transaction costs 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 (see Note 2.17).

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 plus transaction costs and subsequently at the higher of the amount of the obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

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 financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position 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.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories comprise mainly raw materials, consumables and work-in-progress. Work-in-progress includes cost of materials, direct labour and overhead that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.11 Construction contracts

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

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

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 statements of financial position as "Work-in-progress".

Progress billings not yet paid by customers are included within "Trade receivables". Billings for completed projects which are still being negotiated with customers are included as "Unbilled receivables" within "Trade receivables".

2.12 Cash and cash equivalents

Cash and cash equivalents in the statements 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 purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits (excluding restricted cash).

2.13 Leases

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction or production of qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 2.17).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.13 Leases (Continued)

Operating leases

Rentals payable under operating leases 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.

Lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

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

2.14 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.15 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated discounts.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract provided the amount of revenue, stage of completion and associated cost can be measured reliably and it is probable that the consideration will be received.

The percentage of completion is measured by reference to the proportion of costs incurred to-date to the estimated total costs for each contract, with due consideration made to include only those costs that reflect work performed. Provision is made, where applicable, for anticipated losses on contracts in progress.

When losses are expected, full provision is made in the financial statements after adequate allowance has been made for estimated costs to completion. Any expenditure incurred on abortive projects is written off in profit or loss.

Rental income

The Group's policy for recognition of revenue from operating leases is described above (see Note 2.13).

Interest income

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

2.17 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. 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.

2.18 Retirement benefit costs

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.19 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.

2.20 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, 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 2016

2. Summary of significant accounting policies (Continued)

2.20 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.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities.

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 taxation that is incurred on purchase of assets or services is not recoverable from the taxation 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 statements of financial position.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.22 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2. Summary of significant accounting policies (Continued)

2.22 Foreign currency transactions and translation (Continued)

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in 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.

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.

2.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components.

The Group determines and presents operating segments based on information that is internally provided to the Group's chief operating decision maker and the Board. All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker and the Board to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management 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.

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

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

The following are the critical judgements, apart from those involving estimations (see below) 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.

Control over ES Offshore and Marine Engineering (Thailand) Co., Ltd.

Note 10 describes that ES Offshore and Marine Engineering (Thailand) Co., Ltd. is a subsidiary of the Group although the Group only owns 50% ownership interest in ES Offshore and Marine Engineering (Thailand) Co., Ltd.. Based on the contractual arrangements between the Group and other investors, the Group holds 51% of voting power that give it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. Hence, the directors of the Company assessed and determined that the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd..

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, 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.

Useful lives of property, plant and equipment

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the management is satisfied that there is no significant change in the estimated useful lives of the property, plant and equipment from prior period. Changes in the expected level of usage and technological developments may impact the economic useful lives and the residual of these assets, therefore future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Continued)

Revenue and costs of contracts

Revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the stage of completion of a project activity at the end of the reporting period, using engineers' estimates to ensure those costs will be recoverable. 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 the cost studies, taking into account the costs to date and costs to complete each project. Management has also reviewed the physical proportion of the work completed 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.

Where the outcome of the project revenue and costs are different from the original estimates, such differences will impact revenue, costs and work-in-progress in the period in which such estimate has been changed. The carrying amounts of work-in-progress are disclosed in Note 7 to the financial statements.

Allowance for impairment of trade and other receivables

The Group makes allowance for impairment of trade and other receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of trade and other receivables requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for impairment of trade and other receivables in the period in which such estimate has been changed.

The carrying amounts of trade receivables and other receivables at the end of the reporting period as disclosed in Notes 5 and 8 to the financial statements respectively, approximate their recoverable amounts.

Impairment of investments in subsidiaries

Management has carried out a review of the recoverable amount of the investments in subsidiaries, having regard to the existing performance of the relevant subsidiaries and the carrying value of the net assets in these subsidiaries.

Management has estimated the recoverable amount based on fair value less cost of disposal. The fair value less cost of disposal is determined by reference to the estimated realisable values of the net tangible assets of the subsidiaries. The assessment has led to the recognition of impairment loss of \$3,840,316 (2015: \$Nil) during the year.

The carrying amounts of investments in subsidiaries are disclosed in Note 10 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Cash and cash equivalents

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Cash at bank and on hand	1,435,241	6,169,719	125,978	112,298
Fixed deposits	3,544,211	2,775,598	-	-
Cash and cash equivalents on statements of financial position	4,979,452	8,945,317	125,978	112,298
Bank overdraft (Note 14)	(433,531)	-		
Fixed deposit pledged	(100,251)	(100,000)		
Cash and cash equivalents on consolidated statement of cash flows	4,445,670	8,845,317		

Fixed deposits bore an effective interest rate from a range of 0.10% to 1.50% (2015: 0.10% to 1.10%) per annum and was for a tenure of approximately 30 to 365 days (2015: 30 to 90 days).

Fixed deposit of the Group amounting to \$100,251 (2015: \$100,000) was pledged to bank to secure credit facilities granted to a certain subsidiary.

The currency profiles of the Group's and Company's cash and cash equivalents as at 31 December are as follows:

	Group		Company	
	2016 \$	2015 \$	2016 \$	2015 \$
Singapore dollar	1,160,242	7,753,562	125,978	112,298
Thai baht	3,806,448	1,158,652	-	-
Others	12,762	33,103	-	-
	4,979,452	8,945,317	125,978	112,298

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Trade receivables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Third parties	10,822,225	16,548,242	-	-
Subsidiaries	-	-	-	353,000
Less: Allowance for impairment of third parties trade receivables	(466,070)	-	-	-
Total trade receivables	10,356,155	16,548,242	-	353,000
Add: Cash and cash equivalents (Note 4)	4,979,452	8,945,317	125,978	112,298
Add: Finance lease receivables (Note 6)	5,558,390	7,699,057	-	-
Add: Amounts due from contract customers (Note 7)	8,691,210	6,223,472	-	-
Add: Other receivables (Note 8)	1,144,326	1,136,479	19,353,223	19,480,814
Less: Prepayment (Note 8)	(362,404)	(219,942)	(61,324)	(49,645)
Less: Value-added tax receivables (Note 8)	(20,399)	(73,748)	-	-
Total loans and receivables	30,346,730	40,258,877	19,417,877	19,896,467

The average credit period granted to customers is 30 days (2015: 30 days). No interest is charged on the outstanding balances.

Movements in the allowance for impairment of third parties trade receivables are as follows:

	Group	
	2016	2015
	\$	\$
At 1 January	-	-
Impairment for the financial year	466,070	-
At 31 December	466,070	-

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to end of the reporting period. Accordingly, management has recognised allowance for impairment loss on third parties trade receivables of \$466,070 (2015: \$Nil) in profit or loss for the financial year ended 31 December 2016.

The table below is an analysis of trade receivables as at 31 December:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Unbilled receivables	5,114,256	4,126,954	-	353,000
Not past due and not impaired	1,042,347	2,513,733	-	-
Past due but not impaired	4,199,552	9,907,555	-	-
	10,356,155	16,548,242	-	353,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Trade receivables (Continued)

The currency profiles of the Group's and Company's trade receivables as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	10,219,448	16,520,183	-	353,000
Thai baht	136,707	28,059	-	-
	10,356,155	16,548,242	-	353,000

6. Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	\$	\$	\$	\$
Group				
Amounts receivable under finance lease:				
Within one year	2,760,000	2,760,000	2,346,056	2,140,666
In the second to fifth years inclusive	3,260,000	6,020,000	3,212,334	5,558,391
Total finance lease receivable	6,020,000	8,780,000	5,558,390	7,699,057
Less: Unearned finance income	(461,610)	(1,080,943)	-	-
Present value of minimum lease payments receivable	5,558,390	7,699,057	5,558,390	7,699,057

Analysed as:

	2016	2015
	\$	\$
Current finance lease receivable (recoverable within 12 months)	2,346,056	2,140,666
Non-current finance lease receivable (recoverable after 12 months)	3,212,334	5,558,391
	5,558,390	7,699,057

The Group enters into finance leasing arrangement for its vessel. The lease is denominated in Singapore dollar. The term of finance lease entered into is 5 years (2015: 5 years).

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 9.6% (2015: 9.6%) per annum.

Finance lease receivable balances are secured over the leased vessel. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee.

The leased vessel has been pledged with a bank for bank facilities (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7. Work-in-progress

	Group	
	2016	2015
	\$	\$
Contracts in progress as at 31 December:		
Amounts due from contract customers	8,691,210	6,223,472
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits	22,553,694	25,202,708
Less: Progress billings	(13,862,484)	(18,979,236)
	8,691,210	6,223,472

The amounts due from contract customers are denominated in Singapore dollar.

8. Other receivables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Third parties	678,332	425,115	328,706	186,107
Less: Allowance for impairment of third parties other receivables	(328,706)	-	(328,706)	-
Subsidiaries	-	-	19,291,899	19,239,062
Associate	308,738	302,864	-	-
Less: Allowance for impairment of amount due from an associate	(308,738)	(302,864)	-	-
Prepayments	362,404	219,942	61,324	49,645
Deposits	411,897	417,674	-	6,000
Value-added tax receivables	20,399	73,748	-	-
Total other receivables	1,144,326	1,136,479	19,353,223	19,480,814
Less: Deposits (shown under non-current assets)	(3,956)	(22,795)	-	-
	1,140,370	1,113,684	19,353,223	19,480,814

The amount due from third parties which are non-trade in nature are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Other receivables (Continued)

Movements in the allowance for impairment of third parties other receivables are as follows:

	Group	
	2016	2015
	\$	\$
At 1 January	-	-
Impairment for the financial year	328,706	-
At 31 December	328,706	-

In determining the recoverability of receivables from third parties, the Group considers any changes in the credit quality of the third parties from the date credit were initially granted up to end of the reporting period. Accordingly, management has recognised allowance for impairment loss on third parties other receivables of \$328,706 (2015: \$Nil) in profit or loss for the financial year ended 31 December 2016.

Movements in the allowance for impairment of amount due from an associate are as follows:

	Group	
	2016	2015
	\$	\$
At 1 January	302,864	-
Impairment for the financial year	5,874	302,864
At 31 December	308,738	302,864

The amounts due from subsidiaries and associate which are non-trade in nature are unsecured, interest free and repayable on demand.

In determining the recoverability of receivables from subsidiaries, the Company considers the financial strength and performance of the subsidiaries. Accordingly, management believes that no allowance for impairment loss is required.

In determining the recoverability of receivable from an associate, the Company considers the financial strength and performance of the associate. Accordingly, management has recognised allowance for impairment loss on amount due from an associate of \$5,874 (2015: \$302,864) in profit or loss for the financial year ended 31 December 2016.

The currency profiles of the Group's and Company's other receivables as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	1,069,462	1,017,203	13,419,453	13,527,613
Thai baht	69,661	110,318	5,933,770	5,953,201
Others	5,203	8,958	-	-
	1,144,326	1,136,479	19,353,223	19,480,814

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Inventories

	Group	
	2016	2015
	\$	\$
Raw materials, at cost	92,531	97,075
Consumables, at cost	492,714	532,775
Work-in-progress, at cost	-	285,468
Total	585,245	915,318

The cost of inventories recognised as expense are included in "Cost of services" line item in the Group's profit or loss for the financial year ended 31 December 2016 amounted to \$1,789,601 (2015: \$5,126,469).

10. Investments in subsidiaries

	Company	
	2016	2015
	\$	\$
Unquoted equity shares, at cost	21,630,828	21,630,828
Less: Allowance for impairment loss	(4,289,474)	(449,158)
Total	17,341,354	21,181,670

Movements in the allowance for impairment loss are as follows:

	Company	
	2016	2015
	\$	\$
At 1 January	449,158	449,158
Allowance made during the financial year	3,840,316	-
At 31 December	4,289,474	449,158

As at 31 December 2016, the Company carried out a review on the recoverable amount of its investments in subsidiaries, Eng Soon Investment Pte Ltd and ES Offshore Engineering Pte. Ltd., having regards for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. The assessment was made with reference to the net assets value of Eng Soon Investment Pte Ltd and ES Offshore Engineering Pte. Ltd. of \$2,473,291 and \$35,769 respectively, which best represented the fair value less cost of disposal. The assessment resulted in the recognition of an impairment loss of \$3,840,316 (2015: \$Nil) in the Company's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2016	2015	2016	2015	2016	2015	2016	2015
		\$	\$	%	%	%	%	%	%
Held by the Company									
Eng Soon Investment Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services/Singapore	5,275,859	5,275,859	100	100	100	100	-	-
Wang Fatt Oil & Gas Construction Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services/Singapore	10,400,088	10,400,088	100	100	100	100	-	-
Eng Soon Marine Pte Ltd ⁽¹⁾	Sale of consumables/Singapore	782,272	782,272	100	100	100	100	-	-
ES Offshore Engineering Pte. Ltd. ⁽¹⁾	Repairs of vessel and related engineering services/Singapore	1,073,517	1,073,517	100	100	100	100	-	-
Eng Soon Engineering (1999) Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services/Singapore	1,401,732	1,401,732	100	100	100	100	-	-
ES Shipping Pte. Ltd. ⁽¹⁾	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew/Singapore	100,000	100,000	100	100	100	100	-	-
ES Energy Pte. Ltd. ⁽¹⁾	Offshore support services and investment holding/Singapore	1	1	100	100	100	100	-	-
ES Oil & Gas Pte. Ltd. ⁽¹⁾	Repair of vessels and related engineering services/Singapore	1	1	100	100	100	100	-	-
Dalian ES Marine & Offshore Engineering Co., Ltd. ⁽⁵⁾	Technical development, design, and consultancy service for ship and offshore project/People's Republic of China ("PRC")	449,158	449,158	100	100	100	100	-	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd. ⁽²⁾⁽³⁾⁽⁴⁾	Vessel building and repair and steel construction/Thailand	2,148,200	2,148,200	50	50	51	51	50	50
		<u>21,630,828</u>	<u>21,630,828</u>						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Investments in subsidiaries (Continued)

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

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2016	2015	2016	2015	2016	2015	2016	2015
		\$	\$	%	%	%	%	%	%
Held by ES Oil & Gas Pte. Ltd.									
ESW Automation Pte. Ltd. ⁽¹⁾	Provide electrical and installation services for vessels/Singapore	100	60	100	60	100	60	-	40
		<u>100</u>	<u>60</u>						

Notes:

- (1) Audited by BDO LLP, Singapore.
- (2) Audited by BDO Limited, Thailand.
- (3) The Group owns 50% equity shares of ES Offshore and Marine Engineering (Thailand) Co., Ltd.. However, based on the contractual arrangements between the Group and other investors, the Group holds 51% of voting power that gives it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. The non-controlling interests own 50% equity shares and 49% of voting power of ES Offshore and Marine Engineering (Thailand) Co., Ltd.. Therefore, the directors of the Group determined that the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd. and accordingly ES Offshore and Marine Engineering (Thailand) Co., Ltd. is consolidated in these financial statements.
- (4) The Group has not presented the summarised financial information about the assets, liabilities, profit or loss and cash flows of the non-wholly owned subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd. that has material non-controlling interests due to confidentiality of such information for commercial reasons.
- (5) Not audited as deemed not material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10. Investments in subsidiaries (Continued)

Acquisition of non-controlling interests

On 18 November 2016, the Company acquired additional 40% equity interests in ESW Automation Pte. Ltd. ("ESW"), a company registered in Republic of Singapore, through a wholly-owned subsidiary, ES Oil & Gas Pte. Ltd., from its non-controlling interests for a cash consideration of \$40. The aggregate carrying value of the net liabilities of ESW as at 18 November 2016 was \$310,683 and the aggregate carrying value of the additional interest acquired was \$124,273. The difference of \$124,313 between the consideration and the carrying value of the additional interest acquired has been recognised as "Acquisition of non-controlling interests without a change in control" within equity.

As a result of this acquisition, the Company has increased its effective equity interests in ESW from 60% to 100%.

The following summarises the effect of the change in the Group's ownership interests in ESW on the equity attributable to owners of the Group:

	Group	
	2016	2015
	\$	\$
Consideration paid for acquisition of non-controlling interests	40	-
Carrying amount of non-controlling interests acquired	124,273	-
Excess of consideration paid recognised in equity of the parent	124,313	-

Non-controlling interests

In the previous financial year, the non-controlling interest arising from ESW was considered to be insignificant to the Group's financial statements.

11. Investment in an associate

	Group	
	2016	2015
	\$	\$
Cost of investment in an associate	200,000	200,000
Share of post-acquisition loss, net of dividend received	(132,155)	(132,155)
Allowance for impairment loss	(67,845)	(67,845)
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Investment in an associate (Continued)

Movements in the allowance for impairment loss are as follows:

	Group	
	2016	2015
	\$	\$
At 1 January	67,845	-
Allowance made during the financial year	-	67,845
At 31 December	67,845	67,845

As at 31 December 2015, the Group carried out a review on the recoverable amount of its investment in an associate due to the losses reported by the associate and the Group also foresaw that the associate would continue to be loss making in foreseeable future. As a result of the review, the associate was fully impaired with recognition of an impairment loss of \$67,845 that had been recognised in the Group's profit or loss for the financial year ended 31 December 2015.

Name of associate	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest		Proportion of voting power held	
			2016	2015	2016	2015
			%	%	%	%
Karnot Technology Pte. Ltd. ⁽¹⁾	Singapore	Provide engineering services	20	20	20	20

⁽¹⁾ Audited by Smalley & Sims PAC, Singapore.

The above associate is accounted for using the equity method in these consolidated financial statements.

Summarised financial information in respect of the Group's immaterial associate is set out below.

	Group	
	2016	2015
	\$	\$
Loss for the year, representing total comprehensive income for the year	-	(76,995)

The Group's share of current year's losses is \$Nil (2015: \$76,995) as the associate is no longer in operation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Club membership

	Group	
	2016	2015
	\$	\$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Total	49,500	49,500

13. Property, plant and equipment

	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction- in-progress	Vessel	Other assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group										
Cost										
At 1 January 2016	5,598,757	3,524,690	1,296,794	797,847	11,434,443	1,712,735	14,274	-	2,374,807	26,754,347
Exchange translation	-	107,993	39,732	24,445	288,425	3,765	437	-	12,842	477,639
Additions	-	-	-	-	14,459	148,626	-	5,000,001	62,511	5,225,597
Disposals	-	-	-	-	(34,837)	(231,015)	-	-	(3,638)	(269,490)
Write-off	-	-	-	-	-	-	(4,618)	-	-	(4,618)
At 31 December 2016	5,598,757	3,632,683	1,336,526	822,292	11,702,490	1,634,111	10,093	5,000,001	2,446,522	32,183,475
Accumulated depreciation and accumulated impairment losses										
At 1 January 2016	1,792,940	-	499,091	526,537	7,909,055	1,457,753	-	-	1,780,270	13,965,646
Exchange translation	-	-	15,936	16,632	189,827	2,064	-	-	8,758	233,217
Charge for the year	225,323	-	105,492	81,909	1,039,621	80,765	-	-	277,847	1,810,957
Impairment losses	-	-	-	-	444,079	-	-	-	-	444,079
Disposals	-	-	-	-	(23,935)	(231,015)	-	-	(3,560)	(258,510)
At 31 December 2016	2,018,263	-	620,519	625,078	9,558,647	1,309,567	-	-	2,063,315	16,195,389
Carrying amount										
At 31 December 2016	3,580,494	3,632,683	716,007	197,214	2,143,843	324,544	10,093	5,000,001	383,207	15,988,086

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Property, plant and equipment (Continued)

	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction- in-progress	Other assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group									
Cost									
At 1 January 2015	5,598,757	3,599,745	1,300,690	814,836	11,746,545	1,670,233	31,370	2,107,206	26,869,382
Exchange translation	-	(75,055)	(27,119)	(16,989)	(201,357)	(2,409)	(653)	(9,021)	(332,603)
Additions	-	-	-	-	117,867	44,911	66,286	295,985	525,049
Reclassification	-	-	23,223	-	58,823	-	(82,729)	683	-
Disposals	-	-	-	-	(218,995)	-	-	(452)	(219,447)
Write-off	-	-	-	-	(68,440)	-	-	(19,594)	(88,034)
At 31 December 2015	5,598,757	3,524,690	1,296,794	797,847	11,434,443	1,712,735	14,274	2,374,807	26,754,347
Accumulated depreciation									
At 1 January 2015	1,567,617	-	405,412	456,310	7,189,794	1,315,189	-	1,548,610	12,482,932
Exchange translation	-	-	(8,323)	(9,412)	(106,332)	(1,010)	-	(4,988)	(130,065)
Charge for the year	225,323	-	102,002	79,639	1,092,958	143,574	-	256,612	1,900,108
Disposals	-	-	-	-	(198,925)	-	-	(370)	(199,295)
Write-off	-	-	-	-	(68,440)	-	-	(19,594)	(88,034)
At 31 December 2015	1,792,940	-	499,091	526,537	7,909,055	1,457,753	-	1,780,270	13,965,646
Carrying amount									
At 31 December 2015	3,805,817	3,524,690	797,703	271,310	3,525,388	254,982	14,274	594,537	12,788,701

During the financial year, the Group carried out a review of the recoverable amount of its property, plant and equipment. The review led to the recognition of an impairment loss of \$444,079 (2015: \$Nil) that has been recognised in "Administrative expenses" line item in the Group's profit or loss. The recoverable amount of the relevant asset has been determined on the basis of its fair value less costs to sell.

Other assets consist of office equipment, furniture and fittings, air conditioner, renovations and container.

Leasehold land and property comprises:

- 4 office units at 8 Ubi Road 2 #06-23 to #06-26 Zervex Singapore 408538, leased for 57 years from 29 June 2011; and
- a workshop, repair facilities and worker dormitory at 10 Kwong Min Road Singapore 628712, leased for 22 years from April 2006.

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of \$3,580,494 (2015: \$3,805,817) have been pledged with a bank for banking facilities (Note 14).

Freehold land and property comprises:

- a shipyard and branch office at 161/2 Moo 7 Tambon Nahukwang, Amphur Thapsakae, Prachupkirikhan 77130, Thailand; and
- a worker dormitory at 136/76 Moo 5, Tambon Thapsakae, Amphur Thapsakae, Prachupkirikhan 77130, Thailand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Property, plant and equipment (Continued)

As at the end of the reporting period, the Group has plant, machinery and equipment, and motor vehicles held under finance lease payables (Note 17) with carrying amount of \$284,645 (2015: \$1,105,849) and \$58,324 (2015: \$24,401) respectively.

There is no depreciation on the Group's vessel and capitalisation of dry docking expenses for the financial year ended 31 December 2016 as the vessel was acquired in December 2016 and was not ready for use.

14. Bank loans

	Group	
	2016	2015
	\$	\$
Bank loans		
- Term loan 1 ^(a)	-	64,399
- Term loan 2 ^(a)	101,431	230,272
- Term loan 3 ^(a)	1,208,596	1,278,565
- Term loan 4 ^(a)	3,280,000	4,360,000
- Short term loan ^(b)	1,600,000	-
Bank overdraft ^(c) (Note 4)	433,531	-
Total bank loans	6,623,558	5,933,236
Less: Amount due for settlement within 12 months (shown under current liabilities)	(5,490,677)	(1,343,950)
Amount due for settlement after 12 months	1,132,881	4,589,286

Notes:

- (a) The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 2.38% to 5.79% (2015: 2.28% to 5.10%) per annum.
- (b) The short term loan was arranged at floating interest rate, thus exposing the Group to cash flow risk. The short term loan has an average effective interest rate of 2.70% (2015: Nil%) per annum.
- (c) The bank overdraft is repayable on demand. The average effective interest rate was 6.50% (2015: Nil%) during the financial year and are determined based on 1.00% plus prime rate.

At the end of the financial year, the Group's bank loans are secured by:

- (i) legal mortgage over the Group's leasehold land and property (Note 13);
- (ii) a pledge over a leased vessel (Note 6); and
- (iii) corporate guarantees by the Company for all the monies owing (Note 32).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

14. Bank loans (Continued)

As at the end of the financial year, the Group has available \$11,001,540 (2015: \$12,952,871) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

As at the end of the financial year, the fair value of the Group's bank loans is approximately \$6,099,132 (2015: \$5,007,474).

The fair value measurement is classified under Level 2 of the fair value hierarchy. The fair value has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with most significant input being the discount rate.

There has been no change to the valuation technique during the year.

The currency profiles of bank loans of the Group's and the Company's as at 31 December are as follows:

	Group	
	2016	2015
	\$	\$
Singapore dollar	6,623,558	5,933,236

15. Trade payables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Subsidiaries	-	-	-	56,000
Third parties	1,432,130	2,895,033	86	29,417
Total trade payables	1,432,130	2,895,033	86	85,417
Add: Bank loans (Note 14)	6,623,558	5,933,236	-	-
Add: Other payables (Note 16)	7,949,893	8,525,663	12,635,403	13,373,543
Add: Finance lease payables (Note 17)	148,498	446,118	-	-
Total financial liabilities carried at amortised cost	16,154,079	17,800,050	12,635,489	13,458,960

The average credit period of trade payables is 30 days (2015: 30 days). No interest is charged on the outstanding balances.

The amount due to subsidiaries are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

15. Trade payables (Continued)

The currency profiles of the Group's and Company's trade payables as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	1,085,614	1,489,617	86	85,417
Thai baht	259,545	1,280,477	-	-
Others	86,971	124,939	-	-
	<u>1,432,130</u>	<u>2,895,033</u>	<u>86</u>	<u>85,417</u>

16. Other payables

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Director of subsidiary ^(a)	5,934,667	5,954,097	865	865
Subsidiaries	-	-	12,552,378	13,247,816
Third parties	502,350	521,643	-	8,840
Accruals ^(b)	1,030,617	1,525,099	82,160	116,022
Workers' guarantee payables ^(c)	442,259	484,824	-	-
Deposit received	40,000	40,000	-	-
	<u>7,949,893</u>	<u>8,525,663</u>	<u>12,635,403</u>	<u>13,373,543</u>

^(a) This represents advances from director of subsidiary which are unsecured, interest free and repayable on demand.

^(b) Accruals principally comprise amounts outstanding for on-going costs.

^(c) Workers' guarantee payables comprise rewards payable to workers.

The amount due to third parties which are non-trade in nature and amount due to subsidiaries are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16. Other payables (Continued)

The currency profiles of the Group's and Company's other payables as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Singapore dollar	1,863,282	2,376,183	12,635,403	13,373,543
Thai baht	6,061,570	6,134,243	-	-
Others	25,041	15,237	-	-
	<u>7,949,893</u>	<u>8,525,663</u>	<u>12,635,403</u>	<u>13,373,543</u>

17. Finance lease payables

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	\$	\$	\$	\$
Group				
Amounts payable under finance leases:				
Within one year	96,584	378,047	91,158	362,284
In the second to fifth years inclusive	46,518	86,091	38,356	83,834
After five years	19,971	-	18,984	-
Total finance lease payables	<u>163,073</u>	<u>464,138</u>	<u>148,498</u>	<u>446,118</u>
Less: Future finance charges	(14,575)	(18,020)	-	-
Present value of lease obligations	<u>148,498</u>	<u>446,118</u>	<u>148,498</u>	<u>446,118</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)			(91,158)	(362,284)
Amount due for settlement after 12 months			<u>57,340</u>	<u>83,834</u>

It is the Group's policy to lease certain of its plant, machinery and equipment and motor vehicle under finance leases. The average lease terms ranged from 5 to 7 years (2015: 5 to 7 years). The average effective borrowing rate was 5.70% (2015: 5.82%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

The Group's obligations under finance leases are secured by the leased assets (Note 13).

The finance lease payables are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Deferred tax

	Group	
	2016	2015
	\$	\$
Deferred tax liabilities	-	-

The following are the movements of deferred tax liabilities during the year.

	Accelerated tax depreciation	
	2016	2015
	\$	\$
Group		
At beginning of year	-	75,739
Credit to profit or loss (Note 27)	-	(75,739)
At end of year	-	-

19. Share capital

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		\$	\$
Issued and paid up:				
At beginning and at end of year	141,200,000	141,200,000	23,698,348	23,698,348

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

20. Statutory surplus reserve

In accordance with the relevant provisions of the Civil and Commercial Code in Thailand, the subsidiary in Thailand, ES Offshore and Marine Engineering (Thailand) Co., Ltd. is required to set aside a statutory surplus reserve of at least 5% of its net income at each dividend distribution until the reserve reached 10% of the authorised capital. The statutory surplus reserve is not available for dividend distribution.

21. Merger reserve

Merger reserve arose as a result of a Group Restructuring Exercise in 2009 prior to its Initial Public Offering and it represented the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition under common control.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. Revenue

	Group	
	2016	2015
	\$	\$
Service revenue	22,098,063	37,703,608
Finance lease income	619,333	806,742
	<u>22,717,396</u>	<u>38,510,350</u>

23. Cost of services

	Group	
	2016	2015
	\$	\$
Cost of projects (include labour costs and other direct costs)	16,128,674	22,973,247
Depreciation of property, plant and equipment (Note 28)	1,389,967	1,439,362
Materials	1,789,601	5,126,469
	<u>19,308,242</u>	<u>29,539,078</u>

24. Other operating income

	Group	
	2016	2015
	\$	\$
Reimbursement of expenses from foreign workers	798,141	706,435
Rental income	225,476	318,524
Interest income	59,276	29,058
Gain on disposal of property, plant and equipment	42,641	-
Scrap income	33,166	54,004
Government grant	260,728	144,590
Others	93,051	128,379
	<u>1,512,479</u>	<u>1,380,990</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

25. Other operating expenses

	Group	
	2016	2015
	\$	\$
Rental expense:		
- Land lease	101,503	94,944
- Workshop lease	125,769	290,094
- Dormitory	1,070,956	1,181,766
- Others	188,385	117,897
Repair and maintenance	282,699	915,728
Travelling expense	140,438	134,546
Staff training and welfare	295,704	203,424
Food and refreshment	113,012	130,659
Foreign exchange loss – net	44,408	644,061
Water and electricity	204,415	278,088
Transportation	61,950	38,026
Depreciation on property, plant and equipment (Note 28)	209,982	205,141
Staff uniform	21,341	47,456
Loss on disposal of property, plant and equipment	-	7,338
Others	259,015	323,161
	<u>3,119,577</u>	<u>4,612,329</u>

26. Finance costs

	Group	
	2016	2015
	\$	\$
Interest on bank borrowings	44,179	54,212
Interest on bank overdrafts	3,354	-
Interest on obligations under finance leases	16,678	45,239
	<u>64,211</u>	<u>99,451</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Income tax credit

	Group	
	2016	2015
	\$	\$
Income tax:		
- Overprovision in prior years	(298)	(1,472)
	(298)	(1,472)
Deferred tax (Note 18)		
- Overprovision in prior years	-	(75,739)
	(298)	(77,211)

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total benefit for the financial year can be reconciled to the accounting loss as follows:

	Group	
	2016	2015
	\$	\$
Loss before income tax	(5,462,505)	(1,627,470)
Income tax benefit at statutory rate of 17% (2015: 17%)	(928,626)	(276,670)
Effect of different tax rates of overseas operations	(7,493)	19,225
Effect of income that is exempt from taxation	(14,125)	(152,716)
Effect of expenses that are not deductible in determining taxable profit	192,498	126,837
Tax exemption	(375)	(14,113)
Tax incentives	(2,430)	(3,916)
Overprovision in prior years	(298)	(77,211)
Effect of previously unrecognised tax losses now recognised	-	(218,554)
Deferred tax assets not recognised in profit or loss	758,508	518,458
Others	2,043	1,449
Total income tax credit	(298)	(77,211)

Subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates at the end of the reporting period, the Group has unutilised tax losses of \$10,041,562 (2015: \$5,579,748) available for offset against future profits. Included in unutilised tax losses are amounts of \$4,377,856 (2015: \$4,247,711) and \$555,666 (2015: \$Nil) arising in certain foreign tax jurisdictions which will expire in 2020 and 2021 respectively. No deferred tax asset has been recognised in accordance with the accounting policy in Note 2.20 to the financial statements due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

27. Income tax credit (Continued)

The Group's unutilised tax losses can be carried forward subject to the conditions imposed by the law including the retention of majority shareholders as defined.

The Company's subsidiary in Thailand was granted investment promotion privileges as a promoted industry by virtue of the provision of the Investment Promotion Act B.E. 2520 (1977).

According to the promotional certificate no. 1279(2)/2550 dated 16 March 2007, the promotional certificate no. 2000(2)/2554 dated 11 July 2011 and the promotional certificate no. 1569(2)/2558 dated 6 October 2014, the Company's subsidiary is entitled to the following privileges:

- deduction of import duty on certain imported machinery as approved by the Board of Investment;
- deduction of import duty on the raw and essential materials import in producing products for export for a period of 5 years from the date such materials are first imported;
- exemption of import duties on items which imports for re-export for a period of 5 years from the date such items are first imported;
- deduct an amount 25 percent of the cost of installation of machines and facilities, in addition to normal depreciation;
- exemption of corporate income tax on the net profit derived from the promoted activity with the total amount not exceeding 100 percent of the investment capital, excluding cost of land and working capital for a period of not more than 8 years from the date income was derived from such activity; and utilisation of net loss incurred during the exemption period as a deduction from net income incurred subsequent to the expired date up to 5 years.
- tax-exempt dividends derived from the Promoted Activity to the shareholders within the income tax exemption period.

The subsidiary has to comply with certain terms and conditions contained in the promotion certificate.

During the financial year, extension granted for the promotional certificate no. 1279(2)/2550, related to privileges (i) deduction of import duty on raw and essential material in producing products for export and (ii) exemption of import duties on items which import for re-export, has expired on 26 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Loss for the year

Loss for the year is arrived at after charging:

	Group	
	2016	2015
	\$	\$
Depreciation of property, plant and equipment:		
- cost of services (Note 23)	1,389,967	1,439,362
- administrative expenses	211,008	255,605
- other operating expenses (Note 25)	209,982	205,141
	<u>1,810,957</u>	<u>1,900,108</u>
Directors' remuneration:		
- of the Company	779,300	868,500
- of the subsidiaries	104,157	110,371
Audit fee:		
- paid/payable to auditors of the Company	87,200	87,000
- paid/payable to other auditors	17,512	37,170
Non-audit fee:		
- paid/payable to other auditors	-	16,336
Employee benefits expense (including directors' remuneration)	16,358,621	22,290,008
Costs of defined contribution plans (included in employee benefits expense)	534,888	537,354
Cost of inventories recognised as expense (Note 23)	1,789,601	5,126,469
Allowance for impairment of amount due from an associate	5,874	302,864
Allowance for impairment of third parties trade receivables	466,070	-
Allowance for impairment of third parties other receivables	328,706	-
Impairment of investment in an associate	-	67,845
Impairment of property, plant and equipment	444,079	-
Property, plant and equipment written off	<u>4,618</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

29. Loss per share

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company is based on the following data:

	2016 \$	2015 \$
Loss for the year attributable to owners of the Company	(4,834,180)	(1,906,624)
Weighted average number of ordinary shares for basic and diluted loss per share computation	141,200,000	141,200,000
Basic loss per share (cents)	(3.42)	(1.35)
Diluted loss per share (cents)	(3.42)	(1.35)

Basic loss per share are calculated by dividing the loss for the year attributable to the owners of the parent by the weighted average number of ordinary shares in issue of 141,200,000 (2015: 141,200,000) during the financial year.

Basic and diluted loss per share are the same as the Group does not have dilutive potential ordinary shares.

30. Dividends

On 27 February 2015, the Company declared and paid a final one-tier tax exempt dividend of 0.25 cents per share amounting to \$353,000 in respect of the year ended 31 December 2014 to its shareholders.

The Company did not recommend any dividend in respect of the financial years ended 31 December 2015 and 2016.

31. Operating lease commitments

As lessees

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	
	2016 \$	2015 \$
Future minimum lease payments payable:		
Within one year	112,021	246,228
After one year but within five years	413,863	377,726
After five years	638,038	676,760
Total	1,163,922	1,300,714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

31. Operating lease commitments (Continued)

As lessees (Continued)

Leases comprise:

- (a) JTC land lease which is negotiated for term of 22 years from April 2006 and increment to the present charge rate will be subjected to revision. JTC will review this rate periodically to determine the need for rate revision.
- (b) Workshop lease which is negotiated for a term of three years and rentals are fixed over the term of the lease.

There are no provisions for contingent rent or upward revision of rent based on market price indices for the above operating leases.

32. Contingent liabilities

The Company has given corporate guarantees to certain banks and insurers in respect of banking facilities and foreign worker bonds granted to certain subsidiaries. The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$24,947,411 (2015: \$30,827,380). The earliest period that the guarantee could be called is within 1 year (2015: 1 year) from the end of the reporting period.

Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

33. Significant related party transactions

During the year, in addition to the 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 between the parties:

	Group	
	2016	2015
	\$	\$
Professional fee paid to immediate family member of directors/shareholders	205,667	200,000
Subcontractor fee paid to an entity controlled by a common significant shareholder of a subsidiary	-	2,507,004
Loan from a director of subsidiary	-	3,519,152

There are no outstanding balances with related parties and key management personnel or their immediate family members.

Key management personnel remuneration

The remuneration of directors and other members of key management are as follows:

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Short-term benefits	1,334,400	1,722,189	641,800	868,500
Post-employment benefits	116,856	116,760	32,776	25,500
	1,451,256	1,838,949	674,576	894,000

The remuneration of directors and key management is determined by the Remuneration and Compensation Committee having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Segment information

Services from which reportable segments derive their revenues

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under FRS 108.

Operating segments are aggregated into a single reportable operating segment if they have similar economic characteristic, such as long-term average gross margins, and are similar in respect of nature of services and process, type of customers, method of distribution, and if applicable, the nature of the regulatory environment.

The Group's reportable operating segments under FRS 108 are as follows:

Segment	Principal activities
New building and conversion	New building and conversion of offshore and marine structures and vessels, and labour supply
Repair	Repair of ships tankers and other ocean-going vessels

The accounting policies of the reportable segments are described in Note 2.23. Segment revenue represents revenue generated from external customers. Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Depreciation is not allocated to the respective segments as the property, plant and equipment of the Group are for general purpose that are used for all segments.

The segment assets comprise trade receivables, work-in-progress, finance lease receivable, certain inventory and property, plant and equipment. The remaining assets are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

The segment liabilities comprise trade payables and bank loans drawdown by a subsidiary for the purpose to finance the leased vessel. The remaining liabilities are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Segment information (Continued)

Information regarding the Group's reportable operating segments are presented in the tables below:

	New building and conversion	Repair	Total
	\$	\$	\$
2016			
Revenue			
Segment revenue	19,073,285	3,644,111	22,717,396
Results			
Segment results	2,850,273	558,881	3,409,154
Other operating income			1,512,479
Administrative expenses			(7,200,350)
Other operating expenses			(3,119,577)
Finance costs			(64,211)
Loss before income tax			(5,462,505)
Income tax credit			298
Loss for the year			(5,462,207)
Other information			
Capital expenditure			5,225,597
Gain on disposal of property, plant and equipment			(42,641)
Impairment of property, plant and equipment			444,079
Allowance for impairment of third parties trade receivables			466,070
Allowance for impairment of third parties other receivables			328,706
Allowance for impairment of amount due from an associate			5,874
Property, plant and equipment written off			4,618
Depreciation of property, plant and equipment			1,810,957
Assets and Liabilities			
Segment assets	29,196,841	2,509,679	31,706,520
Unallocated corporate assets			15,645,844
Total assets			47,352,364
Segment liabilities	3,791,557	-	3,791,557
Unallocated corporate liabilities			12,362,522
Total liabilities			16,154,079

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Segment information (Continued)

	New building and conversion \$	Repair \$	Total \$
2015			
Revenue			
Segment revenue	29,428,818	9,081,532	38,510,350
Results			
Segment results	7,371,253	1,600,019	8,971,272
Other operating income			1,380,990
Administrative expenses			(7,190,957)
Other operating expenses			(4,612,329)
Finance costs			(99,451)
Share of loss of an associate			(76,995)
Loss before income tax			(1,627,470)
Income tax credit			77,211
Loss for the year			(1,550,259)
Other information			
Capital expenditure			525,049
Loss on disposal of property, plant and equipment			7,338
Impairment of investment in an associate			67,845
Allowance for impairment of amount due from an associate			302,864
Depreciation of property, plant and equipment			1,900,108
Assets and Liabilities			
Segment assets	33,605,089	4,786,324	38,391,413
Unallocated corporate assets			15,914,673
Total assets			54,306,086
Segment liabilities	6,143,943	-	6,143,943
Unallocated corporate liabilities			11,662,355
Total liabilities			17,806,298

Geographical information

The Group operates in three principal geographical areas – Singapore (country of domicile), Thailand and People's Republic of China ("PRC").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Segment information (Continued)

Geographical information (Continued)

The Group's revenue from external customers and information about its segment assets (non-current assets) by geographical location are detailed below:

	Revenue		Non-current assets [#]	
	2016	2015	2016	2015
	\$	\$	\$	\$
<u>Geographical segments</u>				
Singapore	19,533,598	23,551,276	9,173,745	4,507,462
Thailand	3,004,272	14,756,221	6,858,375	8,325,021
PRC	179,526	202,853	5,466	5,718
	<u>22,717,396</u>	<u>38,510,350</u>	<u>16,037,586</u>	<u>12,838,201</u>

[#]Non-current assets other than financial instruments.

The Group's revenue and non-current assets by geographical segments are based on the respective entities' country of operations.

Information about major customers

Major customers with revenue more than 10% of the Group's total revenue are as follows:

	2016	2015
	\$	\$
Top 1 st customer	17,910,322	16,050,094
Top 2 nd customer	3,235,849	14,073,732
Top 3 rd customer	-	1,780,202

Each customer above contributes revenue to both reportable segments.

35. Financial instruments, financial risks and capital risks management

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate 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.

Risk management is carried out by the Board and periodic reviews are undertaken to ensure that the Group's and Company's policy guidelines are complied with. There has been no significant change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(a) Categories of financial instruments

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Financial assets				
Loans and receivables (including cash and cash equivalents)	30,346,730	40,258,877	19,417,877	19,896,467
Financial liabilities				
Financial liabilities carried at amortised cost	16,154,079	17,800,050	12,635,489	13,458,960

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company place their cash and cash equivalents with creditworthy institutions. The Group has adopted policies and procedures in extending credit terms to customers and in monitoring credit risk. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

Concentration of credit risk exists when changes in economic, industry or geographic factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Group's and Company's total credit exposure.

As at the end of the reporting period, the Group has 2 (2015: 3) major customers which accounted for 96.2% (2015: 91.9%) of the net trade receivable balances.

The Company has no concentration of credit risk other than the amount due from subsidiaries as disclosed in Note 5 and Note 8.

Aging profile of trade receivables that are past due but not impaired:

	Group	
	2016	2015
	\$	\$
<3 months	3,169,279	6,653,345
3 months to 6 months	424,773	1,214,540
6 months to 12 months	353,017	1,038,533
>12 months	252,483	1,001,137
	4,199,552	9,907,555

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(b) Credit risk (Continued)

The trade receivables that are neither past due nor impaired relating to customers of the Group and Company have been assessed to be creditworthy, based on the credit evaluation process performed by management.

The Group has not provided for trade receivables balances of major customers which are past due at the end of the reporting period as there has not been a change in credit quality and the amounts are still considered recoverable. The Group and Company do not hold any collateral over these balances.

In determining the recoverability of receivables from subsidiaries, the Company considers the financial strength and performance of the subsidiaries. Accordingly, management believes that no allowance for impairment loss was needed.

(c) Foreign exchange risk

The Group entities transact largely in their functional currencies, which in most instances is the Singapore dollars. Foreign exchange risk arises largely from transactions denominated in currencies such as Singapore dollars, Thai baht and United States dollars. The Group and Company does not use derivative financial instruments to hedge against foreign exchange exposure as the currency risk is not expected to be significant.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities (including advances to foreign operations within the Group) denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities		Assets	
	2016 \$	2015 \$	2016 \$	2015 \$
Group				
Singapore dollars	174,833	106,138	6,101,358	8,940,552
Thai baht	-	-	5,933,770	5,953,201
United States dollars	-	6,958	-	-
Company				
Thai baht	-	-	5,933,770	5,953,201

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2015: 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(c) Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

If the relevant foreign currency strengthens by 5% against the functional currency of each Group entities, profit before income tax will increase by:

	2016	2015
	\$	\$
Group		
Singapore dollars	296,326	441,721
Thai baht	296,689	297,660
United States dollars	-	(348)
	<hr/>	<hr/>
Company		
Thai baht	296,689	297,660
	<hr/>	<hr/>

If the relevant foreign currency weakens by 5%, there would be an equal and opposite impact on the Group's and Company's profit before income tax shown above, on the basis that all other variables remain constant.

There is no direct impact to the Group's and Company's equity arising from changes in foreign exchange rates.

(d) Interest rate risk

The Group's exposures to market risk for changes in interest rate relates to the Group's long term and short term debt obligations. The Group does not use derivative financial instruments to hedge its exposure to interest rate fluctuation.

However, it is the Group's policy to obtain the most favourable interest rates available whenever the Group obtains additional financing through bank borrowings.

The interest rates, terms of maturity and repayment of borrowings of the Group are disclosed in Note 14.

The Company is not exposed to any interest rate risk since the Company does not have any interest-bearing financial asset and financial liability.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of financial instruments that have floating rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit or loss for the year ended 31 December 2016 would decrease/increase by \$33,118 (2015: decrease/increase by \$29,666). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

There is no direct impact to the Group's equity arising from changes in interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(e) Liquidity risk

As at the end of the reporting period, the Group's cash and cash equivalents amounted to \$4,979,452 (2015: \$8,945,317). Management is of the view that there is sufficient cash and cash equivalents and internally generated cash flows to finance the Group's activities. If required, financing can be obtained from its existing lines of banking facilities. At 31 December 2016, the Group had available \$11,001,540 (2015: \$12,952,871) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

In addition, the Company enters into financial guarantee contracts on behalf of its subsidiaries as disclosed in Note 32.

The Company funds its operations through internal funds and bank loans. The Company closely monitors the working capital requirements and minimises its liquidity risk by ensuring sufficient available funds and credits lines.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statements of financial position.

	Weighted average effective interest rate %	On demand or within 1 year \$	Within 2 to 5 years \$	After 5 years \$	Adjustment \$	Total \$
Group						
2016						
Non-interest bearing	-	9,382,023	-	-	-	9,382,023
Finance lease payables (fixed rate)	5.70	96,584	46,518	19,971	(14,575)	148,498
Variable interest rate instruments	3.47	5,692,926	377,232	880,208	(326,808)	6,623,558
		15,171,533	423,750	900,179	(341,383)	16,154,079
Financial corporate guarantee		24,947,411	-	-	-	24,947,411

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(e) Liquidity risk (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year \$	Within 2 to 5 years \$	After 5 years \$	Adjustment \$	Total \$
Group						
2015						
Non-interest bearing	-	11,420,696	-	-	-	11,420,696
Finance lease payables (fixed rate)	5.82	378,047	86,091	-	(18,020)	446,118
Variable interest rate instruments	3.80	1,543,077	3,894,668	1,021,636	(526,145)	5,933,236
		13,341,820	3,980,759	1,021,636	(544,165)	17,800,050
Financial corporate guarantee		30,827,380	-	-	-	30,827,380

Company

All financial liabilities of the Company in 2016 and 2015 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

Non-derivative financial assets

All financial assets of the Group and Company in 2016 and 2015 are repayable on demand or due within 1 year from the end of the reporting period, except for certain finance lease receivable and deposits as disclosed in Notes 6 and 8 respectively.

(f) Offsetting financial assets and financial liabilities

There are no offsetting arrangements on financial assets and financial liabilities at the Group level. The following table details the Company's financial assets and financial liabilities which are subject to offsetting, enforceable master netting arrangements and similar agreements.

The Company has the following financial instruments subject to enforceable master netting arrangements or similar agreements as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(f) Offsetting financial assets and financial liabilities (Continued)

Financial assets

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets \$	Gross amounts of financial liabilities \$	Net amount \$
Company			
2016			
Amount due from subsidiaries	25,395,100	(6,103,201)	19,291,899
2015			
Amount due from subsidiaries	22,506,201	(2,914,139)	19,592,062

Financial liabilities

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets \$	Gross amounts of financial liabilities \$	Net amount \$
Company			
2016			
Amount due to subsidiaries	1,948,652	(14,501,030)	(12,522,378)
2015			
Amount due to subsidiaries	1,164,132	(14,467,948)	(13,303,816)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35. Financial instruments, financial risks and capital risks management (Continued)

(g) Capital risks management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as going concerns and maintain an optimal capital structure so as to maximise shareholders' values.

The capital structure of the Group consists of debts, which include bank loans (Note 14) and finance lease payables (Note 17), and equity comprising issued capital, reserves and retained earnings as disclosed in the notes to the financial statements.

The capital structure of the Company consists of equity comprising issued capital and retained earnings as disclosed in the notes to the financial statements.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity. Total borrowings is calculated as bank loans plus finance lease payables.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from the previous financial year.

	Group	
	2016	2015
	\$	\$
Total borrowings	6,772,056	6,379,354
Total equity	31,198,285	36,499,788
Gearing ratio	22%	17%

Externally imposed capital requirements

- a) A subsidiary in Thailand was subject to externally imposed capital requirements, the details of which are disclosed in Note 20.
- b) Three subsidiaries, Wang Fatt Oil & Gas Construction Pte Ltd, ES Shipping Pte. Ltd. and Eng Soon Investment Pte Ltd were subject to bank covenants.

All of the above subsidiaries have complied with the externally imposed capital requirements for financial years ended 31 December 2016 and 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

36. Fair value of financial assets and financial liabilities

The carrying amounts of financial assets and financial liabilities, classified as current assets and current liabilities on the statements of financial position, approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

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

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

The classification of an item into above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. There were no transfers between Levels 1 and 2 during the year.

37. Events after the reporting period

Increase of share capital in ESW Automation Pte. Ltd.

On 1 February 2017, the issued and paid-up capital of a subsidiary, ESW Automation Pte. Ltd. was increased by additional allotment of 99,900 ordinary shares, for an aggregate consideration of \$99,900 by cash.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2017

SHARE CAPITAL

Issued and fully paid-up capital	:	\$23,698,348
Total number of issued shares	:	141,200,000
Number of treasury shares	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS		NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	- 99	0	0.00	0	0.00
100	- 1,000	7	3.81	6,000	0.00
1,001	- 10,000	46	25.00	369,200	0.26
10,001	- 1,000,000	119	64.67	14,386,500	10.19
1,000,001	AND ABOVE	12	6.52	126,438,300	89.55
TOTAL		184	100.00	141,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	53,540,000	37.92
2.	LOW CHEE WEE	30,235,000	21.41
3.	HONG LEONG FINANCE NOMINEES PTE LTD	13,120,000	9.29
4.	YVONNE LOW-TRIOMPHE	7,540,000	5.34
5.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
6.	LEOW MEI LEE	3,600,000	2.55
7.	UOB KAY HIAN PRIVATE LIMITED	3,003,000	2.13
8.	DBS NOMINEES (PRIVATE) LIMITED	2,449,000	1.73
9.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
10.	RHB SECURITIES SINGAPORE PTE. LTD.	2,188,400	1.55
11.	KGI SECURITIES (SINGAPORE) PTE. LTD.	1,256,000	0.89
12.	LIU WENYING	1,106,900	0.78
13.	ALBERT SUSILO	1,000,000	0.71
14.	LOW CHEE LENG CHRISTOPHER	905,000	0.64
15.	SERM TANTASATIEN	835,000	0.59
16.	PHILLIP SECURITIES PTE LTD	797,000	0.56
17.	OCBC SECURITIES PRIVATE LIMITED	739,000	0.52
18.	KOK SIP CHON	663,000	0.47
19.	GOH KIM SAN	505,500	0.36
20.	LIM SEET HUAT (LIN SHIFA)	454,000	0.32
TOTAL		132,336,800	93.71

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

NAME	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%
Low Chee Wee ⁽¹⁾	30,235,000	21.41	53,540,000	37.92	83,775,000	59.33
Low Chee Leng Christopher ^{(1) (3)}	905,000	0.64	66,660,000	47.21	67,565,000	47.85
Yvonne Low-Triomphe ⁽¹⁾	7,540,000	5.34	53,540,000	37.92	61,080,000	43.26
Neo Peck Keow @ Ng Siang Keng ⁽¹⁾	53,540,000	37.92	-	-	53,540,000	37.92
Eddy Neo Chiang Swee (Eddy Liang Jiang Shui) ⁽²⁾	6,000,000	4.25	3,600,000	2.55	9,600,000	6.80

Notes:

- ⁽¹⁾ Low Chee Wee, Low Chee Leng Christopher and Yvonne Low-Triomphe are siblings. Their mother is Neo Peck Keow @ Ng Siang Keng. Each of Low Chee Wee, Low Chee Leng Christopher and Yvonne Low-Triomphe are deemed interested in all the shares held by their mother, Neo Peck Keow @ Ng Siang Keng, by virtue of Section 7 of the Companies Act.
- ⁽²⁾ Eddy Neo Chiang Swee is deemed interested in the 3,600,000 shares held by his mother, Leow Mei Lee, by virtue of Section 7 of the Companies Act.
- ⁽³⁾ Christopher Low Chee Leng is deemed interested in the shares held by Hong Leong Finance Nominees Pte Ltd. Christopher Low Chee Leng pledged 13,120,000 shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

COMPLIANCE WITH RULES 723 OF LISTING MANUAL (SECTION B: RULES OF CATALIST) OF THE SGX-ST

Based on the information available to the Company as at 17 March 2017, approximately 16.15% of the issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Rule of Catalist Rules.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting of ES Group (Holdings) Limited (the “**Company**”) will be held at 10 Kwong Min Road, Singapore 628712 on 20 April 2017 at 2.00 p.m. to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and audited Financial Statements, for the financial year ended 31 December 2016 and the Auditor’s Report thereon. **Resolution 1**
2. To approve the payment of Directors’ fees of S\$137,500 for the financial year ending 31 December 2017, to be paid quarterly (2016: S\$137,500) **Resolution 2**
3. To re-elect Mr Low Chee Wee a Director retiring pursuant to Article 98 of the Constitution of the Company. **(See Explanatory Notes)** **Resolution 3**
4. To re-elect Ms Tan Swee Ling a Director retiring pursuant to Article 98 of the Constitution of the Company. **(See Explanatory Notes)** **Resolution 4**
5. To re-appoint BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

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

ORDINARY RESOLUTION: PROPOSED ADOPTION OF THE SHARE BUY-BACK MANDATE

6. That:
 - (a) for the purposes of the Companies Act (Chapter 50) of Singapore (the “**Act**”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company (“**Shares**”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market purchases (each a “**Market Purchase**”), transacted on the Catalist or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) off-market purchases (each an “**Off-Market Purchase**”) (if effected otherwise than on the Catalist) in accordance with any equal access schemes as defined in Section 76C of the Act as may be determined or formulated by the Directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”),

(the “**Share Buy-back Mandate**”), be and is hereby authorised and approved generally and unconditionally;

NOTICE OF ANNUAL GENERAL MEETING

- (b) unless varied or revoked by an ordinary resolution of shareholders of the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or
 - (ii) the date on which the Share Buy-back(s) are carried out to the full extent mandated by the Share Buy-back Mandate; or
 - (ii) the date on which the authority contained in the Share Buy-back Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting,

(the "**Relevant Period**");

- (c) in this Resolution 6:

"**Prescribed Limit**" means the number of Shares representing not more than 10% of the total number of ordinary shares of the Company (excluding treasury shares) as at the date passing this Resolution unless the Company has, at any time during the Relevant Period effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, in which event the total number of ordinary shares of the Company shall be taken to be the amount of the total number of ordinary shares of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, the price per Share which is not more than 5% above the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, the price per Share based on not more than 25% above the Average Closing Price of the Shares; and

For the purposes above:

"**Average Closing Price**" means the average of the closing market prices of the Shares for the last 5 Market Days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company, or as the case may be, the Offer Date pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action occurring after the relevant 5 Market Days period;

"**Market Day**" means a day on which the SGX-ST is open for trading in securities; and

"**Offer Date**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from the Shareholders, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

NOTICE OF ANNUAL GENERAL MEETING

- (d) the Directors of the Company and each of them be and are hereby authorised and empowered to complete and do all such acts and things (including executing such documents as may be required) as they may consider desirable, expedient or necessary in the interest of the Company in connection with or for the purposes of giving full effect to the Share Buy-back Mandate. *(See Explanatory Notes)*

Resolution 6

ORDINARY RESOLUTION: AUTHORITY TO ALLOT AND ISSUE SHARES

7. That, pursuant to Section 161 of the Act and Rule 806 of 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 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) warrants, debentures, convertible securities or other Instruments convertible into Shares; and/or
- (iii) notwithstanding that such authority conferred by this Resolution may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit; and
- (B) issue Shares in pursuance of any Instrument made or granted by our Directors pursuant to (A)(ii) and/or (A)(iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued, as per A(iii), provided that:
- (i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 50% of the total number of issued Shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below);
- (ii) the total number of issued Shares in the capital of the Company excluding treasury shares shall be based on the Company’s total number of issued Shares excluding treasury shares, after adjusting for:
- (a) new Shares arising from the conversion or exercise of any convertible securities outstanding at the time this authority is given;
- (b) (where applicable) new Shares arising from the exercise of options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options of share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
- (c) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) in exercising such authority, the Directors shall comply with any or all the provisions of the Catalyst Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Act and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting by ordinary resolution, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act, and every other legislation for the time being in force concerning companies and affecting the Company, whichever is earlier.

(See Explanatory Notes)

Resolution 7

ORDINARY RESOLUTION: AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO THE ENG SOON PERFORMANCE SHARE PLAN AND EMPLOYEE SHARE OPTION SCHEME

8. That, pursuant to Section 161 of the Act, authority be and is hereby given to the Directors of the Company to:
- (a) grant awards in accordance with the provisions of the Eng Soon Performance Share Plan (the "**Performance Share Plan**"); and
 - (b) grant options under the Eng Soon Employee Share Option Scheme (the "**Share Option Scheme**") and

to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Performance Share Plan and/or the exercise of options under the Share Option Scheme, whether granted during the subsistence of this authority or otherwise provided always that the aggregate number of shares to be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) for the time being. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Notes)

Resolution 8

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

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 5 April 2017

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (otherwise than a relevant intermediary) is entitled to appoint not more than 2 proxies to attend and vote in his stead. Where such member's form of proxy appoints 2 proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him. Where such member's form of proxy appoints more than 1 proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.
3. Where a member appoints 2 or more proxies, he shall specify the percentage of shares to be represented by each proxy.
4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under common seal or under the hand of its duly authorised officer or attorney.
5. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Ubi Road 2, #06-26 Zervex, Singapore 408538, not less than 48 hours before the time appointed for the Annual General Meeting.
6. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Business to be Transacted:-

Resolution 3

Mr Low Chee Wee, if re-appointed as Director of the Company, will remain as an Executive Director and Chief Executive Officer and Chief Operating Officer of the Company.

Resolution 4

Ms Tan Swee Ling, if re-appointed as Director of the Company, will continue to serve as Chairman of the Audit and Risk Committee and the Remuneration and Compensation Committee, and member of the Nominating Committee. She is considered as an independent director, for the purpose of Rule 704(7) of the Catalist Rules.

Explanatory Notes on Special Business to be Transacted:-

Resolution 6

The Ordinary Resolution 6 proposed above if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the date of the next Annual General Meeting to be held or is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to make purchases (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of ordinary shares (excluding treasury shares) of the Company at prices up to but not exceeding the Maximum Price. The rationale for the Share Buyback Mandate, the authority and limitation on the purchase or acquisition of Shares under the Share Buyback Mandate, the source of funds to be used for the purchase or acquisition including the amount of financing, and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are set out in greater detail in the Addendum to Shareholders of the Company.

Resolution 7

The Ordinary Resolution 7 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed 100% of the total number of issued shares in the capital of the Company excluding treasury shares at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares at the time of the passing of this Resolution.

NOTICE OF ANNUAL GENERAL MEETING

Resolution 8

The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company to grant awards and options in accordance with the provisions of the Performance Share Plan and Share Option Scheme respectively and allot and issue Shares pursuant to the Performance Share Plan and pursuant to the exercise of options granted or to be granted under the Share Option Scheme, provided that the aggregate number of shares to be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) for the time being. Such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

As at the date of this notice, no awards have been granted under the Performance Share Plan and no options have been granted under the Share Option Scheme. The Performance Share Plan and the Share Option Scheme were adopted at the Extraordinary General Meeting of the Company held on 25 June 2010.

Proxy Form

ES Group (Holdings) Limited

(Company Registration No.: 200410497Z)
(Incorporated in the Republic of Singapore)

Annual General Meeting to be held on Thursday, 20 April 2017

I/We _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of the abovementioned Company, hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

*and/or

--	--	--	--

or failing which, the chairman of the Annual General Meeting, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf at the Seventh Annual General Meeting of the Company to be held at 10 Kwong Min Road Singapore 628712 on Thursday, 20 April 2017 at 2.00 p.m. and at any adjournment thereof.

(With reference to the agenda set out in the Notice of Annual General Meeting, please indicate with an "X" in the spaces provided below how you wish your votes to be cast.)

No.	Resolution	For	Against
	Ordinary Business		
1	Audited Financial Statements, Directors' Statement & Auditor's Report for the financial year ended 31 December 2016		
2	Directors' fees for the financial year ending 31 December 2017, to be paid quarterly		
3	Re-election of Director (Mr. Low Chee Wee)		
4	Re-election of Director (Ms. Tan Swee Ling)		
5	Re-appointment of Messrs BDO LLP as auditors of the Company and authority to fix their remuneration		
	Special Business		
6	Proposed adoption of the share buy-back mandate		
7	Authority to allot and issue shares		
8	Authority to grant awards, allot and issue shares under the Performance Share Plan and to grant options, allot and issue shares under the Share Option Scheme		

(In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit.)

Signed this _____ day of _____ 2017

Total Number of Shares Held	Number of Shares
In CDP Register	
In Register of Members	

Signature(s) of member(s) or common seal

*delete as appropriate



Notes to the Proxy Form:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (otherwise than a relevant intermediary) is entitled to appoint not more than 2 proxies to attend and vote in his stead. Where such member's form of proxy appoints 2 proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him. Where such member's form of proxy appoints more than 1 proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.
3. A proxy need not be a member of the Company.
4. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Act.
5. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The instrument appointing a proxy or proxies must be under common seal or under the hand of its duly authorised officer or his attorney.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Ubi Road 2, #06-26 Zervex, Singapore 408538 not less than 48 hours before the time appointed for holding the Annual General Meeting.
7. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.
8. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register as defined under the Securities and Futures Act (Chapter 289) of Singapore, he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
9. 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 this instrument appointing a proxy or proxies.
10. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 Annual General Meeting (including any adjournment(s) thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment(s) 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.

Photographic, sound and/or video recordings of the above Annual General Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Annual General Meeting. Accordingly, the personal data of a member or a member's proxy(ies) and/or representative(s) (such as the name, presence at the Annual General Meeting and any questions he/she may raise or motions he/she propose/second) may be recorded by the Company for such purpose.

In addition, the Company may upon the request of any shareholder, provide such shareholder with a copy of the minutes of the above Annual General Meeting (and/or recordings made and/or transcripts thereof), which may contain the personal data of a member or a member's proxy(ies) and/or representative(s) as explained above. By participating in the Annual General Meeting, raising any questions and/or proposing/seconding any motion, a member or a member's proxy(ies) and/or representative(s) will be deemed to have consented to have his/her personal data recorded and dealt with for the purposes and in the manner explained above.



ES Group (Holdings) Limited

Company Registration No.: 200410497Z
8 Ubi Road 2 #06-26 Zervex Singapore 408538
Tel: +65 6748 9111 Fax: +65 6284 3005
www.esgroup.com.sg