ES Group (Holdings) Limited

ANNUAL REPORT
2018

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**

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not 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. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

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.

Subsequently, the Group purchased its first vessel, ES Aspire, at the end of 2016, to strengthen its footprint in chartering and set up chandling/marine supplies division in 2017 to extend its customer and supplier base.

CHAIRMAN'S **MESSAGE**

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 2018 ("**FY 2018**").

For the past 3 years, the marine and offshore industry had experienced a deep and prolonged slowdown. Although it has been very challenging for the Group to navigate this downturn, the cohesive and diligent efforts of management and staff had led to an improvement of FY 2018 financial performance over that of the previous financial year.

FINANCIAL PERFORMANCE

The Group's revenue for FY 2018 increased by S$4.5 million or 19.3% to S$28.0 million as compared to the previous financial year ended 31 December 2017 ("**FY 2017**"). The Group's segmental revenue performance are as follows:

- Revenue from new building and repair segment increased by S$1.8 million or 9.3% to S$21.3 million in FY 2018; and revenue from shipping segment increased by S$2.7 million or 68.6% to S$6.6 million in FY 2018.
- Revenue from Singapore operations increased by S$4.9 million or 21.7% to S$27.7 million in FY 2018; while revenue from other countries was insignificant in FY 2018.

Gross profit increased to S$8.3 million in FY 2018 from S$4.2 million in FY 2017. Gross profit margin improved by 12.0 percentage points to 29.8% in FY 2018 from 17.8% in FY 2017 due primarily to improved management of contracts.

The Group's total expenses increased to S$9.1 million in FY 2018 from S$8.9 million in FY 2017 due to the following:

- Administrative expenses reduced to S$5.5 million in FY 2018 from S$6.1 million in FY 2017. This was mainly due to the absence of impairment of property, plant and equipment of S$0.4 million in FY 2018 and a decrease in worker-related insurance expenses of S$0.1 million;
- Other operating expenses increased to S$2.6 million in FY 2018 from S$2.4 million in FY 2017 mainly due to a one-off write down of property, plant and equipment, partly offset by lower worker dormitory related expenses, as well as lower utilities and repair and maintenance expenses;

- Loss allowance made for third party trade receivables had increased to S$0.6 million in FY 2018 from S$0.1 million in FY 2017; and

- Finance costs increased to S$0.4 million in FY 2018 from S$0.3 million in FY 2017.

As a result, the Group's profit after tax was S$0.2 million in FY 2018, as compared to a loss after tax of S$3.7 million in FY 2017. The Group's net profit attributable to shareholders was S$1.0 million in FY 2018, as compared to the net loss attributable to shareholders of S$2.6 million in FY 2017.

The Group's total assets as at 31 December 2018 decreased by S$2.5 million or 5.1% to S$46.5 million from S$49.0 million as at 31 December 2017, mainly due to reduction in cash and cash equivalents and contract assets, as well as a one off write-off on property, plant and equipment.

The Group's total liabilities as at 31 December 2018 decreased by S$2.4 million or 11.3% to S$19.2 million from S$21.6 million as at 31 December 2017. This was mainly due to repayment of bank facilities, partly offset by an increase in other payables.

Cash and cash equivalents decreased to S$7.0 million as at 31 December 2018 from S$8.4 million as at 31 December 2017. This net cash outflow was due to net cash used in investing and financing activities, partly offset by net cash from operating activities.

Earnings per share of the Group for FY 2018 amounted to 0.69 cents, as compared to loss per share of 1.83 cents for FY 2017. Net assets value per share of the Group was 19.10 cents at 31 December 2018, as compared to net assets value per share of 18.60 cents at 31 December 2017. The Group recorded positive working capital of S$15.0 million as at 31 December 2018.

OPERATIONS

The new building and repair segment recorded an increase to S$21.3 million (76.3% of the Group's total revenue) in FY 2018, as compared to S$19.5 million (83.2% of the Group's total revenue) in FY 2017 due to an increase in repair and fabrication projects in FY 2018.

The shipping segment recorded an increase to S$6.6 million (23.7% of the Group's total revenue) in FY 2018 from S$3.9 million (16.8% of the Group's total revenue) in FY 2017, as a result of increased chartering and chandler activities in FY 2018.

OUTLOOK FOR 2019

In 2018, the Group enhanced its efficiency of services and utilisation of resources to the benefit of its customers and the bottom line result. We plan to build upon this base for 2019.

Despite some signs of recovery in the offshore, marine and shipping industry, the operating conditions remain challenging. An uncertain global economy and increased competition will continue to put pressure on the management of the Company. The Group will continue to stay prudent with on-going lean cost management efforts.

In 2019, the Group will further develop its shipping segment.

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 management and staff, I thank you for your commitment and hard work in a very trying environment.

I also wish to extend my gratitude to my fellow Board members for their guidance and support.

In 2019, the Group looks forward to the continued support from all our stakeholders.

Yours faithfully,

Wee Siew Kim
Non-Executive Chairman

BOARD OF **DIRECTORS**

WEE SIEW KIM
Non-Executive Chairman
and Independent Director

LOW CHEE WEE
Chief Executive Officer
and Chief Operating Officer

EDDY NEO CHIANG SWEE
Executive Director
(Development)

TAN SWEE LING
Independent Director

ONG BENG CHYE
Independent Director

JENS RASMUSSEN
Non-Executive Director

BOARD OF **DIRECTORS**

WEE SIEW KIM

Non-Executive Chairman
and Independent Director

Wee Siew Kim is our Non-Executive Chairman and Independent Director and was appointed to our Board on 8 June 2010. Mr Wee is CEO of the NIPSEA Group of companies (manufacturer of paints and coatings under the "Nippon Paint" brand) since August 2009 and serves on the boards of SBS Transit Ltd, Mapletree Logistics Trust and SIA Engineering Company Limited (companies listed on the Main Board of the SGX-ST).

He started his career as an engineer in 1984, joining the aerospace arm ("**ST Aero**") of Singapore Technologies Engineering Ltd ("**ST Engineering**"). He subsequently held appointments of 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 graduated with a Bachelor of Science Honours (Aeronautical Engineering) from the Imperial College of Science and Technology, University of London in 1984 and holds a Master of Business Administration from Graduate School of Business, Stanford University. He is a Fellow of the City & Guilds of London Institute.

He was a Member of Parliament for the Ang Mo Kio Group Representative Constituency from 2001 to 2011.

LOW CHEE WEE

Chief Executive Officer
and Chief Operating Officer

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 from 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

Executive Director
(Development)

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
Independent Director

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.

ONG BENG CHYE
Independent Director

Ong Beng Chye is our Independent Director and was appointed to our Board on 23 November 2018. Mr Ong has more than twenty seven years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is a director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also an independent director of four other companies listed on the SGX-ST (namely Hafary Holdings Limited, Geo Energy Resources Limited, IPS Securex Holdings Limited and CWX Global Limited). In addition, from January 2016 to April 2018, Mr Ong was the non-executive chairman and independent director of Heatec Jietong Holdings Ltd. (an offshore marine company listed on the Catalist Board of SGX-ST), and from June 2011 to February 2019, Mr Ong was the lead independent director of Kitchen Culture Holdings Limited (a company listed on the Catalist Board of SGX-ST). Mr Ong is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a Fellow Chartered Accountant of Singapore. Mr Ong obtained a Bachelor of Science with Honours from City, University of London in 1990.

JENS RASMUSSEN
Non-Executive Director

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. He was previously involved, on a personal profession basis, in certain projects that the Group was involved. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 35 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.

KEY MANAGEMENT

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 and is responsible for all finance-related matters. Aside from finance, she oversees the full spectrum of the 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 projects 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 a 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

2017
Incorporated 2 new subsidiaries - ES Chartering Pte. Ltd. and ES Aspire Pte. Ltd.

Purchase of vessel, ES Aspire, in end FY 2016.

Created ship chandling/marine supplies division to broaden customer and supplier base.

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

Ong Beng Chye
Independent Director

Jens Rasmussen
Non-Executive Director

AUDIT AND RISK COMMITTEE

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen
Ong Beng Chye

NOMINATING COMMITTEE

Wee Siew Kim
Chairman

Tan Swee Ling
Jens Rasmussen
Ong Beng Chye

REMUNERATION AND COMPENSATION COMMITTEE

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen
Ong Beng Chye

COMPANY SECRETARY

Adrian Chan Pengee

REGISTERED OFFICE

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Fax: +65 6284 3005
Website: www.esgroup.com.sg
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COMPANY REGISTRATION NUMBER

200410497Z

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50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

SPONSOR

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8 Robinson Road
#09-00 ASO Building
Singapore 048544

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

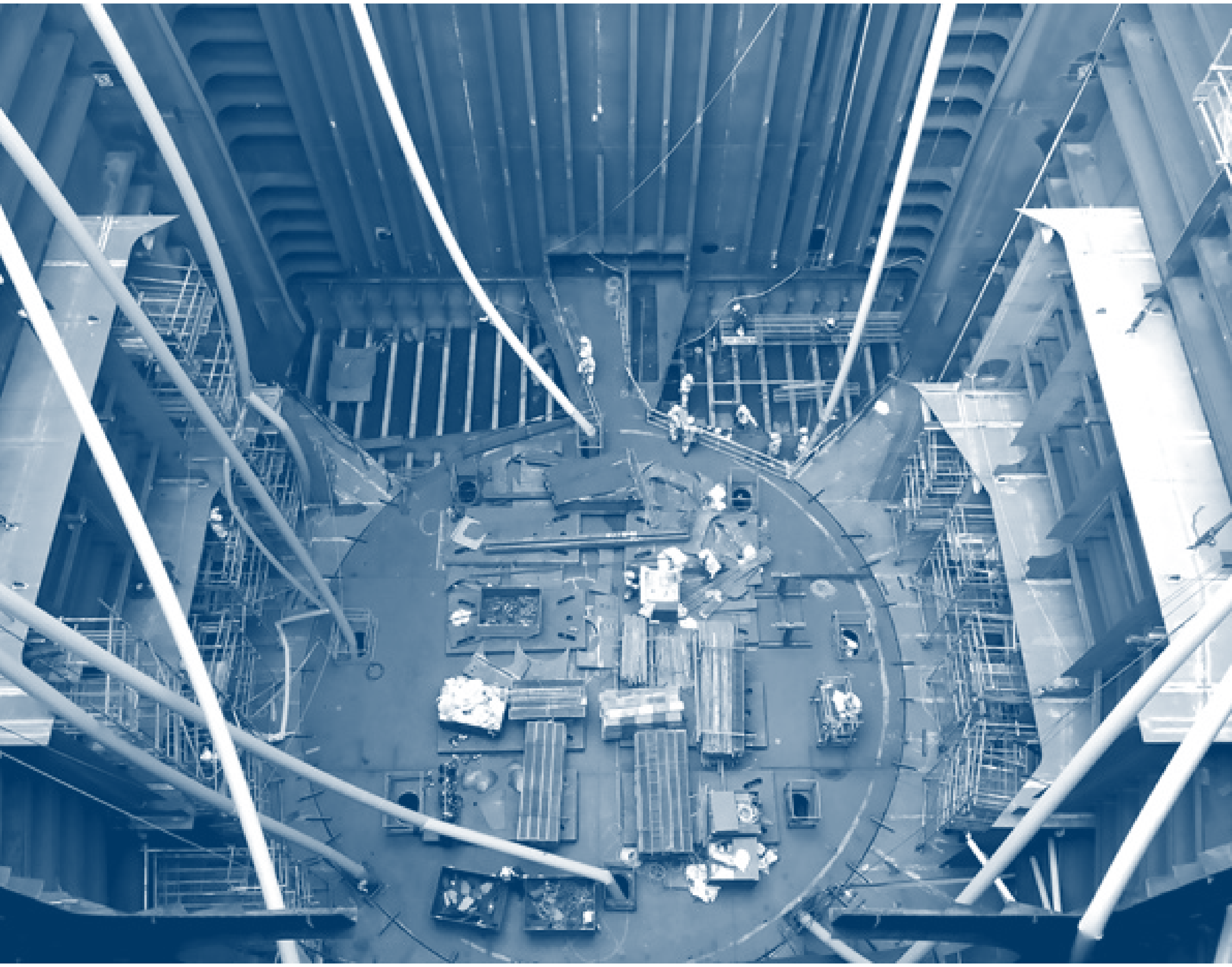
United Overseas Bank Limited
DBS Bank Ltd
Standard Chartered Bank (Singapore) Limited

FINANCIAL **HIGHLIGHTS**

Financial Performance	**FY 2018 $´000**	**FY 2017 $´000**	**FY 2016 $´000**
Revenue	**27,972**	**23,455**	**22,717**
Cost of services	**(19,647)**	(19,279)	(19,308)
Gross profit	**8,325**	**4,176**	**3,409**
Other operating income	**950**	981	1,513
Administrative expenses	**(5,530)**	(6,070)	(6,734)
Other operating expenses	**(2,564)**	(2,438)	(3,087)
Loss allowance made for third party trade receivables	**(594)**	(72)	(466)
Finance costs	**(422)**	(301)	(105)
Profit / (Loss) before income tax	**165**	**(3,724)**	**(5,470)**
Income tax expense	**-**	(14)	-
Profit / (Loss) for the year	**165**	**(3,738)**	**(5,470)**

Financial Position	**As at 31 December 2018 $´000**	**As at 31 December 2017 $´000**	**As at 31 December 2016 $´000**
Shareholders' equity (excluding non-controlling interests)	**26,969**	26,258	28,804
Total assets	**46,522**	49,035	48,105
Total liabilities	**19,175**	21,624	17,035

Financial Ratios (per share)	**FY 2018**	**FY 2017**	**FY 2016**
Net asset value (cents)	**19.10**	18.60	20.40
Basic and diluted earnings / (loss) (cents)	**0.69**	(1.83)	(3.42)



FINANCIAL **CONTENTS**

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**") 2018, 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.

The new Singapore Code of Corporate Governance 2018 was issued on 6 August 2018 (the "**2018 Code**"), and will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the 2018 Code will not affect the Group for FY2018.

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 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.

CORPORATE **GOVERNANCE REPORT**

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.

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 by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive 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 lies with the Board.

During FY2018, 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	4	2	2	2
Name of Director				
Mr. Wee Siew Kim	4	2	1	1
Mr. Low Chee Wee	4	2*	2*	2*
Mr. Eddy Neo Chiang Swee	2	2*	2*	2*
Ms. Tan Swee Ling	4	2	2	2
Mr. Jens Rasmussen	4	2	2	2
Mr. Ong Beng Chye(1)	-	-	-	-

* Attendance by invitation.

Note:-

(1) Mr. Ong Beng Chye was appointed to the Board and each of the Board Committees on 23 November 2018.

CORPORATE **GOVERNANCE REPORT**

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

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 Directors 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 Director in areas such as accounting, legal and industry-specific knowledge as appropriate. Directors may request to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. During FY2018, the Company appointed Mr. Ong Beng Chye as a Director, and a member of each of the three (3) Board Committees. A formal letter, setting out his duties and obligations as a Director, was provided by the Company to Mr. Ong. Mr. Ong has went through the relevant induction and orientation activities provided by the Company with the existing Directors and the Management.

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. During FY2018, the Directors were briefed and updated 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.

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Principle 2: Board Composition and Guidance

The Board currently consists of 6 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 Chief Operating Officer ("**COO**")	25 November 2009	20 April 2017	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director (Development)	25 November 2009	27 April 2018	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010	20 April 2017	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010	27 April 2018	Member	Member	Member
Mr. Ong Beng Chye	Independent Director	23 November 2018	-	Member	Member	Member

Notes:

(1) Please refer to pages 5 to 6 of this annual report for 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. Please refer to pages 40, 131 to 132 of this annual report for information regarding the Directors' shareholdings in the Company and its related corporations.

(2) Please refer to Principles 4, 7 and 12 on pages 17, 21 and 27 respectively of this annual report for information regarding the composition of the Board Committees, names of the respective Board Committee chairman and members and their primary responsibilities.

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 at least 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, who constitute a majority 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.

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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 resolution and making any recommendation and/or participating in any deliberation 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, Ms. Tan Swee Ling and Mr. Ong Beng Chye. As at the date hereof, Mr. Ong Beng Chye has a direct interest of 1.36% in the shares of the Company. Save for the abovementioned relationship, each of Mr. Wee Siew Kim, Ms. Tan Swee Ling and Mr. Ong Beng Chye does 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, and does not fall under any of the circumstance pursuant to Rule 406(3)(d) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**").

The independence of a director who has served on the Board beyond 9 years from the date of his first appointment will be subjected 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.

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;

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- 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;
- 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 the 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 4 Non-Executive Directors, namely, Mr. Wee Siew Kim (chairman), Ms. Tan Swee Ling, Mr. Jens Rasmussen and Mr. Ong Beng Chye, the majority of whom, including the chairman, are independent. In accordance with its terms of reference, the duties and 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 factor;

  (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.

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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 the 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 devote sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a Director. The Nominating Committee assesses the contribution by each Director to the effectiveness of the Board and takes into account his or her 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, a director's independence 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 will take into consideration whether the appointee has sufficient time available to devote himself or herself to the position, the skill sets of the appointee and how he or she 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.

In accordance with Rule 720(4) of the Rules of Catalist, all Directors need to submit themselves for re-nomination and re-appointment at least once every 3 years. In addition, 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 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 resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

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Pursuant to the one-third rotation rule, Mr. Wee Siew Kim and Mr. Low Chee Wee shall retire at the forthcoming AGM and shall be eligible for re-election.

Pursuant to the Company's Constitution, Mr. Ong Beng Chye, a newly appointed Director, shall retire at the forthcoming AGM and shall be eligible for re-election.

The Nominating Committee has recommended to the Board that Mr. Wee Siew Kim, Mr. Low Chee Wee and Mr. Ong Beng Chye be nominated for re-election at the forthcoming AGM. The Board has accepted the Nominating Committee's recommendation. Mr. Wee Siew Kim has indicated to the Board his intention to retire at the forthcoming AGM. Accordingly, Mr. Wee Siew Kim will, upon retirement as a Director at the forthcoming AGM, cease as Chairman of the Board and the Nominating Committee, and a member of the Audit and Risk Committee and the Remuneration and Compensation Committee. Mr. Low Chee Wee will, upon re-election as a Director at the forthcoming AGM, remain as the CEO and COO. Mr. Ong Beng Chye will, upon re-election as a Director at the forthcoming AGM, remain as an Independent Director, and be appointed as Chairman of the Board and the Nominating Committee, and a member of the Audit and Risk Committee and the Remuneration and Compensation Committee. Please refer to pages 5 to 6 of this annual report for the key information regarding the aforesaid 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 key 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 as a whole. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation 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 FY2018 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 and effectiveness to-date and is of the view that the performance and effectiveness of the Board as a whole was satisfactory. The Code recommends that

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individual evaluation should be conducted to assess the effectiveness of the Board Committees and whether each Director continues to contribute 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 as well as the effectiveness of the Board Committees and the contribution by each Director to the effectiveness of the Board.

The Board has not engaged any external consultant to conduct an assessment of the performance and effectiveness of the Board as a whole. 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 are 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 key 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;

(d) 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 Rules of Catalist and all other rules, regulations and governance matters which are applicable to the Group;

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(e) 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

(f) 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.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration and Compensation Committee comprises 4 Non-Executive Directors, namely, Ms. Tan Swee Ling (chairman), Mr. Wee Siew Kim, Mr. Jens Rasmussen and Mr. Ong Beng Chye, the majority of whom, including the chairman, are independent. In accordance with its terms of reference, the duties and 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 FY2018.

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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.

From FY2018, the Company has adopted and used 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 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 component refers to variable bonus that 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 long-term incentives component refers to the ESOS and PSP implemented by the Company. Please refer to Principle 9 for more information on the ESOS and PSP.

The Company had entered into a fixed-period service agreement with 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 with the Company. The service agreement with Mr. Low Chee Wee is renewable on an annual basis after the first 3 years. His service agreement has been updated with the latest corporate governance requirements as and when required. The remuneration packages for Executive Directors are based on terms stipulated in their respective service agreement or letter of appointment. The remuneration package of Mr. Low Chee Wee includes a profit sharing scheme that is performance-related to align his 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. Executive Directors do not receive any Directors' fee. At the last AGM held on 27 April 2018, Shareholders had approved the payment of the Non-Executive Directors' fees of S$137,500 for FY2018. At the forthcoming AGM, Shareholders' approval will be sought for the payment of the Non-Executive Directors' fees of $146,800 for the financial year ending 31 December 2019.

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Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of the remuneration of each individual Director in bands of S$250,000 for FY2018, is as follows:-

	Directors' Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits[1] (%)	Total (%)
Executive Directors					
S$250,000 to S$500,000					
Mr. Low Chee Wee	-	91	7	2	100
Below S$250,000					
Mr. Eddy Neo Chiang Swee	-	85	6	9	100
Non-Executive Directors					
Below S$250,000					
Mr. Wee Siew Kim	100	-	-	-	100
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100
Mr. Ong Beng Chye	100	-	-	-	100

Note:

(1) Includes mainly employers' contributions to the Central Provident Fund and allowances.

A breakdown, showing the level and mix of the remuneration of each of the top 5 key Management (who are not Directors or the CEO) in bands of S$250,000 for FY2018, is as follows:-

	Fixed Salary (%)	Bonus (%)	Benefits[1] (%)	Total (%)
S$250,000 to S$500,000				
Mr. Christopher Low Chee Leng	87	6	7	100
Below S$250,000				
Ms. Lim Fei Yen	91	9	-	100
Mr. Koay Swee Heng	84	9	7	100
Mr. Teoh Han Chong	94	6	-	100
Mr. Lou Tin Boang	93	7	-	100

Note:

(1) Includes mainly employers' contributions to the Central Provident Fund and allowances.

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The total remuneration, in aggregate, paid to the above top 5 key Management (who are not Directors or the CEO) for FY2018 was approximately S$702,000.

Mr. Low Chee Wee and Mr. Christopher Low Chee Leng are brothers. The remuneration paid to Mr. Christopher Low Chee Leng for FY2018 was between S$250,000 and S$300,000.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded S$50,000 during FY2018, 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 dollars and the remuneration of the top 5 key Management (who are not Directors or the CEO) to the nearest thousand dollars 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 for the Company 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 the PSP include employees of the Group and all Directors. The PSP 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 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 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 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.

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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. 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 and/or awards on any date, when aggregated with the number of shares issued and/or issuable in respect of all options and/or awards granted under the ESOS, the PSP and any other share scheme of the Company, shall not exceed 15% of the issued shares of the Company (excluding treasury shares and subsidiary holdings) on the day preceding the date of the 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 Company's 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 to the end of FY2018, no options and/or awards were granted and no shares were issued under the ESOS and the PSP respectively.

A separate annual remuneration report has not been included in this annual report as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this annual report and in the financial statements of the Company.

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 Board's 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 framework 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 financial authority limits policies. 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 as well as the 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 FY2018, the Group's external and internal auditors have conducted their annual and biannual reviews respectively on the adequacy and effectiveness of the Group's material internal controls procedures, including financial, operational, compliance and information technology controls as well as risk management system 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 risk management and internal controls in light of the key business and financial risks affecting its business. The Board has 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 Company's annual reports 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, Shinnes Consulting and Advisory Pte. Ltd. ("**SCAA**"), 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 prepared 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 SCAA, there was no material control weakness that would hamper the operations or control breakdowns that would lead to major financial impact to the subsidiary or subsidiaries 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, SCAA has recommended certain actions and additional controls, which are practical solutions to further enhance the operational and control efficiencies for the subsidiary or subsidiaries under review and the Group.

CORPORATE **GOVERNANCE REPORT**

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 and information technology controls, and the Group's risk management systems are effective and adequate.

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 assists the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.

The Audit and Risk Committee comprises 4 Non-Executive Directors, namely Ms. Tan Swee Ling (chairman), Mr. Wee Siew Kim, Mr. Jens Rasmussen and Mr. Ong Beng Chye, 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. In accordance with 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 announcement 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;

CORPORATE **GOVERNANCE REPORT**

(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;

(g) reviewing the policy and arrangements by which staff of the Company and any other person 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 transaction;

(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 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 change 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 matter that might be raised privately. For FY2018, the Audit and Risk Committee met up once with the external and internal auditors without the presence of the Management.

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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, as well as to review the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors. In relation to the key audit matters raised in the Independent Auditor's Report, the Audit and Risk Committee noted the external auditors' independent opinion on the Management's accounting, treatment and estimates and concluded that they are appropriate and the Audit and Risk Committee is satisfied that the key audit matters, after taking into consideration, *inter alia*, the approach and methodology used, have been properly dealt with.

The Audit and Risk Committee has also conducted an annual review of the independence of the external auditors, and has satisfied itself on the independence and objectivity of the external auditors. The total amount of audit fees paid to the external auditors for audit services rendered for FY2018 was S$103,000. No non-audit services were rendered by the external auditors for FY2018, and accordingly no non-audit fees were paid to the external auditors for FY2018.

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 its independence and 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's significant subsidiaries for FY2018 are set out in the notes to financial statements at pages 86 to 91 of this annual report. For FY2018, 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 FY2018.

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

CORPORATE **GOVERNANCE REPORT**

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 SCAA. 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. On a yearly basis, the Audit and Risk Committee reviews whether the internal audit function is independent, effective and adequately resourced. The internal auditors' primary line of reporting is to the chairman of the Audit and Risk Committee.

For FY2018, 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 have appropriate standing within the Group, and the internal audit function is independent and effective. The internal auditors have carried out their function according to the 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.

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 will 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, speak 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.

CORPORATE **GOVERNANCE REPORT**

Principle 15: Communication with Shareholders

To promote regular, effective and fair communication with 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 the 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, sustainability 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 FY2018, as the Group recorded only a small profit in FY2018 and the Board deemed it more appropriate to conserve the cash in the Group for its business operations.

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, speak and vote in their stead at general meetings.

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 chairman 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 query 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.

CORPORATE **GOVERNANCE REPORT**

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 Company and its minority 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 FY2018. The aggregate value of interested person transactions entered into during FY2018 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$205,080	-
Mr Eric Neo Chiang Yee[(2)] - Insurance broker services	S$187,303	-
Total	S$392,383	-

Notes:

(1) Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Low Chee Wee and Mr. Christopher Low Chee Leng.

(2) Mr. Eric Neo Chiang Yee is the sibling of Mr. Eddy Neo Chiang Swee.

The Board confirms that the above interested person transactions were 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.

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 FY2018 or if not then subsisting, entered into since the end of FY2017.

CORPORATE **GOVERNANCE REPORT**

NON-SPONSOR FEES

With effect from 24 June 2018, ZICO Capital Pte. Ltd. was appointed as the Company's Sponsor in place of SAC Capital Private Limited.

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees payable or paid to SAC Capital Private Limited or ZICO Capital Pte. Ltd. in FY2018.

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 results 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.

APPENDIX

Additional Information on Directors nominated for re-election – Appendix 7F to the Catalist Rules

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Mr Low Chee Wee and Mr Ong Beng Chye, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Mr Low Chee Wee	Mr Ong Beng Chye
Date of first appointment	25 November 2009	23 November 2018
Date of last re-appointment (if applicable)	20 April 2017	Not applicable
Age	48	50
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Low Chee Wee as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Low's qualifications, past experiences, as well as overall contribution and performance since he was appointed as a Director of the Company.	The re-election of Mr Ong Beng Chye as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Ong's qualifications, past experiences, as well as overall contribution and performance since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Low Chee Wee oversees the execution of the Group's corporate and business strategies, and is responsible for the overall management, operations, strategic planning and business expansion of the Group as well as the day-to-day running of the business of the Group.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	Executive Director, Chief Executive Officer and Chief Operating Officer	*Current job title before re-appointment*: Independent Director and a member of the Nominating Committee, the Audit and Risk Committee and the Remuneration and Compensation Committee *New job title after re-appointment* : Independent Director and Chairman of the Board and the Nominating Committee, as well as a member of the Audit and Risk Committee, and the Remuneration and Compensation Committee
Professional Qualifications	• Bachelor of Accountancy, the Nanyang Technological University, Singapore • Non-practising member of the Institute of Singapore Chartered Accountants	• Bachelor of Science with Honours, City, University of London • Fellow of The Institute of Chartered Accountants in England and Wales • Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts • Fellow Chartered Accountant of Singapore

APPENDIX

Name of Director	Mr Low Chee Wee	Mr Ong Beng Chye
Working Experience and Occupation(s) during the past 10 years	*November 2009 to present :* Executive Director of the Company *April 2016 to present :* Chief Operating Officer of the Company *August 2015 to present :* Chief Executive Officer of the Company *May 2014 to February 2015 :* Chief Financial Officer of the Company *2001 to 2009 :* Chief Financial Officer of the Company	*January 2007 to present :* Director of Appleton Global Private Limited *January 2007 to October 2014 :* Group Financial Controller of Higson International Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	As at 20 March 2019, Mr Low Chee Wee holds a direct interest in 33,655,000 shares of the Company ("**Shares**") (representing 23.83% of the issued share capital of the Company) held under his own name. In addition, Mr Low is deemed interested in the 53,540,000 Shares (representing 37.92% of the issued share capital of the Company) held by his mother, Neo Peck Keow @ Ng Siang Keng, by virtue of Section 7 of the Companies Act. As such, as at 20 March 2019, Mr Low has an aggregate interest, directly and indirectly, in 61.75% of the issued share capital of the Company.	As at 20 March 2019, Mr Ong Beng Chye holds a direct interest in 1,925,000 Shares (representing 1.36% of the issued share capital of the Company) held under DBS Nominees Pte. Ltd..
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and / or substantial shareholder of the listed issuer or of any of its principal subsidiaries	As at 20 March 2019, Mr Low Chee Wee is a substantial shareholder of the Company, holding an aggregate shareholding interest (direct and deemed) in 61.75% of the issued share capital of the Company. Mr Low is also related to the other substantial shareholders of the Company, namely, Mr Christopher Low Chee Leng, Ms Yvonne Low-Triomphe and Mdm Neo Peck Keow @ Ng Siang Keng. Mr Low Chee Wee, Mr Christopher Low Chee Leng and Ms Yvonne Low-Triomphe are siblings. Their mother is Mdm Neo Peck Keow @ Ng Siang Keng. As at the date of this Annual Report, Mr Low Chee Wee is a director on each of the boards of all the subsidiaries of the Company.	As at 20 March 2019, Mr Ong Beng Chye is a shareholder of the Company, holding a direct shareholding interest in 1.36% of the issued share capital of the Company.

APPENDIX

Name of Director	Mr Low Chee Wee	Mr Ong Beng Chye
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 702(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships		
Past (for the last 5 years)	• Appleton Global Private Limited	• Heatec Jietong Holdings Ltd • Kitchen Culture Holdings Limited • Shin Omi International Pte Ltd
Present	Group Companies • Eng Soon Investment Pte Ltd • Eng Soon Engineering (1999) Pte Ltd • ES Offshore Engineering Pte Ltd • ES Shipping Pte. Ltd. • Eng Soon Marine Pte Ltd • ESW Automation Pte. Ltd. • ES Energy Pte. Ltd. • ES Oil & Gas Pte. Ltd. • Wang Fatt Oil & Gas Construction Pte Ltd • ES Aspire Pte. Ltd. • ES Chartering Pte. Ltd. • ES Offshore and Marine Engineering (Thailand) Co., Ltd. • ES Offshore and Engineering (Myanmar) Company Limited • Dalian ES Marine & Offshore Engineering Co., Ltd. • ES Nautilus (M) Sdn. Bhd.	Other Companies • Hafary Holdings Limited • Geo Energy Resources Limited • IPS Securex Holdings Limited • CWX Global Limited • Gem Accounting Pte Ltd • Gem Corp Services Pte Ltd

APPENDIX

Name of Director		Mr Low Chee Wee	Mr Ong Beng Chye
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent risk. If the answer to any question is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date be ceased to be a partner	No	No
(b)	Whether at any time during the last 10 years, an application of a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive of that entity, at the time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

APPENDIX

Name of Director	Mr Low Chee Wee	Mr Ong Beng Chye
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- **(i) any corporation which has been investigated for a breach of law or regulatory requirement governing corporations in Singapore or elsewhere; or** **(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or** **(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or** **(iv) any entity or business trust which has been investigated for a breach of any low or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?**	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Name of Director	Mr Low Chee Wee	Mr Ong Beng Chye
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of an issuer listed on the Exchange? (Yes / No) **If yes, please provide details of prior experience.** **If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.**	Yes. Mr Low Chee Wee is currently a director of the Company.	Yes. Mr Ong is currently a director of the following companies listed on the SGX-ST: • Hafary Holdings Limited • Geo Energy Resources Limited • IPS Securex Holdings Limited • CWX Global Limited
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director and Mr Low Chee Wee has prior experience as a director of an issuer listed on the SGX-ST.	Not applicable. This is a re-election of a Director and Mr Ong Beng Chye has prior experience as a director of an issuer listed on the SGX-ST.

DIRECTORS' **STATEMENT**

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 2018 and the statement of financial position as at 31 December 2018 and statement of changes in equity of the Company for the financial year ended 31 December 2018.

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 2018, 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
Ong Beng Chye (Appointed on 23 November 2018)

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 / date of appointment, if later	At end of year	At 21/1/2019	At beginning of year / date of appointment, if later	At end of year	At 21/1/2019
ES Group (Holdings) Limited						
(Ordinary shares)						
Low Chee Wee	32,135,000	33,655,000	33,655,000	53,540,000	53,540,000	53,540,000
Eddy Neo Chiang Swee	6,000,000	6,000,000	6,000,000	3,600,000	3,600,000	3,600,000
Ong Beng Chye	1,925,000	1,925,000	1,925,000	-	-	-

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 2019 in the shares or debentures of the Company is listed above.

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
Ong Beng Chye	Independent 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 Company's and 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 28 February 2019, 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

Eddy Neo Chiang Swee
Director

Singapore
28 March 2019

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 page 49 to 130, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018;
- 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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2018, 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

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.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Revenue recognition arising from new building and repair operating segment	
The Group's revenue streams are mainly from new building and repair of vessels, which account for 76% of the Group's total revenue. It involves long term contracts and revenue is recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation. The stage of completion is measured using the input method by actual costs incurred to-date. Significant management judgements and estimation are required in determining the estimated project recovery rates which take into account various factors, including the recoverability of variation works. We focused on this area as a key audit matter due to the significant judgements and estimation involved. Refer to notes 2.15, 3.2 and 21 of the accompanying financial statements.	Our audit procedures include, amongst others, the following: ▪ Tested the operating effectiveness of the key controls identified for the revenue and receipt cycle and the direct wages and payment cycle. ▪ On selected samples, evaluated the reasonableness of management's estimated project recovery rates, by checking against costing sheets, payroll information, engineers' certified documents and historical rates of similar projects. ▪ Evaluated the reasonableness of the revenue recognised for completed projects by checking against customer acknowledged documents, on a sample basis. ▪ 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

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of trade receivables from third parties	
As at 31 December 2018, the Group has gross trade receivables from third parties amounting to $16,415,339 with loss allowance amounting to $1,410,158. 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 Group determines expected credit losses ("ECL") on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience with forward looking assumptions. Management takes into account historical provision trend and other relevant factors. Determining ECL on trade receivables is a key audit matter due to the significant management judgement involved. Refer to notes 2.9, 3.2, 5 and 33(b) of the accompanying financial statements.	Our audit procedures include, amongst others, the following: ▪ Tested the operating effectiveness of the key controls identified for the Group's processes surrounding trade receivables. ▪ Obtained an understanding of and assessed the inputs and information, including the aged trade receivables report, used in designing the provision matrix. ▪ Recomputed ECL using the provision matrix and evaluated management's assessment of the expected credit loss rates, including assumptions surrounding current conditions and forecast of future economic conditions. ▪ Checked for subsequent receipts of selected samples of trade receivables. ▪ Assessed the aging of trade receivables to identify credit-impaired receivables. ▪ Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

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 SFRS(I)s, 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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

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
28 March 2019

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
ASSETS							
Current assets							
Cash and cash equivalents	4	7,027,243	8,405,622	4,879,201	96,089	42,367	125,978
Fixed deposit pledged	4	100,753	100,503	100,251	-	-	-
Trade receivables	5	15,005,181	11,724,318	5,241,899	1,378	-	-
Finance lease receivable	6	-	-	2,346,056	-	-	-
Contract assets	7	3,721,551	7,366,061	13,805,466	-	-	-
Other receivables	8	1,087,295	832,496	1,140,370	16,216,076	17,760,741	19,353,223
Inventories	9	416,050	618,311	585,245	-	-	-
Income tax receivables		2,471	-	-	-	-	-
Total current assets		27,360,544	29,047,311	28,098,488	16,313,543	17,803,108	19,479,201
Non-current assets							
Finance lease receivable	6	-	-	3,212,334	-	-	-
Deposits	8	4,155	6,666	3,956	-	-	-
Investments in subsidiaries	10	-	-	-	19,169,153	20,158,153	17,341,354
Investment in an associate	11	-	-	-	-	-	-
Club membership	12	49,500	49,500	49,500	-	-	-
Property, plant and equipment	13	19,108,130	19,931,496	16,740,507	-	-	-
Total non-current assets		19,161,785	19,987,662	20,006,297	19,169,153	20,158,153	17,341,354
Total assets		46,522,329	49,034,973	48,104,785	35,482,696	37,961,261	36,820,555
LIABILITIES AND EQUITY							
Current liabilities							
Bank loans	14	3,552,794	4,271,694	5,490,677	-	-	-
Trade payables	15	1,950,318	1,753,976	1,432,130	-	-	86
Other payables	16	6,779,927	6,167,536	7,949,893	10,258,622	10,641,511	12,635,403
Lease liabilities	17	125,128	102,583	155,124	-	-	-
Income tax payable		-	357	-	-	-	-
Total current liabilities		12,408,167	12,296,146	15,027,824	10,258,622	10,641,511	12,635,489

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

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Non-current liabilities							
Bank loans	14	5,818,941	8,362,235	1,132,881	-	-	-
Lease liabilities	17	947,564	965,347	873,864	-	-	-
Total non-current liabilities		6,766,505	9,327,582	2,006,745	-	-	-
Capital, reserves and non-controlling interests							
Share capital	18	23,698,348	23,698,348	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	19	419,660	408,980	403,660	-	-	-
Retained earnings		21,654,667	20,973,884	23,565,271	1,525,726	3,621,402	486,718
Currency translation reserve		(233,015)	(253,064)	(292,578)	-	-	-
Merger reserve	20	(18,570,468)	(18,570,468)	(18,570,468)	-	-	-
Equity attributable to owners of the Company		26,969,192	26,257,680	28,804,233	25,224,074	27,319,750	24,185,066
Non-controlling interests		378,465	1,153,565	2,265,983	-	-	-
Total equity		27,347,657	27,411,245	31,070,216	25,224,074	27,319,750	24,185,066
Total liabilities and equity		46,522,329	49,034,973	48,104,785	35,482,696	37,961,261	36,820,555

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 $	Group 2017 $
Revenue	21	27,972,463	23,455,359
Cost of services	22	(19,646,954)	(19,278,898)
Gross profit		8,325,509	4,176,461
Other operating income	23	949,720	981,222
Administrative expenses		(5,530,311)	(6,070,733)
Other operating expenses	24	(2,564,232)	(2,437,759)
Loss allowance made for third party trade receivables		(594,317)	(72,212)
Finance costs	25	(421,338)	(300,917)
Profit/(Loss) before income tax		165,031	(3,723,938)
Income tax expense	26	-	(13,937)
Profit/(Loss) for the year	27	165,031	(3,737,875)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		40,508	78,904
Total comprehensive income for the year		205,539	(3,658,971)
Profit/(Loss) attributable to:			
Owners of the parent		969,022	(2,586,067)
Non-controlling interests		(803,991)	(1,151,808)
		165,031	(3,737,875)
Total comprehensive income attributable to:			
Owners of the parent		989,071	(2,546,553)
Non-controlling interests		(783,532)	(1,112,418)
		205,539	(3,658,971)
Basic and diluted profit/(loss) per share (cents)	28	0.69	(1.83)

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital	Statutory surplus reserve	Retained earnings	Currency translation reserve	Merger reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
		$	$	$	$	$	$	$	$
Group									
Balance at 31 December 2017, reported under FRS framework		23,698,348	408,980	21,107,728	(253,064)	(18,570,468)	26,391,524	1,153,565	27,545,089
Effect on early application of SFRS(I) 16	35	-	-	(133,844)	-	-	(133,844)	-	(133,844)
Balance at 31 December 2017		23,698,348	408,980	20,973,884	(253,064)	(18,570,468)	26,257,680	1,153,565	27,411,245
Effect on application of SFRS(I) 9	35	-	-	(277,559)	-	-	(277,559)	-	(277,559)
Balance at 1 January 2018		23,698,348	408,980	20,696,325	(253,064)	(18,570,468)	25,980,121	1,153,565	27,133,686
Total comprehensive income for the year:									
Profit for the year		-	-	969,022	-	-	969,022	(803,991)	165,031
Other comprehensive income for the year		-	-	-	20,049	-	20,049	20,459	40,508
Total		-	-	969,022	20,049	-	989,071	(783,532)	205,539
Transactions with owners, recognised directly in equity									
Appropriations		-	10,680	(10,680)	-	-	-	-	-
Incorporation of a subsidiary		-	-	-	-	-	-	8,432	8,432
Total		-	10,680	(10,680)	-	-	-	8,432	8,432
Balance at 31 December 2018		23,698,348	419,660	21,654,667	(233,015)	(18,570,468)	26,969,192	378,465	27,347,657

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

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital $	Statutory surplus reserve $	Retained earnings $	Currency translation reserve $	Merger reserve $	Equity attributable to owners of the Company $	Non-controlling interests $	Total $
Group									
Balance at 1 January 2017, reported under FRS framework		23,698,348	403,660	23,693,340	(292,578)	(18,570,468)	28,932,302	2,265,983	31,198,285
Effect on early application of SFRS(I) 16	35	-	-	(128,069)	-	-	(128,069)	-	(128,069)
Balance at 1 January 2017		23,698,348	403,660	23,565,271	(292,578)	(18,570,468)	28,804,233	2,265,983	31,070,216
Total comprehensive income for the year:									
Loss for the year		-	-	(2,586,067)	-	-	(2,586,067)	(1,151,808)	(3,737,875)
Other comprehensive income for the year		-	-	-	39,514	-	39,514	39,390	78,904
Total		-	-	(2,586,067)	39,514	-	(2,546,553)	(1,112,418)	(3,658,971)
Transactions with owners, recognised directly in equity									
Appropriations		-	5,320	(5,320)	-	-	-	-	-
Total		-	5,320	(5,320)	-	-	-	-	-
Balance at 31 December 2017		23,698,348	408,980	20,973,884	(253,064)	(18,570,468)	26,257,680	1,153,565	27,411,245

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 31 December 2017, reported under FRS framework		23,698,348	3,621,402	27,319,750
Effect on application of SFRS(I) 9	35	-	(1,298,881)	(1,298,881)
Balance at 1 January 2018		23,698,348	2,322,521	26,020,869
Loss for the year, representing total comprehensive income for the year		-	(796,795)	(796,795)
Balance at 31 December 2018		23,698,348	1,525,726	25,224,074
Balance at 1 January 2017		23,698,348	486,718	24,185,066
Profit for the year, representing total comprehensive income for the year		-	3,134,684	3,134,684
Balance at 31 December 2017		23,698,348	3,621,402	27,319,750

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	**2017**
	$	**$**
Operating activities		
Profit/(Loss) before income tax	165,031	(3,723,938)
Adjustments for:		
Interest income	(43,984)	(35,760)
Interest expense	421,338	300,917
Property, plant and equipment written off	739,699	15,593
Impairment of property, plant and equipment	-	405,516
Loss allowance made for third party trade receivables	594,317	72,212
Depreciation of property, plant and equipment	2,182,306	2,434,647
(Gain)/Loss on disposal of property, plant and equipment	(29,123)	859
Operating cash flows before movements in working capital	4,029,584	(529,954)
Trade receivables	(4,111,918)	(6,570,607)
Contract assets	3,650,533	6,427,026
Other receivables	(242,094)	311,232
Inventories	206,951	(35,212)
Trade payables	191,503	712,646
Other payables	441,421	634,408
Finance lease receivable	-	1,540,037
Cash generated from operations	4,165,980	2,489,576
Interest received	43,984	35,760
Income tax paid	(2,919)	(13,580)
Net cash generated from operating activities	4,207,045	2,511,756
Investing activities		
Proceeds on disposal of property, plant and equipment	109,599	5,875
Purchases of property, plant and equipment (Note 13)	(1,931,166)	(1,723,332)
Net cash used in investing activities	(1,821,567)	(1,717,457)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	**2017**
	$	**$**
Financing activities (Note A)		
Fixed deposit pledged	(250)	(252)
Interest paid	(421,338)	(300,917)
Proceeds from:		
Term loans	-	3,000,000
Short term loans	2,000,000	9,000,000
Repayments of:		
Term loans	(5,262,194)	(5,556,098)
Principal element of lease payments	(107,509)	(171,603)
Loan from a director of subsidiary	-	(2,784,686)
Net cash (used in)/generated from financing activities	(3,791,291)	3,186,444
Net change in cash and cash equivalents	(1,405,813)	3,980,743
Cash and cash equivalents at beginning of the year	8,405,622	4,445,670
Effects of exchange rate changes on the balance of cash held in foreign currencies	27,434	(20,791)
Cash and cash equivalents at end of the year (Note 4)	7,027,243	8,405,622

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	2017	**Cash flows**	**Additions of property, plant and equipment under leases**	**Foreign exchange differences**	**2018**
	$	**$**	**$**	**$**	**$**
Bank loans (excluding bank overdraft) (Note 14)	12,633,929	(3,262,194)	-	-	9,371,735
Lease liabilities (Note 17)	1,067,930	(107,509)	112,271	-	1,072,692
Loan from a director of subsidiary (Note 16)	3,150,011	-	-	81,371	3,231,382
	16,851,870	(3,369,703)	112,271	81,371	13,675,809

			Non-cash changes		
	2016	**Cash flows**	**Additions of property, plant and equipment under leases**	**Foreign exchange differences**	**2017**
	$	**$**	**$**	**$**	**$**
Bank loans (excluding bank overdraft) (Note 14)	6,190,027	6,443,902	-	-	12,633,929
Lease liabilities (Note 17)	1,028,988	(171,603)	208,877	1,668	1,067,930
Loan from a director of subsidiary (Note 16)	5,934,667	(2,784,686)	-	30	3,150,011
	13,153,682	3,487,613	208,877	1,698	16,851,870

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 2018 were authorised for issue by the Board of Directors on 28 March 2019.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and the Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 January 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 December 2017 in these financial statements have been restated to give effect to these changes and the financial impact on transition from FRS to SFRS(I)s are disclosed in Note 35 to the financial statements. The Group has early adopted SFRS(I) 16 *Leases* full retrospectively from 1 January 2017 and the financial impact is disclosed in Note 35 to the financial statements.

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 ("$") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation** (Continued)

The preparation of financial statements in compliance with SFRS(I)s 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 to the financial statements.

Due to the transition from FRS to SFRS(I)s, these financial statements are required to apply all SFRS(I)s effective for annual periods beginning on or after 1 January 2018.

In the current financial year, the Group and the Company adopted the new or revised SFRS(I)s and SFRS(I) INT that are relevant to its operations and effective for the current financial year.

SFRS(I)s and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT that may be relevant to the Group were issued but not yet effective.

			Effective date (annual periods beginning on or after)
SFRS(I) 1-28 (Amendments)	:	Long-term Interests in Associates and Joint Ventures	1 January 2019
SFRS(I) 9 (Amendments)	:	Prepayment Features with Negative Compensation	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle			
- SFRS(I) 3 (Amendments)	:	Business Combinations	1 January 2019
- SFRS(I) 11 (Amendments)	:	Joint Arrangements	1 January 2019
- SFRS(I) 1-12 (Amendments)	:	Income Tax	1 January 2019
- SFRS(I) 1-23 (Amendments)	:	Borrowing Costs	1 January 2019
SFRS(I) INT 23	:	Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 3 (Amendments)	:	Definition of a Business	1 January 2020
SFRS(1) 1-1 and SFRS(1) 1-8 (Amendments)	:	Definition of Material	1 January 2020
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to References to the Conceptual Framework in SFRS(I) Standards			1 January 2020
Amendments to illustrative examples, implementation guidance and SFRS(I) practice statements			1 January 2020

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.1 **Basis of preparation** (Continued)

SFRS(I)s and SFRS(I) INT issued but not yet effective (Continued)

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

The management anticipates that the adoption of the above SFRS(I)s and SFRS(I) INT, 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.

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 its involvement with 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 the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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 SFRS(I) 9 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.

2.3 Business combinations

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 transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

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.

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method (when the transaction has substance from the perspective of the reporting entity). The following is an illustrative accounting policy where the pooling of interest method is applied:

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

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.

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred. Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the shorter of period to next estimated dry-docking. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off in the month of the next dry-docking.

Other assets consist of office equipment, furniture and fittings, air conditioner, renovations, computer software 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 calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives, on the following bases:

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	4% to 5%
Dry dock	20% to 40%
Other assets	20% to 33%

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.5 **Property, plant and equipment** (Continued)

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.

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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.7 **Associates** (Continued)

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.

2.9 **Financial instruments**

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.9 **Financial instruments** (Continued)

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off in profit or loss.

At each reporting date, the Group assesses whether trade receivables are credit-impaired. Trade receivables is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that trade receivables have occurred.

Evidence that a trade receivables is credit-impaired includes observable data about the following events:

- significant financial difficulty of debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding prepayment and value-added tax receivables), cash and cash equivalents and deposits in the statements of financial position.

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.

Accounting policy for financial assets prior to 1 January 2018

Financial assets 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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Accounting policy for financial assets prior to 1 January 2018 (Continued)

Financial assets (Continued)

Loans and receivables (Continued)

The Group's loans and receivables in the statements of financial position comprise cash and cash equivalents, trade receivables, contract assets, 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.

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

Equity instruments

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

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.

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 2.16).

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 January 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.9 **Financial instruments** (Continued)

Financial liabilities and equity instruments (Continued)

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.

2.11 **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 includes bank overdraft and excludes pledged deposits. In the statements of financial position, bank overdrafts are presented within bank loans under current liabilities.

2.12 **Leases**

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Asset and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liabilities.

The right-of-use assets are included in property, plant and equipment (Note 13). The right-of-use asset is subject to testing for impairment if there is an indicator for impairment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

	Useful life	Lease term
Motor vehicles	5 years	5 to 7 years
Leasehold land	22 years	22 years
Other assets	5 years	5 years

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.12 Leases (Continued)

The Group has elected not to recognise right-of-use assets and lease liabilities for leases where the total lease term is less than or equal to 12 months and lease contracts for which the underlying asset has a low value. The payments for such leases are recognised in the profit or loss on a straight-line basis over the lease term.

2.13 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.

2.14 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.

2.15 Revenue recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. **Summary of significant accounting policies** (Continued)

2.15 **Revenue recognition** (Continued)

Rendering of services

Rendering of services relates to services on new building, conversion and repair of offshore and marine structures and vessels as well as provision of labour supply. Each promise to deliver services to the customer relates to a single performance obligation, and therefore each transaction price negotiated relates to the performance obligation is standalone price.

Revenue from rendering of services are recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation. The stage of completion is measured using the input method by actual costs incurred to-date. The Group progressively invoices the customer on progress claims, where the Group has right over payment over the value of services transferred to the customer. In the event where the value of services exceeds the rights of payments from the customer, a contract asset is recognised. Where the payments exceed the value of services transferred, a contract liability is recognised.

Estimates of revenue or extent of progress toward completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenue are reflected in the profit or loss in the period in which the circumstances give rise to the revision become known by management.

The costs of fulfilling contracts by the customer do not result into a recognition of contract assets if such costs falls within the scope of other SFRS(I)s. The Group will only recognise these costs of fulfilling as contract asset only if:

- these costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
- these costs are expected to be recovered.

Marine supplies income

Revenue from marine supplies relates to the supply of goods delivered to the customer, where revenue is recognised at a point in time when the performance obligation to delivered goods to the customer is fulfilled, based on the transaction price stated in the contract, net of any discounts given. Each good delivered to the customer is a single performance obligation.

Charter income

Revenue from charter income relates to the provision of ship charter services to customer.

Revenue generated from short term time charter is recognised over time on a straight-line basis over the period of the charter based on the transaction price stated in the contract, as the performance obligations relates to a series of distinct services that are the same and have the same pattern of transfer to the customer.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.15 Revenue recognition (Continued)

Charter income (Continued)

Revenue generated from spot charter is recognised at a point in time upon completion of shipment at discharge port based on the transaction price stated in the contract, as the single performance obligation is fulfilled upon the completion of the charter. Variable consideration may arise in the event that the customer has exceeded an agreed period, where the variable consideration is based on a demurrage rate agreed in the contract. Variable consideration is recognised based on the expected value method.

Rental income

Revenue are recognised over time on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

2.16 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.

2.17 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.

2.18 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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.19 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.19 Taxes (Continued)

Deferred tax (Continued)

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.

2.20 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.

2.21 Foreign currency transactions and translation

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

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

2. Summary of significant accounting policies (Continued)

2.21 Foreign currency transactions and translation (Continued)

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.

2.22 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.

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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 to the financial statements 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.

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets are determined by the management based on value-in-use.

Value-in-use of the asset is determined based on present value of the projected cash flows expected to be derived over the useful life of the asset. The carrying amount of property, plant and equipment of the Group as at 31 December 2018 were $19,108,130 (2017: $19,931,496). Impairment losses recognised during the current financial year is $Nil (2017: $405,516).

Revenue recognition

Revenue from rendering of services are recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation.

In deriving an estimated project recovery rate for each project, management has performed the cost studies, the actual rates for similar contracts and recoverability of variation works by taking into account engineers' estimate. The recovery rate is regularly reviewed and revised, as appropriate.

Where the actual project recovery rate is different from the original estimate, such difference will impact revenue in the period in which such estimate has been changed. Service revenue is disclosed in Note 21 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

3.2 Key sources of estimation uncertainty (Continued)

Loss allowance for trade receivables

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

The carrying amounts of trade receivables at the end of the reporting period are disclosed in Note 5 to the financial statements.

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 fair value of the subsidiaries. The assessment has led to the recognition of impairment loss of $989,000 (2017: $35,769) and reversal of impairment loss of $Nil (2017: $2,802,568) during the year.

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

4. Cash and cash equivalents

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Cash at banks and on hand	5,362,339	6,900,225	1,435,241	96,089	42,367	125,978
Fixed deposits	1,765,657	1,605,900	3,544,211	-	-	-
	7,127,996	8,506,125	4,979,452	96,089	42,367	125,978
Fixed deposit pledged	(100,753)	(100,503)	(100,251)			
Cash and cash equivalents on statements of financial position	7,027,243	8,405,622	4,879,201			
Bank overdraft (Note 14)	-	-	(433,531)			
Cash and cash equivalents on consolidated statement of cash flows	7,027,243	8,405,622	4,445,670			

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

4. Cash and cash equivalents (Continued)

Fixed deposits bore an effective interest rate from a range of 0.10% to 2.33% (31 December 2017: 0.10% to 1.50%, 1 January 2017: 0.10% to 1.50%) per annum and was for a tenure of approximately 30 to 365 days (31 December 2017: 30 to 365 days, 1 January 2017: 30 to 365 days).

For the purpose of presenting the statement of cash flows, cash and cash equivalents include fixed deposits with an average maturity of more than 3 months, as there are no significant costs or penalties in converting these fixed deposits into liquid cash before maturity.

Fixed deposit of the Group amounting to $100,753 (31 December 2017: $100,503, 1 January 2017: $100,251) 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 are as follows:

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Singapore dollar	3,907,305	5,477,948	1,160,242	96,089	42,367	125,978
Thai baht	951,424	1,294,742	3,806,448	-	-	-
United states dollar	2,194,586	1,683,064	-	-	-	-
Others	74,681	50,371	12,762	-	-	-
	7,127,996	8,506,125	4,979,452	96,089	42,367	125,978

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

5. Trade receivables

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Third parties	16,415,339	12,262,600	5,707,969	1,378	-	-
Less: Loss allowance for trade receivables	(1,410,158)	(538,282)	(466,070)	-	-	-
Total trade receivables	15,005,181	11,724,318	5,241,899	1,378	-	-
Add: Cash and cash equivalents (Note 4)	7,127,996	8,506,125	4,979,452	96,089	42,367	125,978
Add: Finance lease receivable (Note 6)	-	-	5,558,390	-	-	-
Add: Contract assets (Note 7)	3,721,551	7,366,061	13,805,466	-	-	-
Add: Other receivables (Note 8)	1,091,450	839,162	1,144,326	16,216,076	17,760,741	19,353,223
Less: Prepayment (Note 8)	(409,757)	(221,880)	(362,404)	(79,977)	(87,557)	(61,324)
Less: Value-added tax receivables (Note 8)	(38,676)	(24,433)	(20,399)	-	-	-
Total financial assets carried at amortised cost (2017: Total loans and receivables)	26,497,745	28,189,353	30,346,730	16,233,566	17,715,551	19,417,877

The average credit period granted to customers is 30 days (31 December 2017: 30 days, 1 January 2017: 30 days). No interest is charged on the outstanding balances.

Movements in the loss allowance for trade receivables are as follows:

	Group	
	2018 $	2017 $
At 1 January under FRS 39	538,282	466,070
Application of SFRS(I) 9	277,559	-
At 1 January under SFRS(I) 9	815,841	-
Loss allowance during the financial year	637,888	72,212
Amount recovered during the financial year	(43,571)	-
At 31 December	1,410,158	538,282

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Singapore dollar	14,933,302	11,570,354	5,106,248	1,378	-	-
Thai baht	-	27,658	135,651	-	-	-
United states dollar	65,229	108,801	-	-	-	-
Others	6,650	17,505	-	-	-	-
	15,005,181	11,724,318	5,241,899	1,378	-	-

6. Finance lease receivable

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Group						
Amounts receivable under finance lease:						
Within one year	-	-	2,760,000	-	-	2,346,056
In the second to fifth years inclusive	-	-	3,260,000	-	-	3,212,334
Total finance lease receivable	-	-	6,020,000	-	-	5,558,390
Less: Unearned finance income	-	-	(461,610)	-	-	-
Present value of minimum lease payments receivable	-	-	5,558,390	-	-	5,558,390

Analysed as:

	31 December 2018 $	31 December 2017 $	1 January 2017 $
Current finance lease receivable (recoverable within 12 months)	-	-	2,346,056
Non-current finance lease receivable (recoverable after 12 months)	-	-	3,212,334
	-	-	5,558,390

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

6. Finance lease receivable (Continued)

The Group had entered into finance leasing arrangement for its vessel in 2013 for a period of 5 years, and the leased vessel was pledged with a bank for bank facilities (Note 14). The lease was denominated in Singapore dollar.

In 2017, the charter contract had been terminated and as a result, the vessel was repossessed by the Group, upon which the related net finance lease receivable amount of $4,018,353 (1 January 2017: $5,558,390) was derecognised and reclassified to property, plant and equipment. The net amount of lease receivable was recognised as the cost of vessel at the date of contract cancellation (Note 13).

The vessel was assessed for impairment at the time it was repossessed by the Group using market approach based on recent market transactions and there was adequate headroom between the estimated recoverable amount and the net amount of lease receivable. Hence, the Group concluded that no impairment of the net amount of finance lease receivable was necessary.

7. Contract assets

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
New building and repair	3,721,551	7,366,061	13,805,466

a) Significant changes in contract assets

	Group	
	2018	2017
	$	$
At 1 January	7,366,061	13,805,466
Amount transferred to trade receivables	(7,366,061)	(13,805,466)
Excess of revenue recognised over cash or rights of cash	3,721,551	7,366,061
At 31 December	3,721,551	7,366,061

The contract assets mainly relates to the Group's rights to consideration for work completed but not yet billed at reporting date on the long-term contracts for new building and repair operating segment. The contract assets are transferred to trade receivables when the rights become unconditional. The Group has assessed credit risk for contract assets based on 12-month expected loss basis which reflects the low credit risk of the exposures. The management is of the view that the amount of the allowance on these balances is insignificant.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. Other receivables

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Third parties	703,692	658,006	678,332	328,716	330,102	328,706
Less: Loss allowance for third parties other receivables	(328,706)	(328,706)	(328,706)	(328,706)	(328,706)	(328,706)
Subsidiaries	-	-	-	17,505,364	17,671,788	19,291,899
Less: Loss allowance for amount due from subsidiaries	-	-	-	(1,379,975)	-	-
Associate	306,491	306,491	308,738	-	-	-
Less: Loss allowance for amount due from an associate	(306,491)	(306,491)	(308,738)	-	-	-
Prepayments	409,757	221,880	362,404	79,977	87,557	61,324
Deposits	268,031	263,549	411,897	10,700	-	-
Value-added tax receivables	38,676	24,433	20,399	-	-	-
Total other receivables	1,091,450	839,162	1,144,326	16,216,076	17,760,741	19,353,223
Less: Deposits (shown under non-current assets)	(4,155)	(6,666)	(3,956)	-	-	-
	1,087,295	832,496	1,140,370	16,216,076	17,760,741	19,353,223

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

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

	Group and Company	
	2018 $	2017 $
At 1 January / 31 December	328,706	328,706

Movements in the loss allowance for amount due from subsidiaries are as follows:

	Company	
	2018 $	2017 $
At 1 January under FRS 39	-	-
Application of SFRS(I) 9	1,298,881	-
At 1 January under SFRS(I) 9	1,298,881	-
Loss allowance during the financial year	81,094	-
At 31 December	1,379,975	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

8. **Other receivables** (Continued)

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

	Group	
	2018	**2017**
	$	**$**
At 1 January	306,491	308,738
Reversal of unused allowance during the financial year	-	(2,247)
At 31 December	306,491	306,491

In determining the recoverability of receivable from an associate, the Company considers the financial strength and performance of the associate. Accordingly, management believes that no additional loss allowance on amount due from an associate is required.

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

	Group			Company		
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
	$	**$**	**$**	**$**	**$**	**$**
Singapore dollar	991,163	828,396	1,069,462	12,984,728	14,611,628	13,419,453
Thai baht	49,158	6,666	69,661	3,231,348	3,149,113	5,933,770
United states dollar	36,283	-	-	-	-	-
Others	14,846	4,100	5,203	-	-	-
	1,091,450	839,162	1,144,326	16,216,076	17,760,741	19,353,223

9. **Inventories**

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$	**$**	**$**
Raw materials, at cost	86,284	169,512	92,531
Consumables, at cost	329,766	448,799	492,714
Total	416,050	618,311	585,245

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 2018 amounted to $4,725,470 (31 December 2017: $1,853,593, 1 January 2017: $1,789,601).

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Investments in subsidiaries

	Company		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$	**$**	**$**
Unquoted equity shares, at cost	21,680,828	21,680,828	21,630,828
Less: Allowance for impairment loss	(2,511,675)	(1,522,675)	(4,289,474)
Total	19,169,153	20,158,153	17,341,354

Movements in the allowance for impairment loss are as follows:

	Company	
	2018	**2017**
	$	**$**
At 1 January	1,522,675	4,289,474
Allowance made during the financial year	989,000	35,769
Reversal made during the financial year	-	(2,802,568)
At 31 December	2,511,675	1,522,675

As at 31 December 2018, the Company carried out a review on the recoverable amount of its investments in subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd., having regards for indicators of impairment on investment in subsidiary based on the existing performance of subsidiary. This subsidiary is in the new building and repair segment.

The assessment resulted in the recognition of an impairment loss of $989,000 (2017: $Nil) recognised in the Company's profit or loss. The recoverable amount of $1,159,200 has been determined based on its fair value less cost of disposal of its major assets, which include freehold land and building using market approach and the key assumption was price per square meter (Level 3 hierarchy).

In 2017, 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. These subsidiaries are in the new building and repair segment.

The assessment resulted in the recognition of an impairment loss of $35,769 recognised in the Company's profit or loss. The carrying amount of the investment in ES Offshore Engineering Pte. Ltd. had been fully impaired based on its fair value less cost of disposal.

A reversal of an allowance for impairment loss of $2,802,568 was recognised relating to the investment in Eng Soon Investment Pte Ltd following an improvement in its performance. The recoverable amount of $7,522,000 had been determined based on its fair value less cost of disposal of its major assets, which were leasehold land and property, with reference to recent transactions of similar assets with appropriate adjustments such as floor area (Level 3 hierarchy).

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$	$	$	%	%	%	%	%	%	%	%	%
Held by the Company													
Eng Soon Investment Pte Ltd[(1)]	Repair of vessel and related engineering services/ Singapore	5,275,859	5,275,859	5,275,859	100	100	100	100	100	100	-	-	-
Wang Fatt Oil & Gas Construction Pte Ltd[(1)]	Repair of vessel and related engineering services and building construction/ Singapore	10,400,088	10,400,088	10,400,088	100	100	100	100	100	100	-	-	-
Eng Soon Marine Pte Ltd[(1)]	Sale of consumables/ Singapore	782,272	782,272	782,272	100	100	100	100	100	100	-	-	-

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$	$	$	%	%	%	%	%	%	%	%	%
Held by the Company (Continued)													
ES Offshore Engineering Pte. Ltd.[1]	Repairs of vessel and related engineering services/ Singapore	1,073,517	1,073,517	1,073,517	100	100	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	1,401,732	100	100	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	100,000	100	100	100	100	100	100	-	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$	$	$	%	%	%	%	%	%	%	%	%
Held by the Company (Continued)													
ES Energy Pte. Ltd.[(1)]	Offshore support services and investment holding/ Singapore	1	1	1	100	100	100	100	100	100	-	-	-
ES Oil & Gas Pte. Ltd.[(1)]	Repair of vessels and related engineering services/ Singapore	1	1	1	100	100	100	100	100	100	-	-	-
ES Chartering Pte. Ltd.[(1)]	Freight water transport/ Singapore	50,000	50,000	-	100	100	-	100	100	-	-	-	-
Dalian ES Marine & Offshore Engineering Co., Ltd.[(6)]	Technical development, design, and consultancy service for ship and offshore project/People's Republic of China ("PRC")	449,158	449,158	449,158	100	100	100	100	100	100	-	-	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd.[(2)(4)(5)]	Vessel building and repair and steel construction/ Thailand	2,148,200	2,148,200	2,148,200	50	50	50	51	51	51	50	50	50
		21,680,828	21,680,828	21,630,828									

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$	$	$	%	%	%	%	%	%	%	%	%
Held by ES Oil & Gas Pte. Ltd.													
ESW Automation Pte. Ltd.[1]	Provide electrical and installation services for vessels/ Singapore	100,000	100,000	100	100	100	100	100	100	100	-	-	-
ES Offshore and Engineering (Myanmar) Company Limited[6] [7]	Provide consultancy and engineering services/ Myanmar	17,824	17,824	-	50	50	-	50	50	-	-	-	-
		117,824	117,824	100									
Held by ES Offshore Engineering Pte. Ltd.													
ES Offshore and Engineering (Myanmar) Company Limited[6] [7]	Provide consultancy and engineering services/ Myanmar	17,825	17,825	-	50	50	-	50	50	-	-	-	-
		17,825	17,825	-									

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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		
		31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
		$	$	$	%	%	%	%	%	%	%	%	%
Held by ES Chartering Pte. Ltd.													
ES Aspire Pte. Ltd.[1]	Freight water transport/ Singapore	50,000	50,000	-	100	100	-	100	100	-	-	-	-
		50,000	50,000	-									
Held by Eng Soon Marine Pte Ltd													
ES Nautilus Sdn. Bhd.[3] [8]	Building and construction of ships, floating structures as well as other engineering projects/ Malaysia	8,101	-	-	49	-	-	51	-	-	51	-	-
		8,101	-	-									

Notes:
(1) Audited by BDO LLP, Singapore.
(2) Audited by BDO Limited, Thailand.
(3) Audited by YYC & Co., Malaysia.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

10. Investments in subsidiaries (Continued)

Notes:

(4) 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.

(5) 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.

(6) Not audited as deemed not material to the Group.

(7) ES Oil & Gas Pte. Ltd.and ES Offshore Engineering Pte. Ltd. each owning 50% equity shares of ES Offshore and Engineering (Myanmar) Company Limited., where the Group ultimately owns 100% equity shares of ES Offshore and Engineering (Myanmar) Company Limited.

(8) The Group owns 49% equity shares of ES Nautilus Sdn. Bhd.. However, based on contractual agreements between the Group and other investor, the Group holds 51% of voting power that gives it the ability to direct the relevant activities of ES Nautilus Sdn. Bhd. based on simple majority votes. The non-controlling interest owns 51% equity shares and 49% of voting power of ES Nautilus Sdn. Bhd.. Therefore, the directors of the Group determined that the Group has control over ES Nautilus Sdn. Bhd. and accordingly ES Nautilus Sdn. Bhd. is consolidated in these financial statements.

Incorporation of a subsidiary

During the financial year, the Company's wholly-owned subsidiary, Eng Soon Marine Pte Ltd incorporated a partially-owned subsidiary in Malaysia, ES Nautilus Sdn. Bhd. with an issued and paid-up capital of 50,000 ordinary shares at RM1.00 per share. The Company has 49% equity share in ES Nautilus Sdn. Bhd. with capital contribution of $8,101.

ES Nautilus Sdn. Bhd. is consolidated into these financial statements as a subsidiary in view that the Company has control over it through majority voting right, and as a result, a non-controlling interest of $8,432 is recognised within equity.

11. Investment in an associate

	Group		
	31 December 2018	**31 December 2017**	**1 January 2017**
	$	**$**	**$**
Cost of investment in an associate	200,000	200,000	200,000
Share of post-acquisition loss, net of dividend received	(132,155)	(132,155)	(132,155)
Allowance for impairment loss	(67,845)	(67,845)	(67,845)
Total	-	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

11. Investment in an associate (Continued)

Movements in the allowance for impairment loss are as follows:

	Group 2018 $	Group 2017 $
At 1 January/31 December	67,845	67,845

Name of associate	Principal activities /Country of incorporation and principal place of business	Proportion of ownership interest 31 December 2018 %	31 December 2017 %	1 January 2017 %	Proportion of voting power held 31 December 2018 %	31 December 2017 %	1 January 2017 %
Karnot Technology Pte. Ltd.[(1)]	Provide engineering services/Singapore	20	20	20	20	20	20

(1) Not audited as deemed not material to the Group.

The above associate is accounted for using the equity method in these consolidated financial statements. The Group's share of current year's losses is $Nil (2017: $Nil) as the associate is no longer in operation.

12. Club membership

	Group 31 December 2018 $	31 December 2017 $	1 January 2017 $
Club membership, at cost	65,000	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)	(15,500)
Total	49,500	49,500	49,500

Movements in the allowance for impairment loss are as follows:

	Group 2018 $	Group 2017 $
At 1 January/31 December	15,500	15,500

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	Dry dock	Right-of-use assets (Note A)	Other assets	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Group												
Cost												
At 1 January 2018	5,598,757	3,680,559	1,354,140	833,129	9,705,487	1,422,629	509,942	9,018,354	1,009,590	1,636,913	2,245,450	37,014,950
Exchange translation	-	96,114	35,362	21,757	200,469	4,879	-	-	-	-	5,379	363,960
Additions	-	-	-	-	-	128,804	1,735,763	-	-	136,298	42,572	2,043,437
Disposals	-	-	-	-	-	(404,359)	(69,166)	-	-	-	(5,500)	(479,025)
Reclassification	-	-	-	-	-	-	(440,776)	-	440,776	-	-	-
Write-off	-	-	-	-	-	-	-	(813,669)	(596,576)	-	(9,141)	(1,419,386)
At 31 December 2018	5,598,757	3,776,673	1,389,502	854,886	9,905,956	1,151,953	1,735,763	8,204,685	853,790	1,773,211	2,278,760	37,523,936
Accumulated depreciation and accumulated impairment losses												
At 1 January 2018	2,243,586	-	773,328	716,584	8,707,910	1,134,872	-	243,488	467,248	729,824	2,066,614	17,083,454
Exchange translation	-	-	21,345	19,312	178,504	3,635	-	-	-	-	5,486	228,282
Charge for the year	225,323	-	91,434	47,574	490,495	52,777	-	389,618	627,404	132,010	125,671	2,182,306
Disposals	-	-	-	-	-	(393,049)	-	-	-	-	(5,500)	(398,549)
Write-off	-	-	-	-	-	-	-	(73,970)	(596,576)	-	(9,141)	(679,687)
At 31 December 2018	2,468,909	-	886,107	783,470	9,376,909	798,235	-	559,136	498,076	861,834	2,183,130	18,415,806
Carrying amount												
At 31 December 2018	3,129,848	3,776,673	503,395	71,416	529,047	353,718	1,735,763	7,645,549	355,714	911,377	95,630	19,108,130

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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	Vessel	Dry dock	Right-of-use assets (Note A)	Other assets	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Group												
Cost												
At 1 January 2017, reported under FRS framework	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
Effect on early application of SFRS(I) 16	-	-	-	-	-	(126,336)	-	-	-	1,430,406	(24,260)	1,279,810
At 1 January 2017	5,598,757	3,632,683	1,336,526	822,292	11,702,490	1,507,775	10,093	5,000,001	-	1,430,406	2,422,262	33,463,285
Exchange translation	-	47,876	17,614	10,837	145,206	1,769	219	-	-	-	7,958	231,479
Additions	-	-	-	-	3,856	104,220	509,940	-	1,009,590	206,507	98,096	1,932,209
Disposals	-	-	-	-	(112,325)	(191,135)	-	-	-	-	(68,000)	(371,460)
Reclassification (Note 6)	-	-	-	-	-	-	-	4,018,353	-	-	-	4,018,353
Write-off	-	-	-	-	(2,033,740)	-	(10,310)	-	-	-	(214,866)	(2,258,916)
At 31 December 2017	5,598,757	3,680,559	1,354,140	833,129	9,705,487	1,422,629	509,942	9,018,354	1,009,590	1,636,913	2,245,450	37,014,950
Accumulated depreciation and accumulated impairment losses												
At 1 January 2017, reported under FRS framework	2,018,263	-	620,519	625,078	9,558,647	1,309,567	-	-	-	-	2,063,315	16,195,389
Effect on early application of SFRS(I) 16	-	-	-	-	-	(68,012)	-	-	-	612,383	(16,982)	527,389
At 1 January 2017	2,018,263	-	620,519	625,078	9,558,647	1,241,555	-	-	-	612,383	2,046,333	16,722,778
Exchange translation	-	-	6,971	7,544	107,323	890	-	-	-	-	5,834	128,562
Charge for the year	225,323	-	105,218	83,962	895,262	61,196	-	243,488	467,248	117,441	235,509	2,434,647
Impairment losses	-	-	40,620	-	281,183	22,366	-	-	-	-	61,347	405,516
Disposals	-	-	-	-	(105,603)	(191,135)	-	-	-	-	(67,988)	(364,726)
Write-off	-	-	-	-	(2,028,902)	-	-	-	-	-	(214,421)	(2,243,323)
At 31 December 2017	2,243,586	-	773,328	716,584	8,707,910	1,134,872	-	243,488	467,248	729,824	2,066,614	17,083,454
Carrying amount												
At 31 December 2017	3,355,171	3,680,559	580,812	116,545	997,577	287,757	509,942	8,774,866	542,342	907,089	178,836	19,931,496
At 1 January 2017	3,580,494	3,632,683	716,007	197,214	2,143,843	266,220	10,093	5,000,001	-	818,023	375,929	16,740,507

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Property, plant and equipment (Continued)

Note A: Right-of-use assets

	Right-of-use assets			
	Motor vehicles	**Leasehold land**	**Other assets**	**Total**
Group				
Cost				
At 1 January 2018	320,895	1,279,810	36,208	1,636,913
Additions	136,298	-	-	136,298
At 31 December 2018	457,193	1,279,810	36,208	1,773,211
Accumulated depreciation				
At 1 January 2018	108,204	597,131	24,489	729,824
Charge for the year	58,452	67,149	6,409	132,010
At 31 December 2018	166,656	664,280	30,898	861,834
Carrying amount				
At 31 December 2018	290,537	615,530	5,310	911,377
Group				
Cost				
At 1 January 2017, reported under FRS framework	-	-	-	-
Effect on early application of SFRS(I) 16	126,336	1,279,810	24,260	1,430,406
At 1 January 2017	126,336	1,279,810	24,260	1,430,406
Additions	194,559	-	11,948	206,507
At 31 December 2017	320,895	1,279,810	36,208	1,636,913
Accumulated depreciation				
At 1 January 2017, reported under FRS framework	-	-	-	-
Effect on early application of SFRS(I) 16	68,012	527,389	16,982	612,383
At 1 January 2017	68,012	527,389	16,982	612,383
Charge for the year	40,192	69,742	7,507	117,441
At 31 December 2017	108,204	597,131	24,489	729,824
Carrying amount				
At 31 December 2017	212,691	682,679	11,719	907,089
At 1 January 2017	58,324	752,421	7,278	818,023

The land lease is negotiated for a term of 22 years from April 2006 and the lease payment is subject to periodic revision by JTC Corporation. The incremental borrowing rate applied to the lease liability on inception date of the lease was 4.50%.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

13. Property, plant and equipment (Continued)

In 2017, the Group carried out a review of the recoverable amount of the property, plant and equipment in new building and repair operating segment owned by a subsidiary, as management had determined that indicators of impairment existed at the end of the reporting period due to the deteriorating operating results of the subsidiary. The review led to the recognition of an impairment loss of $405,516 that had been recognised in "Administrative expenses" line item in the Group's profit or loss. The recoverable amount of the relevant asset amounting to $6,901,000 had been determined on the basis of its fair value less costs to sell with reference to indicative market values by a third party valuer on an individual basis using the replacement cost approach by making reference to recent transactions of similar assets with appropriate adjustments (Level 3 hierarchy).

Other assets consist of office equipment, furniture and fittings, air conditioner, renovations, computer software 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 $3,129,848 (31 December 2017: $3,355,171, 1 January 2017: $3,580,494) have been pledged with a bank for banking facilities (Note 14).

Freehold land and property comprise of:

- 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.

As at the end of the reporting period, the Group's vessels with a carrying amount of $7,645,549 (31 December 2017: $8,774,866, 1 January 2017: $5,000,001) have been pledged with a bank for banking facilities (Note 14).

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial year comprised:

	2018	**2017**
	$	**$**
Purchases of property, plant and equipment	2,043,437	1,932,209
Less: Property, plant and equipment acquired under lease arrangements	(112,271)	(208,877)
Net cash payments made	1,931,166	1,723,332

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Bank loans

	Group		
	31 December 2018	31 December 2017	1 January 2017
	$	$	$
Bank loans			
- Term loan 1[(a)]	-	-	101,431
- Term loan 2[(a)]	995,226	1,133,929	1,208,596
- Term loan 3[(a)]	1,120,000	2,200,000	3,280,000
- Term loan 4[(a)]	2,200,000	2,800,000	-
- Term loan 5[(b)]	5,056,509	6,500,000	1,600,000
Bank overdraft[(c)] (Note 4)	-	-	433,531
Total bank loans	9,371,735	12,633,929	6,623,558
Less: Amount due for settlement within 12 months (shown under current liabilities)	(3,552,794)	(4,271,694)	(5,490,677)
Amount due for settlement after 12 months	5,818,941	8,362,235	1,132,881

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 4.42% to 4.67% (2017: 1.83% to 4.08%) per annum, and repayable by December 2019, August 2022 and November 2033.

(b) The term loan was arranged at floating interest rate, thus exposing the Group to cash flow risk. The term loan has an average effective interest rate of 3.46% to 6.75% (2017: 3.14% to 6.75%) per annum, and repayable by April 2023 and September 2023.

(c) The bank overdraft was repayable on demand. In 2017, the average effective interest rate was 6.50% and was 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 vessels (Note 13); and

(iii) corporate guarantees by the Company for all the monies owing (Note 30).

As at the end of the financial year, the Group has available $6,344,671 (31 December 2017: $5,271,513, 1 January 2017: $11,001,540) 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 $7,543,074 (31 December 2017: $11,864,999, 1 January 2017: $6,099,132).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

14. Bank loans (Continued)

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 bank loans are denominated in Singapore dollar.

15. Trade payables

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Third parties	1,950,318	1,753,976	1,432,130	-	-	86
Total trade payables	1,950,318	1,753,976	1,432,130	-	-	86
Add: Bank loans (Note 14)	9,371,735	12,633,929	6,623,558	-	-	-
Add: Other payables (Note 16)	6,779,927	6,167,536	7,949,893	10,258,622	10,641,511	12,635,403
Add: Lease liabilities (Note 17)	1,072,692	1,067,930	1,028,988	-	-	-
Less: Goods and service tax payable	(336,038)	(148,411)	(186,341)	-	-	-
Total financial liabilities carried at amortised cost	18,838,634	21,474,960	16,848,228	10,258,622	10,641,511	12,635,489

The average credit period of trade payables is 30 days (31 December 2017: 30 days, 1 January 2017: 30 days). No interest is charged on the outstanding balances.

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

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Singapore dollar	1,746,895	1,350,500	1,085,614	-	-	86
Thai baht	110,785	223,901	259,545	-	-	-
United States dollar	20,580	105,119	-	-	-	-
Others	72,058	74,456	86,971	-	-	-
	1,950,318	1,753,976	1,432,130	-	-	86

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

16. Other payables

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Director of subsidiary[(a)]	3,231,382	3,150,011	5,934,667	-	865	865
Subsidiaries[(b)]	-	-	-	10,163,021	10,508,590	12,552,378
Third parties[(b)]	1,171,474	1,081,972	502,350	36,018	42,356	-
Accruals[(c)]	1,206,249	1,346,011	1,030,617	59,583	89,700	82,160
Workers' guarantee payables[(d)]	538,822	410,246	442,259	-	-	-
Deposit received	632,000	179,296	40,000	-	-	-
	6,779,927	6,167,536	7,949,893	10,258,622	10,641,511	12,635,403

(a) This represents advance from director of subsidiary which is unsecured, interest free and repayable on demand.

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

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

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

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

	Group			Company		
	31 December 2018 $	31 December 2017 $	1 January 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Singapore dollar	3,290,490	2,856,633	1,863,282	10,258,622	10,641,511	12,653,403
Thai baht	3,419,355	3,274,434	6,061,570	-	-	-
Others	70,082	36,469	25,041	-	-	-
	6,779,927	6,167,536	7,949,893	10,258,622	10,641,511	12,653,403

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

17. Lease liabilities

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Group						
Amounts payable under leases:						
Within one year	173,478	150,563	200,050	125,128	102,583	155,124
In the second to fifth years inclusive	681,100	589,626	447,436	553,638	449,470	316,021
After five years	431,574	574,514	638,053	393,926	515,877	557,843
Total lease payables	1,286,152	1,314,703	1,285,539	1,072,692	1,067,930	1,028,988
Less: Future finance charges	(213,460)	(246,773)	(256,551)	-	-	-
Present value of lease obligations	1,072,692	1,067,930	1,028,988	1,072,692	1,067,930	1,028,988
Less: Amount due for settlement within 12 months (shown under current liabilities)				(125,128)	(102,583)	(155,124)
Amount due for settlement after 12 months				947,564	965,347	873,864

It is the Group's policy to lease certain properly, plant and equipment. The average lease terms ranged from 5 to 22 years (31 December 2017: 5 to 22 years, 1 January 2017: 5 to 22 years). The average effective borrowing rate was 4.80% (31 December 2017: 4.73%, 1 January 2017: 4.67%) 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, except for:

The land lease is negotiated for a term of 22 years from April 2006 and the lease payment is subject to periodic revision by JTC Corporation. The incremental borrowing rate applied to the lease liability on inception date of the lease was 4.50%.

The fair value of the Group's lease liabilities approximates their carrying amount as the leases are subject to market borrowing rate.

The lease liabilities are denominated in Singapore dollar.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

18. Share capital

	Group and Company					
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	Number of ordinary shares			$	$	$
Issued and paid up:						
At beginning and at end of year	141,200,000	141,200,000	141,200,000	23,698,348	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.

19. 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.

20. 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.

21. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 32 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

21. **Revenue** (Continued)

	Group		
Segments	**New building and repair**	**Shipping**	**Total**
	$	**$**	**$**
Type of goods and services			
2018			
Service revenue	21,333,225	-	21,333,225
Marine supplies	-	1,212,276	1,212,276
Ship charter	-	5,426,962	5,426,962
	21,333,225	6,639,238	27,972,463
2017			
Service revenue	19,517,699	-	19,517,699
Marine supplies	-	802,163	802,163
Ship charter	-	3,135,497	3,135,497
	19,517,699	3,937,660	23,455,359
Timing of transfer of goods and services			
2018			
At a point in time	-	5,265,173	5,265,173
Over time	21,333,225	1,374,065	22,707,290
	21,333,225	6,639,238	27,972,463
2017			
At a point in time	-	3,937,660	3,937,660
Over time	19,517,699	-	19,517,699
	19,517,699	3,937,660	23,455,359

22. **Cost of services**

	Group	
	2018	**2017**
	$	**$**
Cost of projects (include labour costs and other direct costs)	13,085,694	15,471,827
Depreciation of property, plant and equipment (Note 27)	1,835,790	1,953,478
Materials	4,725,470	1,853,593
	19,646,954	19,278,898

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

23. Other operating income

	Group	
	2018	2017
	$	$
Reimbursement of expenses from foreign workers	351,557	509,607
Rental income	182,226	198,910
Interest income	43,984	35,760
Gain on disposal of property, plant and equipment	29,123	-
Scrap income	76,761	7,041
Government grant	100,448	147,141
Foreign exchange gain – net	109,114	-
Others	56,507	82,763
	949,720	981,222

24. Other operating expenses

	Group	
	2018	2017
	$	$
Rental expense:		
- Workshop lease	19,961	60,792
- Dormitory	522,360	921,974
- Others	180,744	162,623
Repair and maintenance	113,730	143,345
Travelling expense	180,780	123,155
Staff training and welfare	103,830	126,747
Food and refreshment	50,578	79,610
Foreign exchange loss – net	-	5,247
Water and electricity	192,665	256,901
Transportation	75,379	74,692
Depreciation on property, plant and equipment (Note 27)	206,157	279,329
Loss on disposal of property, plant and equipment (Note 27)	-	859
Property, plant and equipment written off (Note 27)	739,699	15,593
Others	178,349	186,892
	2,564,232	2,437,759

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

25. Finance costs

	Group	
	2018	**2017**
	$	**$**
Interest on bank borrowings	371,847	249,634
Interest on bank overdrafts	10	14
Interest on lease liabilities	49,481	51,269
	421,338	300,917

26. Income tax expense

	Group	
	2018	**2017**
	$	**$**
Income tax:		
- Underprovision in prior years	-	13,937
	-	13,937

Domestic income tax is calculated at 17% (2017: 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 profit/(loss) as follows:

	Group	
	2018	**2017**
	$	**$**
Profit/(Loss) before income tax	165,031	(3,723,938)
Income tax benefit at statutory rate of 17% (2017: 17%)	28,055	(633,069)
Effect of different tax rates of overseas operations	(54,751)	(70,244)
Effect of income that is exempt from taxation	(718,825)	(62,711)
Effect of expenses that are not deductible in determining taxable profit	991,338	481,394
Tax incentives	(1,293)	(40,551)
Underprovision in prior years	-	13,937
Utilisation of deferred tax assets previously not recognised	(649,335)	(230,348)
Deferred tax assets not recognised in profit or loss	404,811	555,529
Total income tax expense	-	13,937

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

26. Income tax expense (Continued)

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 approximately $10,202,000 (2017: $11,688,000 available for offset against future profits. Included in unutilised tax losses are amounts of approximately $4,551,000 (2017: $4,435,000), $589,000 (2017: $574,000), $1,737,000 (2017: $1,536,000), and $1,850,000 (2017: Nil) arising in certain foreign tax jurisdictions which will expire in 2020, 2021, 2022 and 2023 respectively. No deferred tax asset has been recognised in accordance with the accounting policy in Note 2.19 to the financial statements due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

The Group has unnutilised capital allowances of approximately $1,125,000 (2017: $1,078,000) available to offset against future profit.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
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27. Profit/(Loss) for the year

Profit/(Loss) for the year is arrived at after charging:

	Group	
	2018	**2017**
	$	**$**
Depreciation of property, plant and equipment:		
- cost of services (Note 22)	1,835,790	1,953,478
- administrative expenses	140,359	201,840
- other operating expenses (Note 24)	206,157	279,329
	2,182,306	2,434,647
Directors' remuneration:		
- of the Company	399,250	400,619
- of the subsidiaries	86,514	105,260
Audit fee:		
- paid/payable to auditors of the Company	93,000	87,200
- paid/payable to other auditors	12,879	11,683
Employee benefits expense (including directors' remuneration)	10,049,340	12,631,566
Costs of defined contribution plans (included in employee benefits expense)	448,857	434,348
Cost of inventories recognised as expense (Note 9)	4,725,470	1,853,593
Loss allowance made for third party trade receivables	594,317	72,212
Impairment of property, plant and equipment	-	405,516
Property, plant and equipment written off (Note 24)	739,699	15,593
Loss on disposal of property, plant and equipment (Note 24)	-	859

28. Profit/(Loss) per share

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

	2018	**2017**
	$	**$**
Profit/(Loss) for the year attributable to owners of the Company	969,022	(2,586,067)
Weighted average number of ordinary shares for basic and diluted profit/(loss) per share computation	141,200,000	141,200,000
Basic profit/(loss) per share (cents)	0.69	(1.83)
Diluted profit/(loss) per share (cents)	0.69	(1.83)

NOTES TO THE **FINANCIAL STATEMENTS**

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28. Profit/(Loss) per share (Continued)

Basic profit/(loss) per share are calculated by dividing the profit/(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 (2017: 141,200,000) during the financial year.

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

29. Dividends

The Company did not recommend any dividend in respect of the financial years ended 31 December 2018 and 2017.

30. 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 $9,683,396 (31 December 2017: $15,690,930, 1 January 2017: $11,209,049). The earliest period that the guarantee could be called is within 1 year (31 December 2017 and 1 January 2017: 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.

31. 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	
	2018	**2017**
	$	**$**
Professional fee paid to immediate family member of directors/shareholders	205,080	204,180
Insurance broker services premium paid to immediate family member of directors/shareholders	187,303	122,385

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

NOTES TO THE **FINANCIAL STATEMENTS**
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31. **Significant related party transactions** (Continued)

Key management personnel remuneration

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**
Short-term benefits	1,401,830	1,423,178	553,250	444,369
Post-employment benefits	140,756	167,969	31,255	20,400
	1,542,586	1,591,147	584,505	464,769

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.

32. 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 SFRS(I) 8.

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 has restructured its segment information to more accurately present the Group's existing segment operations from three business segments (namely (i) new building and conversion; (ii) repair; and (iii) shipping) in 2017 to two business segments (namely (i) new building and repair; and (ii) shipping) in 2018. The new building and conversion business segment was combined with the repair business segment to form the new building and repair segment. This new segment presentation will effectively convey the segments' performance and financial position after the Group's efforts of lean cost management.

The Group's reportable operating segments under SFRS(I) 8 are as follows:

Segment	Principal activities
New building and repair	New building, conversion and repair of offshore and marine structures and vessels, and labour supply
Shipping	Ship chartering, marine supplies and related activities

The accounting policies of the reportable segments are described in Note 2.22. 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.

NOTES TO THE **FINANCIAL STATEMENTS**

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32. Segment information (Continued)

The segment assets comprise trade receivables, contract assets, finance lease receivable, certain inventories 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 vessels. 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.

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

	New building and repair $	Shipping $	Total $
31 December 2018			
Revenue			
Segment revenue	21,333,225	6,639,238	27,972,463
Results			
Gross profit	8,205,827	119,682	8,325,509
Other operating income			949,720
Administrative expenses			(5,530,311)
Other operating expenses			(2,564,232)
Loss allowance made for third party trade receivables			(594,317)
Finance costs			(421,338)
Profit before income tax			165,031
Income tax expense			-
Profit for the year			165,031
Other information			
Capital expenditure			2,043,437
Property, plant and equipment written off			739,699
Depreciation of property, plant and equipment	-	[(a)]1,017,022	2,182,306
Assets and Liabilities			
Segment assets	23,466,475	10,106,765	33,573,240
Unallocated corporate assets			12,949,089
Total assets			46,522,329
Segment liabilities	284,846	3,527,731	3,812,577
Unallocated corporate liabilities			15,362,095
Total liabilities			19,174,672

(a) The difference between the depreciation of shipping segment and the total depreciation of property, plant and equipment is attributable to property, plant and equipment for general purpose that are used for all segments.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Segment information (Continued)

	New building and repair $	Shipping $	Total $
31 December 2017			
Revenue			
Segment revenue	19,517,699	3,937,660	23,455,359
Results			
Gross profit/(loss)	4,814,504	(638,043)	4,176,461
Other operating income			981,222
Administrative expenses			(6,070,733)
Other operating expenses			(2,437,759)
Loss allowance made for third party trade receivables			(72,212)
Finance costs			(300,917)
Loss before income tax			(3,723,938)
Income tax expense			(13,937)
Loss for the year			(3,737,875)
Other information			
Capital expenditure			1,932,209
Property, plant and equipment written off			15,593
Impairment of property, plant and equipment			405,516
Depreciation of property, plant and equipment	-	[(a)]710,736	2,434,647
Assets and Liabilities			
Segment assets	24,122,572	10,455,996	34,578,568
Unallocated corporate assets			14,456,405
Total assets			49,034,973
Segment liabilities	280,238	5,496,817	5,777,055
Unallocated corporate liabilities			15,846,673
Total liabilities			21,623,728

(a) The difference between the depreciation of shipping segment and the total depreciation of property, plant and equipment is attributable to property, plant and equipment for general purpose that are used for all segments.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

32. Segment information (Continued)

	New building and repair $	Shipping $	Total $
1 January 2017			
Assets and Liabilities			
Segment assets	29,196,841	2,509,679	31,706,520
Unallocated corporate assets			16,398,265
Total assets			48,104,785
Segment liabilities	3,791,557	-	3,791,557
Unallocated corporate liabilities			13,243,012
Total liabilities			17,034,569

Geographical information

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

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#		
	31 December 2018 $	31 December 2017 $	31 December 2018 $	31 December 2017 $	1 January 2017 $
Geographical segments					
Singapore	27,711,912	22,770,087	14,171,020	14,539,478	9,926,166
Thailand	-	487,878	4,985,554	5,442,800	6,862,331
PRC	260,551	197,394	5,211	5,384	5,466
	27,972,463	23,455,359	19,161,785	19,987,662	16,793,963

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:

	2018 $	2017 $
Top 1st customer	13,995,138	17,735,905

Each customer above contributes revenue to the new building and repair segment.

NOTES TO THE **FINANCIAL STATEMENTS**

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33. 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.

(a) Categories of financial instruments

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

	Group			Company		
	31 December 2018	31 December 2017	1 January 2017	31 December 2018	31 December 2017	1 January 2017
	$	$	$	$	$	$
Financial assets						
Financial assets carried at amortised cost (2017: loans and receivables)	26,497,745	28,189,353	30,346,730	16,233,566	17,715,551	19,417,887
Financial liabilities						
Financial liabilities carried at amortised cost	18,838,634	21,474,960	16,848,228	10,258,622	10,641,511	12,635,489

(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 1 (2017: 1) major customer which accounted for 72% (2017: 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 8.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(b) Credit risk (Continued)

Comparative information under SFRS(I) 9

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

	Group	
	31 December 2017 $	1 January 2017 $
<3 months	5,263,525	3,169,279
3 months to 6 months	3,048,688	424,773
>6 months to 12 months	455,075	353,017
>12 months	1,005,671	252,483

The Group's impaired trade receivables at 31 December 2017 amounted to $538,282 (1 January 2017: $466,070). At 31 December 2017, the individual impairment losses of the Group related to several customers who had indicated that they were not likely to repay the outstanding balances mainly due to economic circumstances.

Expected credit loss assessment for trade receivables as at 31 December 2018

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

The allowance matrix is based on actual credit loss experience over the past two years. The expected credit loss computed is derived from historical data and credit assessment includes forward-looking information which management is of the view that customer conditions are representatives at the reporting date.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(b) **Credit risk** (Continued)

Expected credit loss assessment for trade receivables as at 31 December 2018 (Continued)

The following table provides information about the exposure to credit risk and expected credit loss for trade receivables as at 31 December 2018.

		Past due				
	Current	More than 30 days	More than 120 days	More than 210 days	More than 365 days	Total
	$	$	$	$	$	$
31 December 2018						
Gross carrying amount of trade receivables	1,118,008	3,814,586	2,238,949	5,435,634	3,808,162	16,415,339
Less: Loss allowance	-	(95,365)	(67,168)	(325,289)	(922,336)	(1,410,158)#
	1,118,008	3,719,221	2,171,781	5,110,345	2,885,826	15,005,181

This amount includes $1,080,258 which is related to credit-impaired balances from several customers who are not likely to repay the outstanding balances mainly due to economic circumstances or who have defaulted in payment terms.

Non-trade amounts due from third parties

The Group has assessed credit risk for non-trade amounts due from third parties based on 12-month expected loss basis which reflects the low credit risk of the exposures. The management is of the view that the amount of the allowance on remaining balances is insignificant.

Non-trade amounts due from subsidiaries

Management has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Management monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. At the end of the reporting period, the Company has assessed its subsidiaries' financial performance to meet the contractual cash flow obligations and is of the view that expected credit loss allowance is $305,397 (1 January 2018: $227,920) and credit-impaired allowance of $1,074,578 (1 January 2018: $1,070,961) for non-trade amounts due from subsidaries.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Baa2 to Aa1, based on Moody's rating. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(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**	
	31 December 2018	**31 December 2017**	**1 January 2017**	**31 December 2018**	**31 December 2017**	**1 January 2017**
Group						
Singapore dollars	317,059	56,337	174,833	1,230,398	1,586,735	6,101,358
Thai baht	368,523	449,549	-	3,231,348	3,149,113	5,933,770
United States dollars	37,742	120,517	-	2,250,819	1,782,838	-
Company						
Thai baht	-	-	-	3,231,348	3,149,113	5,933,770

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2017: 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.

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

	2018	**2017**
	$	**$**
Group		
Singapore dollars	45,667	76,520
Thai baht	143,141	134,979
United States dollars	110,653	83,116
Company		
Thai baht	161,567	157,456

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

(c) Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

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 2018 would decrease/increase by $46,859 (2017: decrease/increase by $63,170). 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 2018

33. **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 $7,127,996 (31 December 2017: $8,506,125, 1 January 2017: $4,979,452). 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 2018, the Group had available $6,344,671 (31 December 2017: $5,271,513, 1 January 2017: $11,001,540) 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 30.

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						
31 December 2018						
Non-interest bearing						
Trade and other payables	-	8,394,207	-	-	-	8,394,207
Interest bearing						
Lease liabilities	4.80%	173,478	681,100	431,574	(213,460)	1,072,692
Variable interest rate instruments	4.70%	3,972,245	5,707,372	960,568	(1,268,450)	9,371,735
		12,539,930	6,388,472	1,392,142	(1,481,910)	18,838,634
Financial corporate guarantee		9,683,396	-	-	-	9,683,396

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

33. 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						
31 December 2017						
Non-interest bearing						
Trade and other payables	-	7,773,101	-	-	-	7,773,101
Interest bearing						
Lease liabilities	4.73%	150,563	589,626	574,514	(246,773)	1,067,930
Variable interest rate instruments	4.47%	4,769,451	8,106,265	1,198,134	(1,439,921)	12,633,929
		12,693,115	8,695,891	1,772,648	(1,686,694)	21,474,960
Financial corporate guarantee		15,690,930	-	-	-	15,690,930
1 January 2017						
Non-interest bearing						
Trade and other payables	-	9,195,682	-	-	-	9,195,682
Interest bearing						
Lease liabilities	4.67%	200,050	447,436	638,053	(256,551)	1,028,988
Variable interest rate instruments	3.47%	5,692,926	377,232	880,208	(326,808)	6,623,558
		15,088,658	824,668	1,518,261	(583,359)	16,848,228
Financial corporate guarantee		11,209,049	-	-	-	11,209,049

Company

All financial liabilities of the Company in 2018 and 2017 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(e) Liquidity risk (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial assets

All financial assets of the Group and Company in 2018 and 2017 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:

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			
31 December 2018			
Amount due from subsidiaries	20,162,025	(2,656,661)	17,505,364
31 December 2017			
Amount due from subsidiaries	19,407,368	(1,735,580)	17,671,788
1 January 2017			
Amount due from subsidiaries	25,395,100	(6,103,201)	19,291,899

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

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

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			
31 December 2018			
Amount due to subsidiaries	947,002	(11,110,023)	(10,163,021)
31 December 2017			
Amount due to subsidiaries	1,738,361	(12,246,951)	(10,508,590)
1 January 2017			
Amount due to subsidiaries	1,948,652	(14,501,030)	(12,552,378)

(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 lease liabilities (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 lease liabilities.

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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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

(g) Capital risks management policies and objectives (Continued)

	Group		
	31 December 2018 $	**31 December 2017 $**	**1 January 2017 $**
Total borrowings	10,444,427	13,701,859	7,652,546
Total equity	26,969,192	26,257,680	28,804,233
Gearing ratio	39%	52%	27%

Externally imposed capital requirements

a) A subsidiary in Thailand was subject to externally imposed capital requirements, the details of which are disclosed in Note 19.

b) Four subsidiaries, Wang Fatt Oil & Gas Construction Pte Ltd, ES Shipping Pte. Ltd., Eng Soon Investment Pte Ltd and Eng Soon Engineering (1999) Pte Ltd are subjected to bank covenants due to borrowings disclosed in Note 14.

All of the above subsidiaries have complied with the externally imposed capital requirements for financial years ended 31 December 2018 and 2017 and 1 January 2017.

34. 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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s

The Group has transited to SFRS(I)s on 1 January 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of SFRS(I).*

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 December 2018, as well as comparative information presented in these financial statements for the financial year ended 31 December 2017 and in the preparation of the opening statements of financial position at 1 January 2017 ("date of transition").

(a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

<u>Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*</u>

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 January 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

<u>Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*</u>

The Group has elected to apply the transition provisions in accordance with SFRS(I) 15. There is no impact on revenue recognition for the Group when the new standard is effective.

(b) Early adoption of SFRS(I) 16 Leases

The Group has early adopted SFRS(I) 16 *Leases* full retrospectively from 1 January 2017, which is effective for annual periods beginning on or after 1 January 2019.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'other operating expenses' under the principles of FRS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at inception date of the leases. The incremental borrowing rate applied to the lease liabilities on inception date of the leases was 4.5%.

Payment associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. **Convergence to SFRS(I)s** (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s

		Group			
	Note	**Reported Under FRS**	**Effect of Applying SFRS(I) 15**	**Effect of Applying SFRS(I) 16**	**Reported Under SFRS(I)**
		$	**$**	**$**	**$**
At 1 January 2017					
ASSETS					
Current assets					
Cash and cash equivalents		4,879,201	-	-	4,879,201
Fixed deposit pledged		100,251	-	-	100,251
Trade receivables	ii	10,356,155	(5,114,256)	-	5,241,899
Finance lease receivable		2,346,056	-	-	2,346,056
Work-in-progress	ii	8,691,210	(8,691,210)	-	-
Contract assets	ii	-	13,805,466	-	13,805,466
Other receivables		1,140,370	-	-	1,140,370
Inventories		585,245	-	-	585,245
Total current assets		28,098,488	-	-	28,098,488
Non-current assets					
Finance lease receivable		3,212,334	-	-	3,212,334
Deposits		3,956	-	-	3,956
Club membership		49,500	-	-	49,500
Property, plant and equipment	iii	15,988,086	-	752,421	16,740,507
Total non-current assets		19,253,876	-	752,421	20,006,297
Total assets		47,352,364	-	752,421	48,104,785
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans		5,490,677	-	-	5,490,677
Trade payables		1,432,130	-	-	1,432,130
Other payables		7,949,893	-	-	7,949,893
Lease liabilities	iii	91,158	-	63,966	155,124
Total current liabilities		14,963,858	-	63,966	15,027,824

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

		Group			
	Note	**Reported Under FRS**	**Effect of Applying SFRS(I) 15**	**Effect of Applying SFRS(I) 16**	**Reported Under SFRS(I)**
		$	**$**	**$**	**$**
Non-current liabilities					
Bank loans		1,132,881	-	-	1,132,881
Lease liabilities	iii	57,340	-	816,524	873,864
Total non-current liabilities		1,190,221	-	816,524	2,006,745
Capital, reserves and non-controlling interests					
Share capital		23,698,348	-	-	23,698,348
Statutory surplus reserve		403,660	-	-	403,660
Retained earnings	iii	23,693,340	-	(128,069)	23,565,271
Currency translation reserve		(292,578)	-	-	(292,578)
Merger reserve		(18,570,468)	-	-	(18,570,468)
Equity attributable to owners of the Company		28,932,302	-	(128,069)	28,804,233
Non-controlling interests		2,265,983	-	-	2,265,983
Total equity		31,198,285	-	(128,069)	31,070,216
Total liabilities and equity		47,352,364	-	752,421	48,104,785

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

		Group					
		At 31 December 2017				At 1 January 2018	
		Reported under FRS	Effect of applying SFRS(I) 15	Effect of applying SFRS(I) 16	Reported under SFRS(I)	Effect of applying SFRS(I) 9	Reported under SFRS(I)s
		$	$	$	$	$	$
ASSETS							
Current assets							
Cash and cash equivalents		8,405,622	-	-	8,405,622	-	8,405,622
Fixed deposit pledged		100,503	-	-	100,503	-	100,503
Trade receivables	i,ii	17,680,026	(5,955,708)	-	11,724,318	(277,559)	11,446,759
Work-in-progress	ii	1,410,353	(1,410,353)	-	-	-	-
Contract assets	ii	-	7,366,061	-	7,366,061	-	7,366,061
Other receivables		832,496	-	-	832,496	-	832,496
Inventories		618,311	-	-	618,311	-	618,311
Total current assets		29,047,311	-	-	29,047,311	(277,559)	28,769,752
Non-current assets							
Deposits		6,666	-	-	6,666	-	6,666
Club membership		49,500	-	-	49,500	-	49,500
Property, plant and equipment	iii	19,248,817	-	682,679	19,931,496	-	19,931,496
Total non-current assets		19,304,983	-	682,679	19,987,662	-	19,987,662
Total assets		48,352,294	-	682,679	49,034,973	(277,559)	48,757,414
LIABILITIES AND EQUITY							
Current liabilities							
Bank loans		4,271,694	-	-	4,271,694	-	4,271,694
Trade payables		1,753,976	-	-	1,753,976	-	1,753,976
Other payables		6,167,536	-	-	6,167,536	-	6,167,536
Lease liabilities	iii	37,772	-	64,811	102,583	-	102,583
Income tax payable		357	-	-	357	-	357
Total current liabilities		12,231,335	-	64,811	12,296,146	-	12,296,146
Non-current liabilities							
Bank loans		8,362,235	-	-	8,362,235	-	8,362,235
Lease liabilities	iii	213,635	-	751,712	965,347	-	965,347
Total non-current liabilities		8,575,870	-	751,712	9,327,582	-	9,327,582

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

		Group					
		At 31 December 2017				At 1 January 2018	
		Reported under FRS	Effect of applying SFRS(I) 15	Effect of applying SFRS(I) 16	Reported under SFRS(I)	Effect of applying SFRS(I) 9	Reported under SFRS(I)s
		$	$	$	$	$	$
Capital, reserves and non-controlling interests							
Share capital		23,698,348	-	-	23,698,348	-	23,698,348
Statutory surplus reserve		408,980	-	-	408,980	-	408,980
Retained earnings	iii	21,107,728	-	(133,844)	20,973,884	(277,559)	20,696,325
Currency translation reserve		(253,064)	-	-	(253,064)	-	(253,064)
Merger reserve		(18,570,468)	-	-	(18,570,468)	-	(18,570,468)
Equity attributable to owners of the Company		26,391,524	-	(133,844)	26,257,680	(277,559)	25,980,121
Non-controlling interests		1,153,565	-	-	1,153,565	-	1,153,565
Total equity		27,545,089	-	(133,844)	27,411,245	(277,559)	27,133,686
Total liabilities and equity		48,352,294	-	682,679	49,034,973	(277,559)	48,757,414

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

		Group		
		Reported Under FRS	**Effect of Applying SFRS(I) 16**	**Reported Under SFRS(I)s**
		$	**$**	**$**
2017				
Revenue		23,455,359	-	23,455,359
Cost of services		(19,278,898)	-	(19,278,898)
Gross profit		4,176,461	-	4,176,461
Other operating income		981,222	-	981,222
Administrative expenses		(6,070,733)	-	(6,070,733)
Other operating expenses	iii	(2,471,484)	33,725	(2,437,759)
Loss allowance made for third party trade receivables		(72,212)	-	(72,212)
Finance costs	iii	(261,417)	(39,500)	(300,917)
Loss before income tax	iii	(3,718,163)	(5,775)	(3,723,938)
Income tax expense		(13,937)	-	(13,937)
Loss for the year		(3,732,100)	(5,775)	(3,737,875)
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		78,904	-	78,904
Total comprehensive income for the year		(3,653,196)	(5,775)	(3,658,971)
Loss attributable to:				
Owners of the parent		(2,580,292)	(5,775)	(2,586,067)
Non-controlling interests		(1,151,808)	-	(1,151,808)
		(3,732,100)	(5,775)	(3,737,875)
Total comprehensive income attributable to:				
Owners of the parent		(2,540,778)	(5,775)	(2,546,553)
Non-controlling interests		(1,112,418)	-	(1,112,418)
		(3,653,196)	(5,775)	(3,658,971)

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

		Company			
		At 31 December 2017		At 1 January 2018	
		Reported under FRS	Reported under SFRS(I)	Effect of applying SFRS(I) 9	Reported under SFRS(I)s
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents		42,367	42,367	-	42,367
Other receivables	i	17,760,741	17,760,741	(1,298,881)	16,461,860
Total current assets		17,803,108	17,803,108	(1,298,881)	16,504,227
Non-current assets					
Investments in subsidiaries		20,158,153	20,158,153	-	20,158,153
Total non-current assets		20,158,153	20,158,153	-	20,158,153
Total assets		37,961,261	37,961,261	(1,298,881)	36,662,380
LIABILITIES AND EQUITY					
Current liabilities					
Other payables		10,641,511	10,641,511	-	10,641,511
Total current liabilities		10,641,511	10,641,511	-	10,641,511
Capital, reserves and non-controlling interests					
Share capital		23,698,348	23,698,348	-	23,698,348
Retained earnings		3,621,402	3,621,402	(1,298,881)	2,322,521
Total equity		27,319,750	27,319,750	(1,298,881)	26,020,869
Total liabilities and equity		37,961,261	37,961,261	(1,298,881)	36,662,380

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

Explanatory Notes to reconciliation effect of FRS framework to SFRS(I)s framework

The effects of transition to SFRS(I)s mainly arises from the adoption of SFRS(I)15, SFRS(I) 9 and early adoption of SFRS(I) 16.

(i) Adoption of SFRS(I) 9

The Group has elected to apply the short-term exemption by not restating the comparatives on adoption of SFRS(I) 9. Based on the requirements of SFRS(I) 9, the Group is required to assess the business model of financial assets held as at 1 January 2018 and classified them into the relevant categories under SFRS(I) 9. The Group has classified loans and receivables to amortised cost.

SFRS(I) 9 introduces a new-forward looking impairment model based on expected credit losses to replace the incurred loss model. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk from initial recognition.

Trade receivables

The Group has adopted the simplified model for its trade receivables and recorded an allowance for lifetime expected losses from initial recognition. The new impairment requirements resulted in increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses.

Upon transition to SFRS(I) 9, the Group recognised additional impairment loss allowance of $277,559 on trade receivables as at 1 January 2018. There is no additional impairment loss allowance on trade receivables at the Company level.

Amounts owing from related companies

The Company has adopted general approach for amount receivables from related companies and recorded an allowance for lifetime expected losses from initial recognition. The Company considered probability of default, loss given default and exposure at default factors in deriving expected credit losses on amount owing from related companies.

Upon transition to SFRS(I) 9, the Company recognised additional impairment loss allowance of $1,298,881 on amounts owing from related companies as at 1 January 2018.

(ii) Adoption of SFRS(I) 15

In accordance with requirements of SFRS(I) 1, the Group has adopted SFRS(I) 15 retrospectively. As disclosed in (a), the Group has elected to apply the transition provisions in accordance with SFRS(I) 15. The adoption of SFRS(I) 15 has resulted in adjustments to the previously reported financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

35. Convergence to SFRS(I)s (Continued)

(c) Reconciliation of the Group and the Company's equity reported in accordance with FRS to SFRS(I)s (Continued)

Explanatory Notes to reconciliation effect of FRS framework to SFRS(I)s framework (Continued)

(ii) Adoption of SFRS(I) 15 (Continued)

On 31 December 2017, the Group reclassified unbilled receivables of $5,955,708 (1 January 2017: $5,114,256) from trade receivables and work-in-progress of $1,410,353 (1 January 2017: $8,691,210) to contract assets. The adoption of SFRS(I) 15 has no impact on revenue at the Group and Company level.

(iii) Adoption of SFRS(I) 16

On 1 January 2018, the Group has opted to early adopt SFRS(I) 16 which is effective for annual periods beginning on or after 1 January 2019. The changes in accounting policies have been applied retrospectively to each reporting period.

As at 31 December 2017, the Group has recognised "right-of-use" for its leasehold land with carrying amounts of $682,679 (1 January 2017: $752,421) and corresponding lease liability of $816,523 (1 January 2017: $880,490). There is unwinding of interest for lease liability of $39,500 and depreciation for the right-of-use asset which is adjusted against the operating lease expenses derecognised resulting in net amount of $33,725.

The Group has reclassified underlying assets previously under motor vehicles of $212,691 (1 January 2017: $58,324) and other assets of $11,719 (1 January 2017: $7,278) in property, plant and equipment to right-of-use assets. The early adoption of SFRS(I) 16 has no impact at the Company level.

STATISTICS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2019

SHARE CAPITAL

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

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	9	4.89	8,000	0.01
1,001	-	10,000	41	22.28	342,000	0.24
10,001	-	1,000,000	122	66.31	18,673,300	13.22
1,000,001	AND ABOVE		12	6.52	122,176,700	86.53
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	33,655,000	23.83
3.	YVONNE LOW-TRIOMPHE	7,540,000	5.34
4.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
5.	LEOW MEI LEE	3,600,000	2.55
6.	TING SEE PING (CHEN SHIPING)	3,300,000	2.34
7.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,021,500	2.14
8.	UOB KAY HIAN PRIVATE LIMITED	3,003,000	2.13
9.	ALBERT SUSILO	2,505,000	1.77
10.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
11.	DBS NOMINEES (PRIVATE) LIMITED	2,342,000	1.66
12.	RAFFLES NOMINEES (PTE) LIMITED	1,270,200	0.90
13.	SIAH CHYE HOCK (XIE CAIFU)	1,000,000	0.71
14.	HONG LEONG FINANCE NOMINEES PTE LTD	984,200	0.70
15.	CITIBANK NOMINEES SINGAPORE PTE LTD	925,100	0.66
16.	LOW CHEE LENG CHRISTOPHER	905,000	0.64
17.	SERM TANTASATIEN	835,000	0.59
18.	TAN SZE HONG	800,000	0.57
19.	PHILLIP SECURITIES PTE LTD	793,500	0.56
20.	OCBC SECURITIES PRIVATE LIMITED	739,000	0.52
	TOTAL	**129,158,500**	**91.48**

STATISTICS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
NAME	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%
Low Chee Wee [(1)]	33,655,000	23.83	53,540,000	37.92	87,195,000	61.75
Low Chee Leng Christopher [(1) (3)]	905,000	0.64	54,524,200	38.61	55,429,200	39.26
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 is deemed interested in the 53,540,000 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) Low Chee Leng Christopher is deemed interested in the 984,200 Shares held by Hong Leong Finance Nominees Pte Ltd. Low Chee Leng Christopher pledged the 984,200 Shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 20 March 2019 and to the best knowledge of the Directors of the Company, approximately 20.78% of the issued ordinary shares of the Company was held by the public as defined in the Rules of Catalist. Accordingly, Rule 723 of the Rules of Catalist which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Ninth Annual General Meeting of ES Group (Holdings) Limited (the "**Company**") will be held at 10 Kwong Min Road, Singapore 628712 on Friday, 26 April 2019 at 3.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Independent Auditor's Report thereon.
Resolution 1

2. To approve the payment of Director's fees of S$3,750 for the financial year ended 31 December 2018 to Mr Ong Beng Chye, an Independent Director of the Company newly appointed to the Board of Directors of the Company (the "**Board**") on 23 November 2018.
Resolution 2

3. To approve the payment of Directors' fees of S$146,800 for the financial year ending 31 December 2019, to be paid quarterly in arrears (2018: S$137,500).
Resolution 3

4. To re-elect Mr Low Chee Wee, a Director of the Company retiring pursuant to Article 98 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director of the Company.
(See Explanatory Notes)
Resolution 4

5. To re-elect Mr Ong Beng Chye, a Director of the Company retiring pursuant to Article 102 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director of the Company.
(See Explanatory Notes)
Resolution 5

6. To re-appoint Messrs BDO LLP as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
Resolution 6

AS SPECIAL BUSINESS

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

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

7. 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:

NOTICE OF **ANNUAL GENERAL MEETING**

(i) on-market purchases (each a "**Market Purchase**"), transacted on the Catalist through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, 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 an equal access scheme(s) 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 Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"),

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

(b) unless varied or revoked by an ordinary resolution of shareholders of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors of the Company 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 purchases or acquisitions of the Shares are carried out to the full extent mandated by the Share Buy-back Mandate; or

(iii) the date on which the authority conferred by the Share Buy-back Mandate is revoked or varied by an ordinary resolution of shareholders of the Company in a general meeting,

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

(c) in this Resolution 7:

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

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, stamp duties, commission, 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 pursuant to an equal access scheme, the price per Share which is not more than 20% above the Average Closing Price of the Shares; and

NOTICE OF **ANNUAL GENERAL MEETING**

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 shareholders of the Company, 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.

(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 7

ORDINARY RESOLUTION: AUTHORITY TO ALLOT AND ISSUE SHARES

8. 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 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 of the Company 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 (excluding treasury shares and subsidiary

NOTICE OF **ANNUAL GENERAL MEETING**

holdings) (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 (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (ii) below);

(ii) the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings), 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 or 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;

(iii) in exercising such authority, the Company shall comply with any or all the provisions of the Catalist 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 a 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 8

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

9. That 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) offer and grant options under the Eng Soon Employee Share Option Scheme (the "**Share Option Scheme**") and

to issue from time to time such number of Shares as may be required to be issued pursuant to the Performance Share Plan and/or the exercise of options granted by the Company 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

NOTICE OF **ANNUAL GENERAL MEETING**

15% of the issued share capital of the Company (excluding treasury shares and subsidiary holdings) 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 9

10. 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, 10 April 2019

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company (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. A proxy need not be a member of the Company.

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 of the Company, 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 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 of the Company.

6. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting of the Company and to speak and vote thereat unless his name appears on the Depository Register maintained by The Central Depository (Pte) Limited 72 hours before the time appointed for holding the Annual General Meeting of the Company.

7. This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Catalist Rules. The Sponsor has not independently verified the contents of this notice.

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

   The contact person for the Sponsor is Ms Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road, #09-00 ASO Building, Singapore 048544, telephone (65) 6636 4201.

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes on Ordinary Business to be Transacted:-

Resolutions 4 and 5

Mr Low Chee Wee, if re-appointed as a Director of the Company, will remain as an Executive Director of the Company. Detailed information on Mr Low Chee Wee can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2018. Save as disclosed therein, there are no material relationships (including immediate family relationships) between Mr Low Chee Wee and the other Directors of the Company, the Company or its 10% shareholders.

Mr Ong Beng Chye, if re-appointed as a Director of the Company, will replace Mr Wee Siew Kim who is retiring as a Director of the Company at the conclusion of the Annual General Meeting of the Company, as Chairman of the Board and the Nominating Committee of the Company, and continue to serve as a member of the Audit and Risk Committee of the Company, and the Remuneration and Compensation Committee of the Company. Mr Ong Beng Chye is considered by the Board to be independent for the purpose of Rule 704(7) of the Catalist Rules. Detailed information on Mr Ong Beng Chye can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2018. Save as disclosed therein, there are no material relationships (including immediate family relationships) between Mr Ong Beng Chye and the other Directors of the Company, the Company or its 10% shareholders.

Mr Wee Siew Kim, who is also retiring from office by rotation, has decided not to offer himself for re-election at the Annual General Meeting of the Company.

Explanatory Notes on Special Business to be Transacted:-

Resolution 7

The Ordinary Resolution 7 proposed above if passed, will empower the Directors of the Company, (i) from the date of the above Annual General Meeting of the Company until the date of the next Annual General Meeting of the Company to be held or is required by law to be held; or (ii) the date on which the purchases of acquisitions of Shares are carried out to the full extent mandated by the Share Buy-back Mandate; or (iii) such authority is revoked or varied by shareholders of the Company in a general meeting, whichever is the earlier, to make purchases or acquisitions (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 issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the authority and limitation on the purchase or acquisition of Shares under the Share Buy-back Mandate, the source of funds to be used for the purchase or acquisition of Shares including the amount of financing, and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate are set out in greater detail in the Addendum to shareholders of the Company.

NOTICE OF **ANNUAL GENERAL MEETING**

Resolution 8

The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting of the Company until the next Annual General Meeting of the Company, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from shareholders of the Company in a general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors of the Company may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors of the Company may allot and issue under this Resolution would not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 of the Company, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution.

Resolution 9

The Ordinary Resolution 9 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 Shares (excluding treasury shares and subsidiary holdings) for the time being. Such authority shall, unless revoked or varied by shareholders of 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.

PERSONAL DATA PRIVACY:

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

Photographic, sound and/or video recordings of the above Annual General Meeting of the Company may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Annual General Meeting of the Company. 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 of the Company 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 of the Company (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 of the Company, 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.

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Proxy Form
ES Group (Holdings) Limited

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

IMPORTANT:

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

Annual General Meeting of the Company to be held on 26 April 2019

I/We ____ (Name) ____________________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of ES Group (Holdings) Limited (the "**Company**"), hereby appoint:

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

*and/or

or failing which, the chairman of the Annual General Meeting of the Company, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Ninth Annual General Meeting of the Company to be held at 10 Kwong Min Road, Singapore 628712 on Friday, 26 April 2019 at 3.00 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	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Independent Auditor's Report thereon		
2	Payment of Director's fees of S$3,750 for the financial year ended 31 December 2018 to Mr Ong Beng Chye, a newly appointed Independent Director of the Company		
3	Payment of Directors' fees of S$146,800 for the financial year ending 31 December 2019, to be paid quarterly in arrears		
4	Re-election of Mr Low Chee Wee as a Director of the Company		
5	Re-election of Mr Ong Beng Chye as a Director of the Company		
6	Re-appointment of Messrs BDO LLP as the auditors of the Company and authorise the Directors of the Company to fix their remuneration		
	Special Business		
7	Proposed renewal of the Share Buy-back Mandate		
8	Authority to allot and issue shares		
9	Authority to grant awards, allot and issue shares pursuant to the Eng Soon Performance Share Plan and to grant options, allot and issue shares pursuant to the Eng Soon Employee 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 __________ 2019

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

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

Notes to the Proxy Form:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company (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 of the Company, 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 Companies Act, Chapter 50 of Singapore (the "**Act**").
3. A proxy need not be a member of the Company.
4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under common seal or under the hand of any officer or attorney duly authorised.
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 of the Company.
7. A member shall insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), 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 that 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 will be deemed to relate to all shares held by the member of the Company.
8. An instrument appointing a proxy or proxies shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
9. 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 of the Company, in accordance with Section 179 of the Act.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies.
11. 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 of the Company, as certified by The Central Depository (Pte) Limited to the Company.
12. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting of the Company and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for holding the Annual General Meeting of the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 10 April 2019.

Designed
& Produced by
+65 6880 2828 Xpress®

ES Group (Holdings) Limited

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