



ES Group (Holdings) Limited

Annual Report 2015

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

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

The contact person for the Sponsor is Ms. Goh Mei Xian, Associate Director and Deputy Head of Continuing Sponsorship, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854 6160.

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.

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CORPORATE PROFILE

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

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

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

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

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

CHAIRMAN'S MESSAGE

"Our people are important to us. They form the backbone of our organisation and their commitment has supported the growth of the Group."



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 2015 ("**FY2015**").

2015 has been a challenging year for the Group. The sharp fall in crude oil price has affected the global offshore, marine and shipping industries. Oil majors have cut capital expenditure while oil and gas projects are being deferred or cancelled. Consequently, our FY2015 financial performance was affected by the difficult operating environment.

The Group's FY2015 revenue declined by 30.5% to \$38.5 million from \$55.4 million for the financial year ended 31 December 2014 ("**FY2014**"). Gross profit decreased to \$9.0 million in FY2015 from \$16.6 million in FY2014 while gross profit margin decreased to 23.3% from 29.9% over the comparative periods.

The Group reported a net loss attributable to shareholders of \$1.9 million in FY2015 as compared to a net profit attributable to shareholders of \$2.6 million in FY2014.

Cash and cash equivalents as at 31 December 2015 remained healthy at \$8.9 million.

Our people are important to us. They form the backbone of our organisation and their commitment has supported the growth of the Group. Even in the face of cost pressures, we have increased emphasis on developing the skill sets of our employees by sending them for relevant courses to increase their capabilities and providing on-the-job training. We believe that these will improve group-wide productivity, and instill pride in our workforce. We have also been proactively improving our project management efficiencies and taking measures to contain overhead costs. Together with a holistic internal control and risk management system, the Group remains confident as it continues to tender actively for new contracts.

As announced in August 2015, we established a 60%-owned joint venture company, ESW Automation Pte. Ltd. (“**ESW**”), to undertake marine and offshore electrical installation and automation services. Our business partner in the joint venture, E-Waves Offshore Automation Pte. Ltd. (“**E-Waves**”), is in the business of electrical engineering and automation works in the marine, offshore, oil and gas industries. E-Waves is led by Mr. Tang Wei who has over 25 years experience in this field. ESW will be able to leverage on his network and expertise as it opens up a new revenue stream for the Group. ESW contributed four months of revenue in FY2015, and its full-year revenue contribution will be recognised in the financial year ending 31 December 2016.

Mr. Low Chee Wee was appointed as chief executive officer (“**CEO**”) of the Company and is responsible for formulating and overseeing the corporate and strategic development of the Group. We believe Chee Wee will lend his experience and competence to effect a successful emergence of the Company from this widespread industrial slowdown.

As much as this tough business climate has impacted our business, our experienced management team will work hard to see us through this severe downturn. Going forward, we will continue to strengthen our relationship with clients and business partners to build a stronger value proposition with a view to enhance long-term shareholder value.

On behalf of the Board, 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.

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

Yours faithfully,

Wee Siew Kim
Chairman



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

BOARD OF DIRECTORS



1 Wee Siew Kim

Non-Executive Chairman and Independent Director

2 Low Chee Wee

CEO

3 Christopher Low Chee Leng

Chief Operating Officer ("COO")

4 Eddy Neo Chiang Swee

Executive Director (Development)

5 Tan Swee Ling

Independent Director

6 Jens Rasmussen

Non-Executive Director

BOARD OF DIRECTORS

Wee Siew Kim

Wee Siew Kim is our Non-Executive Chairman and Independent Director and was appointed to our Board on 8 June 2010. Mr Wee has been the Group CEO of the NIPSEA group of companies (manufacturers of paints and coatings under the "Nippon Paint" brand) since August 2009, and a Non-Executive Director of SBS Transit Ltd and Mapletree Logistics Trust (both companies listed on the Main Board of the SGX-ST). Mr Wee started his career in 1984, joining the aerospace arm ("**ST Aero**") of Singapore Technologies Engineering Ltd ("**ST Engineering**") as an Engineer. He was subsequently promoted to President of ST Aero in December 1997, a position he held until July 2001, when he became President of ST Engineering's European operations. He was later appointed President of ST Engineering's defence business and Deputy CEO of ST Engineering from May 2002 to August 2009; before joining the NIPSEA group of companies. Mr Wee obtained a Bachelor of Science (Engineering) from the Imperial College of Science and Technology, University of London in 1984 and a Master of Business Administration from Graduate School of Business, Stanford University in 1991. He was awarded a Fellowship by the Council of the City & Guilds of London Institute, a United Kingdom examining and accreditation body for vocational, managerial and engineering training in 2008. Mr Wee was a Member of Parliament for the Ang Mo Kio Group Representative Constituency from 2001 to 2011.

Low Chee Wee

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

Christopher Low Chee Leng

Christopher Low Chee Leng is our Executive Director and was appointed to our Board on 19 August 2004. Mr Low was re-designated as COO on 18 August 2015 and is responsible for overseeing the Group's operations. He joined our Group in 1998 as a Commercial Executive, where he was responsible for project tenders. In 2000, he became as our CEO. Under his management, the scope of our Group's business eventually grew to include shipyard management and various offshore projects. Mr Low obtained a Bachelor of Commerce from Murdoch University, Perth, Western Australia in 1998.

Eddy Neo Chiang Swee

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

Tan Swee Ling

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

Jens Rasmussen

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

MANAGEMENT PROFILE

Koay Swee Heng

Koay Swee Heng is our General Manager (Operations / Commercial), reporting directly to our CEO, Low Chee Wee and COO, Christopher Low Chee Leng. 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.

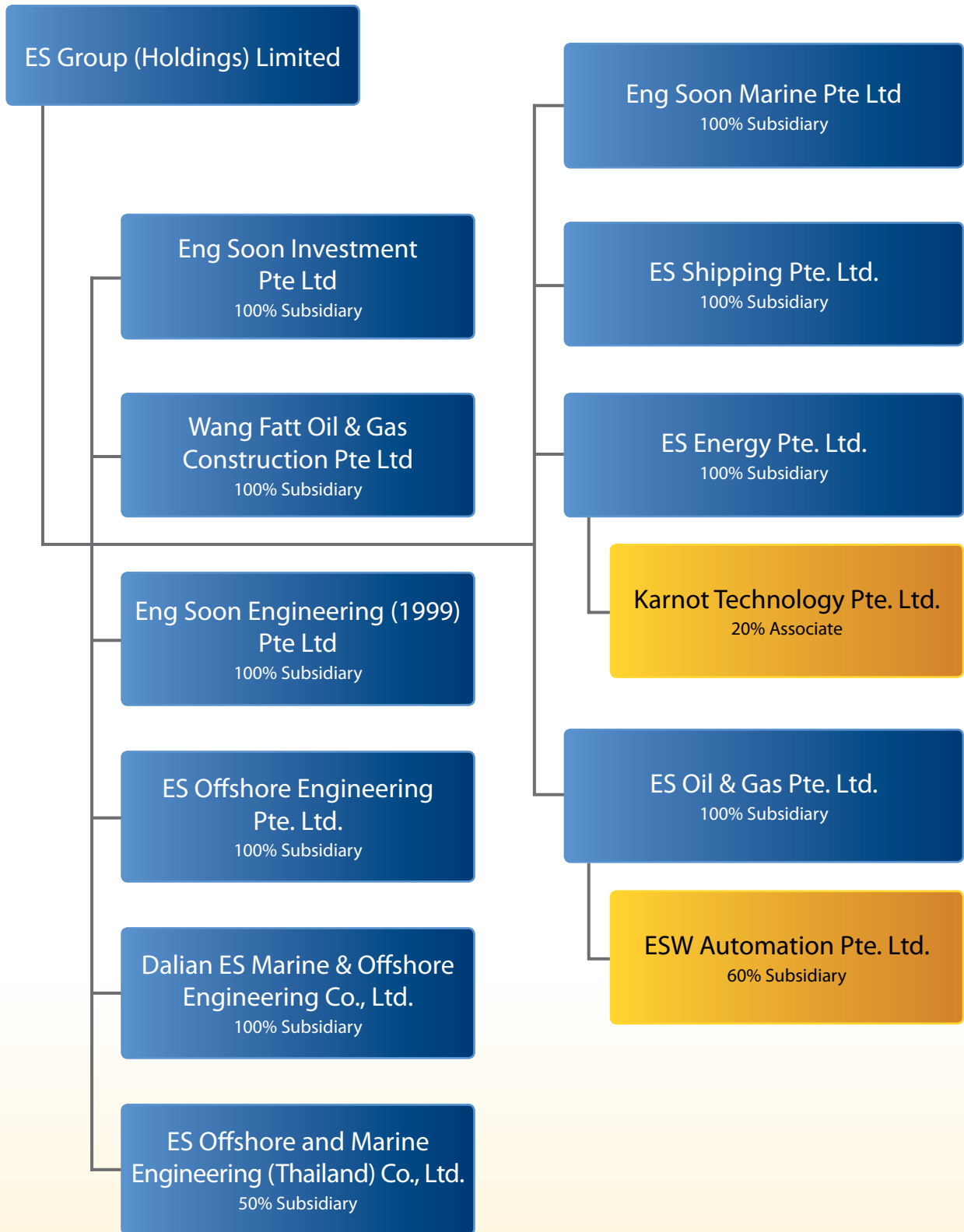
Lou Tin Boang

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.

Low Nengduan

Low Nengduan is our Chief Financial Officer (“CFO”) and is responsible for all finance, tax and accounting matters of our Group. Ms Low joined our Group as Finance Manager in January 2014 and was appointed CFO in March 2015. She started her career in 1997 at Deloitte & Touche (now known as Deloitte & Touche LLP) and left as an Audit Supervisor. She went on to join China EnerSave Limited (formerly known as EnerSave Holdings Limited) between 2002 and 2003 as its Group Accountant before joining CSA Holdings Limited as a Senior Accountant until late 2004. After which, she was at Imerys Asia Pacific group where she held various positions including Financial Controller until 2012. Prior to joining our Group, Ms Low was a Senior Assistant Director at National University Hospital (S) Pte Ltd where she oversaw financial performance reporting and budget preparation of various disciplines in the hospital amongst other tasks. Ms Low obtained her accounting qualification with the Association of Chartered Certified Accountants (“ACCA”) and is a fellow of ACCA as well as non-practising member of the Institute of Singapore Chartered Accountants.

CORPORATE STRUCTURE



FINANCIAL HIGHLIGHTS

Financial Performance

	FY2015 \$'000	FY2014 \$'000	FY2013 \$'000
Revenue	38,510	55,403	67,792
Cost of services	(29,539)	(38,822)	(56,009)
Gross profit	8,971	16,581	11,783
Other operating income	1,381	1,870	2,038
Administrative expenses	(7,191)	(6,997)	(6,220)
Other operating expenses	(4,612)	(5,499)	(5,067)
Finance costs	(99)	(174)	(286)
Share of loss of associate	(77)	(55)	-
(Loss) profit before income tax	(1,627)	5,726	2,248
Income tax credit (expense)	77	(111)	(174)
(Loss) profit for the year	(1,550)	5,615	2,074

Financial Position

	As at 31 December 2015 \$'000	As at 31 December 2014 \$'000	As at 31 December 2013 \$'000
Shareholders' equity	33,809	36,202	33,898
Total assets	54,306	63,790	61,302
Total liabilities	17,806	21,403	23,375

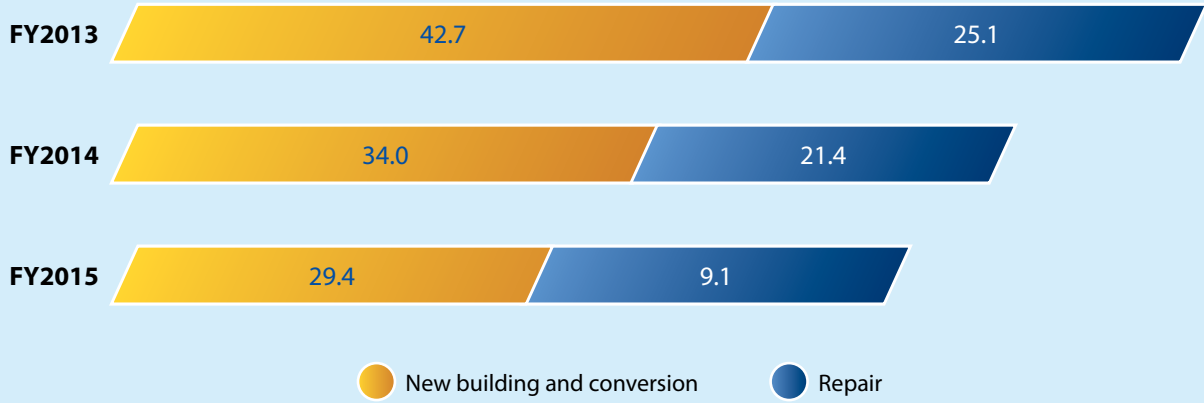
Per Share Data (in cents)

	FY2015	FY2014	FY2013
Net asset value	23.94	25.64	24.01
Basic and diluted (loss) earnings	(1.35)	1.87	1.41



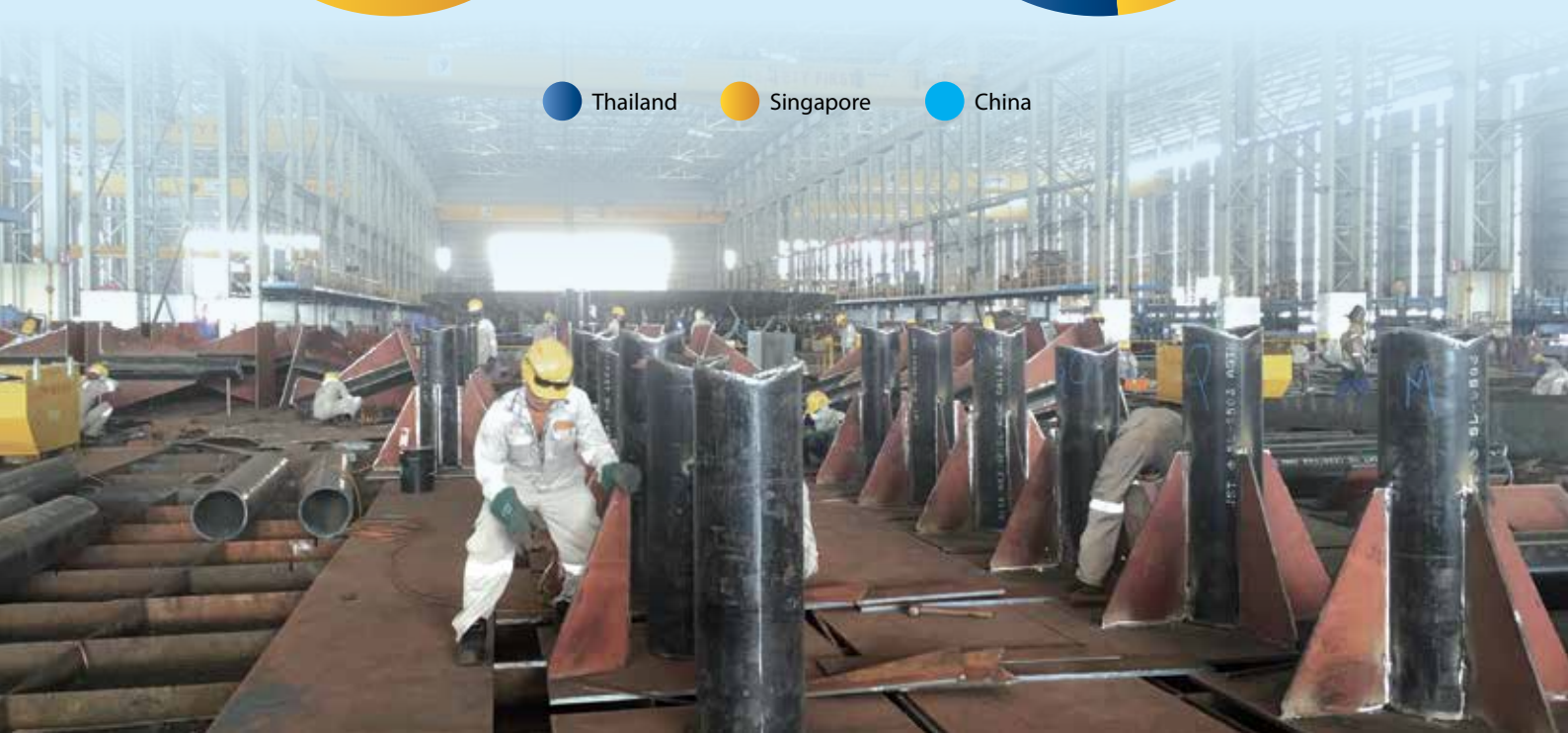
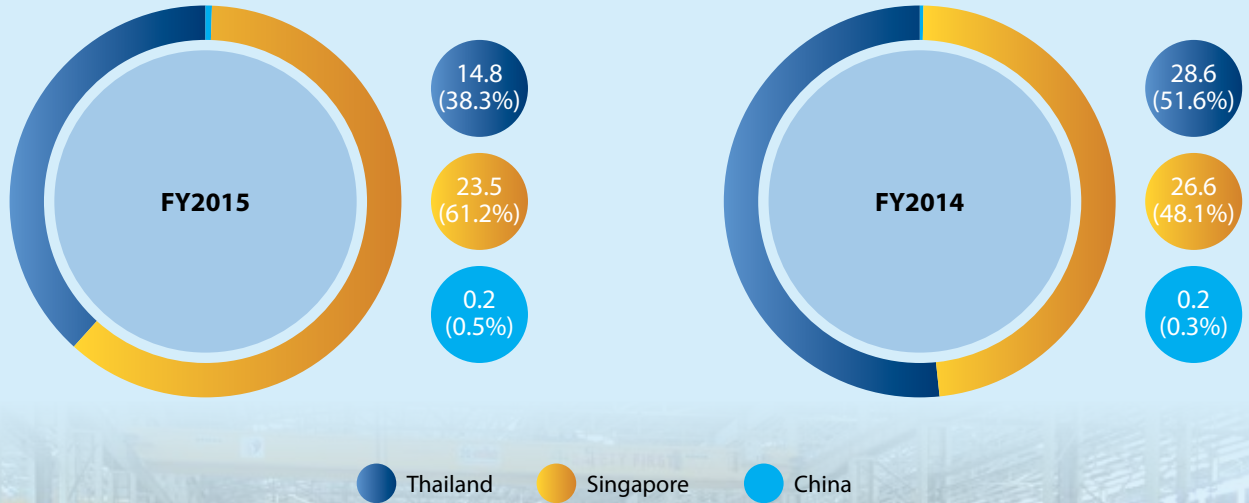
Revenue by Business Segment

(\$ million)



Revenue by Geographical Segment

(\$ million)



FINANCIAL REVIEW

Review of Financial Performance

The Group's revenue for FY2015 decreased by \$16.9 million or 30.5% to \$38.5 million as compared to \$55.4 million in FY2014, impacted by the general slowdown in the global offshore, marine and shipping industries as a result of low oil prices.

Gross profit declined to \$9.0 million in FY2015 from \$16.6 million in FY2014. Gross profit margin decreased by 6.6 percentage points to 23.3% in FY2015 from 29.9% in FY2014, impacted by fixed costs against lower revenue.

Administrative expenses increased marginally to \$7.2 million in FY2015 from \$7.0 million in FY2014 due to the provision of doubtful debts to an associate.

Other operating expenses decreased to \$4.6 million in FY2015 from \$5.5 million in FY2014, attributable to lower transport and travelling expenses and lower repair and maintenance expenses. This was partially offset by an increase in foreign exchange loss.

As a result, the Group's loss after tax was \$1.6 million for FY2015 as compared to a profit after tax of \$5.6 million in FY2014. The Group's net loss attributable to shareholders was \$1.9 million in FY2015, while net profit attributable to shareholders in FY2014 was \$2.6 million.

Review of Financial Position

The Group's cash and cash equivalents decreased to \$8.9 million as at 31 December 2015 as compared to \$11.5 million as at 31 December 2014. This was mainly due to net cash generated from operating activities of \$1.5 million which was partially offset by net cash used in investing activities of \$0.5 million and net cash used in financing activities of \$3.6 million.

Loss per share of the Group for FY2015 was 1.35 cents as compared to earnings per share of the Group of 1.87 cents in FY2014. Net asset value per share of the Group was 23.94 cents as at 31 December 2015 as compared to 25.64 cents as at 31 December 2014.



OPERATIONS REVIEW

Review by Business Segments

New Building and Conversion Segment

The new building and conversion segment continues to be the Group's main revenue contributor and recorded \$29.4 million in FY2015, accounting for 76.4% of the Group's total revenue. In FY2014, the new building and conversion segment contributed \$34.0 million, or 61.3% of the Group's total revenue. The decreased was mainly due to lower revenue contribution from the Group's Thailand subsidiary.

Gross profit decreased to \$7.4 million in FY2015 from \$10.3 million in FY2014. Gross profit margin dipped to 25.0% from 30.3% over the comparative periods.

Repair Segment

The repair segment recorded \$9.1 million in FY2015, accounting for 23.6% of the Group's total revenue. In FY2014, the repair segment contributed \$21.4 million, or 38.7% of the Group's total revenue. The decrease was mainly due to fewer projects secured in the period under review.

Gross profit decreased to \$1.6 million in FY2015 from \$6.3 million in FY2014. Gross profit margin decreased to 17.6% from 29.4% over the comparative periods.

Review by Geographical Segments

Singapore

The Group's Singapore operations accounted for \$23.5 million or 61.2% of the Group's total revenue in FY2015 as compared to 48.1% or \$26.6 million in FY2014. The lower revenue was mainly due to project deferrals and fewer projects secured.

The Group's newly established ESW contributed four months revenue to the Group and is expected to contribute a full year of revenue in FY2016.

Thailand

The Group's Thailand operations consist of its 50%-owned subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd.. Based in Thapsakae, Prachupkirkhan Province in Southeastern Thailand, the 70,000 square-meters shipyard mainly provides new building and conversion services.

In FY2015, revenue from the Group's Thailand operations was \$14.8 million as compared to \$28.6 million in FY2014 due to fewer projects.

People's Republic of China ("PRC")

The Group's PRC operations consist of its wholly-owned subsidiary, Dalian ES Marine & Offshore Engineering Co., Ltd., a cost centre for the Group's engineering and procurement services. The Group's PRC operations contributed \$203,000 in revenue in FY2015 as compared to \$183,000 in FY2014.



CORPORATE INFORMATION

Board of Directors

Wee Siew Kim
*Non-Executive Chairman
and Independent Director*

Low Chee Wee
CEO

Christopher Low Chee Leng
COO

Eddy Neo Chiang Swee
Executive Director

Tan Swee Ling
Independent Director

Jens Rasmussen
Non-Executive Director

Audit and Risk Committee

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Nominating Committee

Wee Siew Kim
Chairman

Tan Swee Ling
Jens Rasmussen

Remuneration and Compensation Committee

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Company Secretary

Adrian Chan Pengee



Registered Office

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Email: eng_soon@esgroup.com.sg

Company Registration Number

200410497Z

Share Registrar and Share Transfer Office

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

Sponsor

Canaccord Genuity Singapore Pte. Ltd.
77 Robinson Road
#21-02
Singapore 068896

Independent Auditors

BDO LLP
(Unique Entity Number: T10LL0001F)
21 Merchant Road
#05-01
Singapore 058267
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





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CORPORATE **GOVERNANCE** REPORT

The Company 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 its Shareholders. The Board 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 FY2015, the Group has generally adhered as closely as possible to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

The Board is responsible for the overall management of the Company and is collectively responsible for the Company’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 internal policies and procedures, investment and divestments and the performance of the business;
- review the Company’s management’s (“**Management**”) performance;
- 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 Company’s reputation;
- consider corporate governance matters;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the Company’s shareholders (“**Shareholders**”) interests and the Group’s assets;
- set the Company’s values and standards (including ethical standards), and ensure that obligations to Shareholders and other stakeholders are understood and met;
- consider sustainability issues, for example, environmental and social factors, as part of its strategic formulation; and
- deliberate on other transactions and matters that require its direction or approval.

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

CORPORATE GOVERNANCE REPORT

The Board has, without abdicating its responsibility, delegated the authority to the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee (collectively, the “**Board Committees**”) to assist the Board in discharging its responsibilities and to enhance the Group’s corporate governance framework. Each Board Committee is regulated by a set of written terms of reference endorsed by the Board setting out their duties and responsibilities. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation 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 its 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.

During FY2015, 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	2	2	2	2
Name of Director				
Mr. Wee Siew Kim	2	2	2	2
Mr. Low Chee Wee	2	2*	2*	2*
Mr. Christopher Low Chee Leng	2	2*	2*	2*
Mr. Eddy Neo Chiang Swee	1	1*	1*	1*
Ms. Tan Swee Ling	2	2	2	2
Mr. Jens Rasmussen	2	2	2	2

Note:

* Attendance by invitation

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 reports or press releases reporting the results of operations; and
- matters involving a conflict or potential conflict of interest involving a substantial Shareholder or a Director.

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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 allow the new Director to get acquainted with the Management which aims to facilitate interaction and ensures that all Directors have independent access to the Management. The Company will also provide training for any new first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate.

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

Principle 2: Board Composition and Guidance

The Board currently consists of 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	25 April 2013	Member	Chairman	Member
Mr. Low Chee Wee	CEO ⁽³⁾	25 November 2009	29 April 2014	-	-	-
Mr. Christopher Low Chee Leng	COO ⁽³⁾	19 August 2004	25 April 2013	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director	25 November 2009	28 April 2015	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010	29 April 2014	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010	28 April 2015	Member	Member	Member

Notes:

- (1) Please refer to pages 6 to 7 of the annual report for key information regarding the Directors' profiles, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies and other principal commitments.
- (2) Please refer to Principles 4, 7 and 12 on pages 21, 24 and 30 respectively of the annual report for key information regarding the composition of the Board Committees, names of chairmen and members and their primary responsibilities.
- (3) With effect from 18 August 2015, Mr. Low Chee Wee was re-designated as the CEO of the Company and Mr. Christopher Low Chee Leng was re-designated as the COO of the Company.

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

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

Principle 4: Board Membership

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

- (a) developing and maintaining formal and transparent processes for the appointment and re-appointment of Directors to the Board and all things incidental including without limitation:-
 - (i) to determine annually, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in guidelines 2.3 and 2.4 of the Code and any other salient factors;
 - (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 deliberations of the Nominating Committee and the Board in considering such application. No Director has exceeded the maximum number of listed company board representations. Although some of the Directors have other board representations, the Nominating Committee is satisfied that all Directors are able to devote adequate time and attention to the affairs of the Company to fulfil his or her duties effectively as a Director. The Nominating Committee monitors and determines annually whether Directors who have multiple board representations are able to give sufficient time and attention to the affairs of the Company and adequately carry out his duties as a Director. The Nominating Committee takes into account the results of the assessment of the effectiveness of the individual Director and his actual conduct on the Board in making this determination.

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 diversity necessary to maximise its effectiveness. The Directors are experienced in business management, human capital development, strategies planning, law and are subject expert in the industries that the Company operates in.

The Nominating Committee also considers the composition and progressive renewal of the Board and each Director’s competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an Independent Director as part of the process for selection, appointment and re-appointment of Directors. The search and nomination process for new Directors, if any, will be via contacts and recommendations that go through the normal selection process so as to cast its net as wide as possible for the right candidate. The executive recruitment agencies will 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. 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 the Company’s Constitution, all Directors, including the CEO, are subject to re-nomination and re-appointment at regular intervals of at least once every 3 years. At each annual general meeting of the Company (the “**AGM**”) at least one-third of the Directors for the time being, or if their number is not 3 or a multiple of 3, then the number nearest to but not less than one-third, are required to retire and to submit themselves for re-election. The Company’s Constitution also provides that a newly appointed Director must retire and submit himself or herself for re-election at the next AGM following his or her appointment.

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

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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 and Board Committees and for assessing the contribution by the Chairman and each individual Director to the effectiveness of the Board. Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

An annual evaluation of the Board's performance for FY2015 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. The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. The Code recommends that individual evaluation should be conducted to assess whether each Director continues to contribute 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.

Principle 6: Access to Information

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

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

The Company Secretary provides secretarial support to the Board and Board Committees and his role includes:-

- (a) assisting the 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 Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Rules of Catalist**") and all other rules, regulations and governance matters which are applicable to the Group;
- (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 assist 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 3 Non-Executive Directors, namely, Ms. Tan Swee Ling (chairman), Mr. Wee Siew Kim and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. According to its terms of reference, the responsibilities of the Remuneration and Compensation Committee include:-

- (a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel and also reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;
- (b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel'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 Management;
- (d) reviewing the terms of the employment arrangements with the Management so as to develop consistent group-wide employment practices subject to regional differences;

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- (e) reviewing whether the Executive Directors and key management personnel 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 executives without being excessive, and 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 motivate and retain Directors and key executives 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.

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 personnel to successfully manage the Company.

A significant and appropriate proportion of the Executive Directors' and key management personnel'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 personnel's performance.

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

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

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

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. The Shareholders had approved the payment of the Non-Executive Directors' fees of \$137,500 for FY2015. Executive Directors do not receive Directors fees.

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual Director's remuneration for FY2015, is as follows:-

	Directors'				Total (%)
	Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	
Executive Directors					
\$250,000 to \$500,000					
Mr. Low Chee Wee	-	89	7	4	100
Mr. Christopher Low Chee Leng	-	76	16	8	100
Below \$250,000					
Mr. Eddy Neo Chiang Swee	-	68	16	16	100
Non-Executive Directors					
Below \$250,000					
Mr. Wee Siew Kim	100	-	-	-	100
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100

* Includes mainly employers' contributions to the Central Provident Fund and allowances.

A breakdown, showing the level and mix of the top 5 key management personnel* who are not Directors or CEO in remuneration bands of \$250,000 for FY2015, is as follows:-

	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Below \$250,000				
Ms. Low Nengduan	74	16	10	100
Mr. Koay Swee Heng	66	19	15	100
Mr. Teoh Han Chong	71	16	13	100
Mr. Lou Tin Boang	62	21	17	100
Mr. Neo Chiang Yee Eric	70	17	13	100

* 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 personnel for FY2015 was approximately S\$642,000.

Mr. Low Chee Wee and Mr. Christopher Low Chee Leng are brothers and Mr. Neo Chiang Yee Eric is the brother of Mr. Eddy Neo Chiang Swee. Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Low Chee Wee and Mr. Christopher Low Chee Leng. Please refer to page 35 of the annual report for key information regarding the provision of consultancy services.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded \$50,000 during FY2015, was an immediate family¹ member of a Director or the CEO.

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

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

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

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

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

¹ "Immediate family" means the spouse, child, adopted child, step-child, brother, sister and parent.

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

The options that are granted under the ESOS may have exercise prices that are set at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on Catalist for the 5 consecutive 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 FY2015, no options were granted and no shares were issued under the ESOS and the PSP respectively.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

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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, 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 FY2015, the Company's external and internal auditors have conducted their annual and biannual review respectively on the effectiveness of the Company's material internal controls procedures, including financial, operational, compliance and information technology controls as well as risk management policy and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of internal controls in light of the key business and financial risks affecting its business. The Board received assurance from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Group's risk management and internal control systems. Commentaries are provided to Shareholders in the annual report to enable them to make an informed assessment of the Company's risk management framework and internal control systems.

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

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 CFO, the Audit and Risk Committee and the Board are of the opinion that, for the financial year under review, the internal controls in place in the Group to address risks relating to financial, operational, compliance, information technology controls and risk management systems are effective and adequate.

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

Principle 12: Audit and Risk Committee

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

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

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (b) reviewing the half year and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:-
 - (i) changes in accounting policies and practices;
 - (ii) major risk areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) going concern statement;
 - (v) compliance with accounting standards; and
 - (vi) compliance with stock exchange and statutory / regulatory / requirements;

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 persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (h) 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;
- (i) reviewing the assistance given by the Management to the auditors; and
- (j) 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 CFO and external auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the Audit and Risk Committee meets with the external and internal auditors without the presence of the Management, to review any matters that might be raised privately.

CORPORATE GOVERNANCE REPORT

The external auditors are responsible for performing an independent audit of the Group's financial statements in accordance with the financial reporting standards, and for issuing a report thereon. The Audit and Risk Committee's responsibility is to monitor these processes. In addition to reviewing the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors, the Audit and Risk Committee has also conducted an annual review of the independence of the external auditors and the total fees for non-audit services compared with audit services, and satisfied itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the external auditors. During FY2015, the remuneration paid to the external auditors, is set out below:-

Service Category	Fees
	\$'000
Audit services	124
Non-audit services (taxation and company secretarial)	16
Total	140

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

In accordance with Rule 716 of the Rules of Catalist, the Board and the Audit and Risk Committee are satisfied that the appointment of different auditing firms for its subsidiaries or significant associated companies in FY2015 would not compromise the standard and effectiveness of the audit of the Company. The external auditors appointed for the Company's significant subsidiaries for FY2015 are set out in the notes to financial statements at pages 74 to 76 of the annual report. For FY2015, the Company is in compliance with Rules 712 and 716 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 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. No such whistle-blowing letter was received in FY2015.

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 auditors are Shinnies. The Audit and Risk Committee is responsible for approving the hiring, removal, evaluation and compensation of the professional firm to which the internal audit function is outsourced. The internal auditors' primary line of reporting is to the chairman of the Audit and Risk Committee.

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

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

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

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 continuously working with the internal auditors to improve on the existing internal control and risk management systems.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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

CORPORATE GOVERNANCE REPORT

Principle 15: Communication with Shareholders

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

The Company currently does not have a formal policy on payment of dividends. With reference to the Company's offer document dated 1 July 2010, the Company may declare dividends by way of an ordinary resolution of Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may also declare an interim dividend without the approval of Shareholders. The Board has proposed that no dividends will be payable for FY2015, as the Group recorded a loss during the period.

Principle 16: Conduct of Shareholder Meetings

The Company's Constitution allows Shareholders to appoint proxies to attend 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 chairmen of the Board Committees and the senior 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 Company. The external auditors also attend the AGMs to assist the Directors in answering any queries relating to the conduct of the audit and the preparation and content of the auditors' report. All minutes of general meetings that include substantial and relevant comments or queries from Shareholders and responses from the Board and the Management are made available to Shareholders upon their request.

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 independent Shareholders. All interested person transactions are subject to review by the Audit and Risk Committee to ensure compliance with established procedures.

No general mandate has been obtained from Shareholders in respect of interested person transactions for FY2015. The aggregate value of interested person transactions entered into during FY2015 is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$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 \$100,000)
Low Chye Hin Provision of consultancy services and allowance	S\$200,000	-
Total	S\$200,000	-

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 FY2015 or if not then subsisting, entered into since the end of FY2014.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees paid to the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd., for FY2015.

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 employees with regard to dealing in the Company's securities. The Company prohibits the Directors and employees from dealing in the Company's securities on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's securities during the period commencing 1 month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the results. The Board is kept informed when a Director trades in the Company's securities.

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 2015 and the statement of financial position and statement of changes in equity of the Company as at 31 December 2015.

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 2015, 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
Christopher Low Chee Leng
Eddy Neo Chiang Swee
Tan Swee Ling
Jens Rasmussen

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

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

Name of directors and companies in which interest are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
ES Group (Holdings) Limited				
(Ordinary shares)				
Low Chee Wee	30,235,000	30,235,000	40,080,000	53,540,000
Christopher Low Chee Leng	15,905,000	905,000	54,200,000*	67,660,000*
Eddy Neo Chiang Swee	6,000,000	6,000,000	3,600,000	3,600,000

* Christopher Low Chee Leng pledged 14,120,000 Shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

By virtue of Section 7 of the Act, Low Chee Wee and Christopher Low Chee Leng are 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 2016 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2015.

5. Share options

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

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

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

DIRECTORS' STATEMENT

6. Audit and risk committee

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

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

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

- (a) the audit plans and results of the external auditors' examination of the financial statements;
- (b) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- (c) the Group's financial and operating results and accounting policies;
- (d) the financial statements 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 26 February 2016, 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 716 of the listing manual of SGX-ST has been complied with.

On behalf of the Board of Directors

Low Chee Wee

Director

31 March 2016

Christopher Low Chee Leng

Director

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of ES Group (Holdings) Limited (the “**Company**”) and its subsidiaries (the “**Group**”) as set out on pages 42 to 102, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the “**Act**”) and Singapore Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Financial Statements (Continued)

Opinion

In our opinion, 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 are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 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 ended on that date.

Other Matters

The financial statements for the financial year ended 31 December 2014 were audited by another firm of auditors who expressed an unmodified opinion on those financial statements in their report dated 31 March 2015.

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.

BDO LLP

Public Accountants and
Chartered Accountants

Singapore
31 March 2016

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015	2014	2015	2014
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	4	8,945,317	11,476,378	112,298	246,006
Trade receivables	5	16,548,242	16,403,099	353,000	1,771,070
Finance lease receivable	6	2,140,666	1,953,258	-	-
Work-in-progress	7	6,223,472	8,233,957	-	-
Other receivables	8	1,113,684	2,079,571	19,480,814	2,717,860
Inventories	9	915,318	1,340,346	-	-
Total current assets		35,886,699	41,486,609	19,946,112	4,734,936
Non-current assets					
Finance lease receivable	6	5,558,391	7,699,057	-	-
Deposits	8	22,795	23,425	-	-
Investments in subsidiaries	10	-	-	21,181,670	21,181,670
Investments in an associate	11	-	144,840	-	-
Club membership	12	49,500	49,500	-	-
Property, plant and equipment	13	12,788,701	14,386,450	-	-
Total non-current assets		18,419,387	22,303,272	21,181,670	21,181,670
Total assets		54,306,086	63,789,881	41,127,782	25,916,606
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	14	1,343,950	2,546,957	-	-
Trade payables	15	2,895,033	5,889,447	85,417	165,834
Other payables	16	8,525,663	6,064,902	13,373,543	1,512,290
Finance leases payables	17	362,284	415,886	-	-
Income tax payables		6,248	24,828	-	-
Total current liabilities		13,133,178	14,942,020	13,458,960	1,678,124

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2015

	Note	Group		Company	
		2015	2014	2015	2014
		\$	\$	\$	\$
Non-current liabilities					
Bank loans	14	4,589,286	5,931,598	-	-
Finance leases payables	17	83,834	454,430	-	-
Deferred tax liabilities	18	-	75,739	-	-
Total non-current liabilities		4,673,120	6,461,767	-	-
Capital, reserves and non-controlling interests					
Share capital	19	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	20	391,660	224,000	-	-
Retained earnings		28,663,833	31,091,117	3,970,474	540,134
Currency translation reserve		(374,823)	(241,035)	-	-
Merger reserve	21	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		33,808,550	36,201,962	27,668,822	24,238,482
Non-controlling interests		2,691,238	6,184,132	-	-
Total equity		36,499,788	42,386,094	27,668,822	24,238,482
Total liabilities and equity		54,306,086	63,789,881	41,127,782	25,916,606

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	Group	
		2015	2014
		\$	\$
Revenue	22	38,510,350	55,402,897
Cost of services	23	(29,539,078)	(38,822,222)
Gross profit		8,971,272	16,580,675
Other operating income	24	1,380,990	1,870,777
Administrative expenses		(7,190,957)	(6,996,975)
Other operating expenses	25	(4,612,329)	(5,499,051)
Finance costs	26	(99,451)	(173,871)
Share of loss of associate	11	(76,995)	(55,160)
(Loss)/Profit before income tax		(1,627,470)	5,726,395
Income tax credit/(expense)	27	77,211	(111,257)
(Loss)/Profit for the year	28	(1,550,259)	5,615,138
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		(267,067)	313,267
Total comprehensive income for the year		(1,817,326)	5,928,405
(Loss)/Profit attributable to:			
Owners of the parent		(1,906,624)	2,639,326
Non-controlling interests		356,365	2,975,812
		(1,550,259)	5,615,138
Total comprehensive income attributable to:			
Owners of the parent		(2,040,412)	2,797,990
Non-controlling interests		223,086	3,130,415
		(1,817,326)	5,928,405
Basic and diluted (loss)/earnings per share (cents)	29	(1.35)	1.87

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital	Currency translation reserve	Merger reserve	Statutory surplus reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Group								
Balance at 1 January 2015	23,698,348	(241,035)	(18,570,468)	224,000	31,091,117	36,201,962	6,184,132	42,386,094
Total comprehensive income for the year:								
Loss for the year	-	-	-	-	(1,906,624)	(1,906,624)	356,365	(1,550,259)
Other comprehensive income for the year	-	(133,788)	-	-	-	(133,788)	(133,279)	(267,067)
Total	-	(133,788)	-	-	(1,906,624)	(2,040,412)	223,086	(1,817,326)
Transactions with owners, recognised directly in equity								
Appropriations	-	-	-	167,660	(167,660)	-	-	-
Issuance of ordinary share	-	-	-	-	-	-	40	40
Dividends (Note 30)	-	-	-	-	(353,000)	(353,000)	(3,716,020)	(4,069,020)
Total	-	-	-	167,660	(520,660)	(353,000)	(3,715,980)	(4,068,980)
Balance at 31 December 2015	23,698,348	(374,823)	(18,570,468)	391,660	28,663,833	33,808,550	2,691,238	36,499,788
Balance at 1 January 2014	23,698,348	(399,699)	(18,570,468)	-	29,169,991	33,898,172	4,028,717	37,926,889
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	2,639,326	2,639,326	2,975,812	5,615,138
Other comprehensive income for the year	-	158,664	-	-	-	158,664	154,603	313,267
Total	-	158,664	-	-	2,639,326	2,797,990	3,130,415	5,928,405
Transactions with owners, recognised directly in equity								
Appropriations	-	-	-	224,000	(224,000)	-	-	-
Dividends (Note 30)	-	-	-	-	(494,200)	(494,200)	(975,000)	(1,469,200)
Total	-	-	-	224,000	(718,200)	(494,200)	(975,000)	(1,469,200)
Balance at 31 December 2014	23,698,348	(241,035)	(18,570,468)	224,000	31,091,117	36,201,962	6,184,132	42,386,094

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Share capital	Retained earnings	Total
	\$	\$	\$
Company			
Balance at 1 January 2015	23,698,348	540,134	24,238,482
Profit for the year, representing total comprehensive income for the year	-	3,783,340	3,783,340
Dividends (Note 30)	-	(353,000)	(353,000)
Balance at 31 December 2015	<u>23,698,348</u>	<u>3,970,474</u>	<u>27,668,822</u>
Balance at 1 January 2014	23,698,348	142,375	23,840,723
Profit for the year, representing total comprehensive income for the year	-	891,959	891,959
Dividends (Note 30)	-	(494,200)	(494,200)
Balance at 31 December 2014	<u>23,698,348</u>	<u>540,134</u>	<u>24,238,482</u>

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group	
	2015	2014
	\$	\$
Operating activities		
(Loss)/profit before income tax	(1,627,470)	5,726,395
Adjustments for:		
Interest income	(29,058)	(4,473)
Interest expense	99,451	173,871
Property, plant and equipment written off	-	27,818
Share of loss of associate	76,995	55,160
Impairment of investments in an associate	67,845	-
Allowance for impairment of amount due from an associate	302,864	-
Depreciation of property, plant and equipment	1,900,108	1,851,304
Loss/(gain) on disposal of property, plant and equipment	7,338	(13,325)
Operating cash flows before movements in working capital	798,073	7,816,750
Trade receivables	(201,937)	8,817,157
Work-in-progress	1,800,227	(1,228,588)
Other receivables	643,945	(847,043)
Inventories	409,213	40,932
Trade payables	(2,893,506)	2,941,926
Other payables	(953,045)	(1,667,642)
Finance lease receivable	1,953,258	1,782,257
Cash generated from operations	1,556,228	17,655,749
Interest received	29,058	4,473
Income tax paid	(17,108)	(282,578)
Net cash from operating activities	1,568,178	17,377,644
Investing activities		
Acquisition of investments in an associate	-	(200,000)
Proceeds on disposal of property, plant and equipment	12,814	37,122
Purchases of property, plant and equipment (Note A)	(525,049)	(2,977,847)
Net cash used in investing activities	(512,235)	(3,140,725)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Group	
	2015	2014
	\$	\$
Financing activities		
Dividends paid to:		
Owners of the Parent	(353,000)	(494,200)
Non-controlling interests	(3,716,020)	(975,000)
Interest paid	(99,451)	(173,871)
Proceeds from:		
Term loans	-	1,300,000
Factoring creditor	-	492,189
Loan from a director of subsidiary	3,519,152	785,491
Repayments of:		
Term loans	(2,523,219)	(4,291,356)
Factoring loans	-	(616,003)
Obligations under finance leases	(393,685)	(349,107)
Factoring creditor	-	(973,072)
Net cash used in financing activities	(3,566,223)	(5,294,929)
Net (decrease)/increase in cash and cash equivalents	(2,510,280)	8,941,990
Cash and cash equivalents at beginning of the year	11,476,378	2,495,471
Effects of exchange rate changes on the balance of cash held in foreign currencies	(20,781)	38,917
Cash and cash equivalents at end of the year (Note 4)	8,945,317	11,476,378

Notes to consolidated statement of cash flows:

(A) Cash payments on purchase of property, plant and equipment		
Purchase of property, plant and equipment	525,049	3,264,202
Less: Property, plant and equipment acquired under finance arrangements	-	(286,355)
Net cash payments	525,049	2,977,847

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 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 2015 were authorised for issue by the Board of Directors on 31 March 2016.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective

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

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure Initiatives	1 January 2016
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and FRS 41 (Amendments)	: Agriculture: Bearer Plants	1 January 2016
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 110, FRS 112 and FRS 28 (Amendments)	: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 114	: Regulatory Deferral Accounts	1 January 2016
FRS 115	: Revenue from Contracts with Customers	1 January 2018
Improvements to FRSs (November 2014)		1 January 2016

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

Except as disclosed below, management anticipates that the adoption of the above FRS, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 109 Financial Instruments

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

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

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

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

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard and the Group will be required to reassess the classification and measurement of financial assets and the new impairment requirements are also likely to bring significant changes for impairment provisions on trade receivables and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

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

On initial adoption of this standard, there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group plans to adopt the standard in the financial year beginning on 1 January 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

2.3 Business combinations

Business combinations from 1 January 2010

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

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

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

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

2.4 Merger reserve

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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.

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

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

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

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

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

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%
Other assets	20% to 33%

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

No depreciation is charged on construction-in-progress as they are not yet in 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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

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

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

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

2.6 Intangible assets

Club membership

Club membership 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

2.9 Financial instruments

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

Effective interest method

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

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

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade receivables, other receivables (excluding prepayment and value-added tax receivables), finance lease receivables, amounts due from customers and cash and cash equivalents.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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 are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.17).

Financial guarantee contracts

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

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

Derecognition of financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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 Construction contracts

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

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

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Progress billings not yet paid by customers are included within "trade receivables".

2.12 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits (excluding restricted cash).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.13 Leases

Finance leases

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

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

Operating leases

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

Lessor

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

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

2.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.14 Provisions (Continued)

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

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

2.15 Government grants

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

2.16 Revenue recognition

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

Rendering of services

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

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

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

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (Note 2.11).

Rental income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition (Continued)

Sale of vessel and scrap income

Revenue from the sale of vessel and scrap metal is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

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

2.17 Borrowing costs

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

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

2.18 Retirement benefit costs

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

2.19 Employee leave entitlements

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

2. Summary of significant accounting policies (Continued)

2.20 Taxes

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

Current income tax

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

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

Deferred tax

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

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

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

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 2015

2. Summary of significant accounting policies (Continued)

2.20 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.

2.21 Dividends

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

2.22 Foreign currency transactions and translation

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

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 2015

2. Summary of significant accounting policies (Continued)

2.22 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.

2.23 Segment reporting

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

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

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 2015

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

3.2 Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment

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

Revenue and costs of contracts

Revenue and costs associated with a project are recognised as revenue and expenses respectively by reference to the stage of completion of a project activity at the end of the reporting period, using engineers' estimates to ensure those costs will be recoverable. When it is probable that the total project costs will exceed the total project revenue, the expected loss is recognised as an expense immediately. These computations are based on the presumption that the outcome of a project can be estimated reliably.

Management has performed the cost studies, taking into account the costs to date and costs to complete each project. Management has also reviewed the physical proportion of the contract work completed of such projects and is satisfied that the estimates to complete are realistic, and the estimates of total project costs and sales proceeds indicate full project recovery.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

3.2 Key sources of estimation uncertainty (Continued)

Allowance for bad and doubtful debts

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

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

Impairment of investments in subsidiaries

Management has carried out a review of the recoverable amount of the investment 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 the higher of value in use and fair value less cost of disposal. The fair value less cost of disposal is determined by reference to the estimated realisable values of the net tangible assets of the subsidiaries. The assessment has led to the recognition of impairment loss of \$Nil (2014: \$250,262) 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	
	2015	2014	2015	2014
	\$	\$	\$	\$
Cash at bank and on hand	6,169,719	11,322,516	112,298	246,006
Fixed deposits	2,775,598	153,862	-	-
Total	8,945,317	11,476,378	112,298	246,006

Fixed deposit bore an effective interest rate from a range of 0.10% to 1.10% (2014: 0.10%) per annum and was for a tenure of approximately 30 to 90 days (2014: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

4. Cash and cash equivalents (Continued)

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	7,753,562	10,109,270	112,298	246,006
Thai baht	1,158,652	1,125,737	-	-
Others	33,103	241,371	-	-
	<u>8,945,317</u>	<u>11,476,378</u>	<u>112,298</u>	<u>246,006</u>

5. Trade receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Third parties	16,548,242	16,403,099	-	-
Subsidiaries (Note 10)	-	-	353,000	1,771,070
Total trade receivables	16,548,242	16,403,099	353,000	1,771,070
Add: Cash and cash equivalents (Note 4)	8,945,317	11,476,378	112,298	246,006
Add: Finance lease receivables (Note 6)	7,699,057	9,652,315	-	-
Add: Amounts due from customers (Note 7)	6,223,472	8,233,957	-	-
Add: Other receivables (Note 8)	1,136,479	2,102,996	19,480,814	2,717,860
Less: Prepayment (Note 8)	(219,942)	(479,413)	(49,645)	(55,523)
Less: Value-added tax receivables (Note 8)	(73,748)	(259,173)	-	-
Total loan and receivables	<u>40,258,877</u>	<u>47,130,159</u>	<u>19,896,467</u>	<u>4,679,413</u>

The average credit period granted to customers is 30 days (2014: 30 days). No interest is charged on the outstanding balances.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

5. Trade receivables (Continued)

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Unbilled receivables	4,126,954	4,170,660	353,000	272,000
Not past due and not impaired	2,513,733	4,461,857	-	-
Past due but not impaired	9,907,555	7,770,582	-	1,499,070
	<u>16,548,242</u>	<u>16,403,099</u>	<u>353,000</u>	<u>1,771,070</u>

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	16,520,183	16,006,919	353,000	1,771,070
Thai baht	28,059	396,180	-	-
	<u>16,548,242</u>	<u>16,403,099</u>	<u>353,000</u>	<u>1,771,070</u>

6. Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	\$	\$	\$	\$
Group				
Amounts receivable under finance lease:				
Within one year	2,760,000	2,760,000	2,140,666	1,953,258
In the second to fifth years inclusive	6,020,000	8,780,000	5,558,391	7,699,057
Total finance lease receivable	8,780,000	11,540,000	7,699,057	9,652,315
Less: Unearned finance income	(1,080,943)	(1,887,685)	NA	NA
Present value of minimum lease payments receivable	<u>7,699,057</u>	<u>9,652,315</u>	<u>7,699,057</u>	<u>9,652,315</u>

Analysed as:

	2015	2014
	\$	\$
Current finance lease receivable (recoverable within 12 months)	2,140,666	1,953,258
Non-current finance lease receivable (recoverable after 12 months)	5,558,391	7,699,057
	<u>7,699,057</u>	<u>9,652,315</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

6. Finance lease receivable (Continued)

The Group enters into finance leasing arrangement for its vessel. The lease is denominated in Singapore dollars. The term of finance lease entered into is 5 years (2014: 5 years).

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 9.6% (2014: 9.6%) per annum.

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

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

7. Work-in-progress

	Group	
	2015	2014
	\$	\$
Contracts in progress as at 31 December:		
Amounts due from contract customers	6,223,472	8,233,957
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits	25,202,708	21,418,030
Less: Progress billings	(18,979,236)	(13,184,073)
	<u>6,223,472</u>	<u>8,233,957</u>

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

8. Other receivables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Third parties	425,115	838,402	186,107	-
Subsidiaries (Note 10)	-	-	19,239,062	2,662,337
Associate	302,864	100,000	-	-
Less: Allowance for impairment of amount due from an associate	(302,864)	-	-	-
Prepayments	219,942	479,413	49,645	55,523
Deposits	417,674	426,008	6,000	-
Value-added tax receivables	73,748	259,173	-	-
Total other receivables	<u>1,136,479</u>	<u>2,102,996</u>	<u>19,480,814</u>	<u>2,717,860</u>
Less: Deposits (shown under non-current assets)	(22,795)	(23,425)	-	-
	<u>1,113,684</u>	<u>2,079,571</u>	<u>19,480,814</u>	<u>2,717,860</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

8. Other receivables (Continued)

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

	Group	
	2015	2014
	\$	\$
At 1 January	-	-
Impairment for the financial year	302,864	-
At 31 December	302,864	-

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

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

Impairment of amount due from an associate arose mainly from the associate which incurred loss from its operations.

In determining the recoverability of receivables from third parties, the Group considers any changes in the credit quality of the third parties from the date credit were initially granted up to end of the reporting period. The Group's other receivables from third parties are neither past due nor impaired and have been assessed to be creditworthy, based on the credit evaluation process performed by management.

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	1,017,203	1,224,188	13,527,613	237,860
Thai baht	110,318	868,697	5,953,201	2,480,000
Others	8,958	10,111	-	-
	1,136,479	2,102,996	19,480,814	2,717,860

9. Inventories

	Group	
	2015	2014
	\$	\$
Raw materials, at cost	97,075	92,444
Consumables, at cost	532,775	1,002,096
Work-in-progress, at cost	285,468	245,806
Total	915,318	1,340,346

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. Investments in subsidiaries

	Company	
	2015	2014
	\$	\$
Unquoted equity shares, at cost	21,630,828	21,630,828
Less: Provision of impairment loss	(449,158)	(449,158)
Total	<u>21,181,670</u>	<u>21,181,670</u>

Movements in the allowance for impairment loss are as follows:

	Company	
	2015	2014
	\$	\$
At 1 January	449,158	198,896
Allowance made during the financial year	-	250,262
At 31 December	<u>449,158</u>	<u>449,158</u>

As at 31 December 2015, the Company carried out a review on the recoverable amount of the investments in subsidiaries and no allowance for impairment provided during the year.

As at 31 December 2014, the Company carried out a review on the recoverable amount of the subsidiary, Dalian ES Marine & Offshore Engineering Co., Ltd. due to the losses reported for a few years. The review led to the recognition of an impairment loss of \$250,262 that had been recognised in the Company's profit or loss. Hence, this subsidiary had been fully impaired by the end of that financial year.

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	
		2015	2014	2015	2014	2015	2014	2015	2014
		\$	\$	%	%	%	%	%	%
Held by the Company									
Eng Soon Investment Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services / Singapore	5,275,859	5,275,859	100	100	100	100	-	-
Wang Fatt Oil & Gas Construction Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services / Singapore	10,400,088	10,400,088	100	100	100	100	-	-
Eng Soon Marine Pte Ltd ⁽³⁾	Sale of consumables / Singapore	782,272	782,272	100	100	100	100	-	-
ES Offshore Engineering Pte. Ltd. ⁽¹⁾	Repairs of vessel and related engineering services / Singapore	1,073,517	1,073,517	100	100	100	100	-	-

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. Investments in subsidiaries (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	
		2015	2014	2015	2014	2015	2014	2015	2014
		\$	\$	%	%	%	%	%	%
Held by the Company									
Eng Soon Engineering (1999) Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services / Singapore	1,401,732	1,401,732	100	100	100	100	-	-
ES Shipping Pte. Ltd. ⁽³⁾	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew / Singapore	100,000	100,000	100	100	100	100	-	-
ES Energy Pte. Ltd. ⁽³⁾	Offshore support services and investment holding / Singapore	1	1	100	100	100	100	-	-
ES Oil & Gas Pte. Ltd. ⁽³⁾	Repair of vessels and related engineering services / Singapore	1	1	100	100	100	100	-	-
Dalian ES Marine & Offshore Engineering Co., Ltd. ⁽⁷⁾	Technical development, design, and consultancy service for ship and offshore project / People's Republic of China ("PRC")	449,158	449,158	100	100	100	100	-	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd. ^{(2) (4) (5)}	Vessel building and repair and steel construction / Thailand	2,148,200	2,148,200	50	50	51	51	50	50
		<u>21,630,828</u>	<u>21,630,828</u>						
Held by ES Oil & Gas Pte. Ltd.									
ESW Automation Pte. Ltd. ^{(1) (6)}	Provide electrical and installation services for vessels / Singapore	60	-	60	-	60	-	40	-
		<u>60</u>	<u>-</u>						

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

10. Investments in subsidiaries (Continued)

Notes:

- (1) Audited by BDO LLP, Singapore.
- (2) Audited by BDO Limited, Thailand.
- (3) Audited by Smalley & Sims PAC, Singapore.
- (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) The subsidiary was incorporated during the year.
- (7) Not audited as deemed not material to the Group.

11. Investments in an associate

	Group	
	2015	2014
	\$	\$
Cost of investments in an associate	200,000	200,000
Share of post-acquisition loss, net of dividend received	(132,155)	(55,160)
Allowance for impairment loss	(67,845)	-
Total	-	144,840

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

11. Investments in an associate (Continued)

Movements in the allowance for impairment loss are as follows:

	Group	
	2015	2014
	\$	\$
At 1 January	-	-
Allowance made during the financial year	67,845	-
At 31 December	67,845	-

As at 31 December 2015, the Group carried out a review on the recoverable amount of its investments in an associate due to the losses reported by the associate and the Group also foresee that the associate will continue to be loss making in foreseeable future. As a result of the review, the associate was fully impaired with recognition of an impairment loss of \$67,845 (2014: \$Nil) that have been recognised in the Group's profit or loss.

Name of associate	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest		Proportion of voting power held	
			2015	2014	2015	2014
			%	%	%	%
Karnot Technology Pte. Ltd. ⁽¹⁾	Singapore	Provide engineering services	20	20	20	20

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

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

Summarised financial information in respect of the Group's immaterial associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs.

	Group	
	2015	2014
	\$	\$
Loss for the year/period, representing total comprehensive income for the year/period	(384,975)	(275,800)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

12. Club membership

	Group	
	2015	2014
	\$	\$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Total	49,500	49,500

13. Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

13. Property, plant and equipment (Continued)

	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction -in- progress	Other assets	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Group									
Cost									
At 1 January 2014	5,598,757	3,398,452	1,155,295	794,465	9,193,197	1,476,789	99,012	1,790,284	23,506,251
Exchange translation	-	87,140	29,623	20,371	179,858	2,778	2,537	10,851	333,158
Additions	-	-	53,300	-	2,182,404	190,666	448,312	389,520	3,264,202
Reclassification	-	114,153	62,472	-	336,220	-	(518,491)	5,646	-
Disposals	-	-	-	-	(145,134)	-	-	(25,725)	(170,859)
Write-off	-	-	-	-	-	-	-	(63,370)	(63,370)
At 31 December 2014	5,598,757	3,599,745	1,300,690	814,836	11,746,545	1,670,233	31,370	2,107,206	26,869,382
Accumulated depreciation									
At 1 January 2014	1,342,296	-	304,899	365,500	6,273,247	1,141,036	-	1,251,896	10,678,874
Exchange translation	-	-	7,818	9,371	110,368	1,362	-	6,449	135,368
Charge for the year	225,321	-	92,695	81,439	931,621	172,791	-	347,437	1,851,304
Disposals	-	-	-	-	(125,442)	-	-	(21,620)	(147,062)
Write-off	-	-	-	-	-	-	-	(35,552)	(35,552)
At 31 December 2014	1,567,617	-	405,412	456,310	7,189,794	1,315,189	-	1,548,610	12,482,932
Carrying amount									
At 31 December 2014	4,031,140	3,599,745	895,278	358,526	4,556,751	355,044	31,370	558,596	14,386,450

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

Leasehold land and property comprises of:

- 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 \$3,805,817 (2014: \$4,031,140) 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, Prachupkirkhan 77130, Thailand; and
- a worker dormitory at 136/76 Moo 5, Tambon Thapsakae, Amphur Thapsakae, Prachupkirkhan 77130, Thailand.

As at the end of the reporting period, the Group has plant, machinery and equipment, and motor vehicles held under finance leases payables (Note 17) with carrying amount of \$1,105,849 (2014: \$1,288,205) and \$24,401 (2014: \$124,191) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. Bank loans

	Group	
	2015	2014
	\$	\$
Bank loans		
- Term loan 1 ^(a)	64,399	157,223
- Term loan 2 ^(a)	230,272	353,442
- Term loan 3 ^(a)	1,278,565	1,351,140
- Term loan 4 ^(a)	4,360,000	5,440,000
- Short-term loan 1 ^(b)	-	176,750
- Short-term loan 2 ^(c)	-	1,000,000
Total bank loans	5,933,236	8,478,555
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,343,950)	(2,546,957)
Amount due for settlement after 12 months	4,589,286	5,931,598

Notes:

- ^(a) The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 2.28% to 5.10% (2014: 3.28% to 4.50%) per annum.
- ^(b) The short-term loan 1 was arranged at fixed interest rate of 4.77% (2014: 4.77%) per annum and thus exposing the Group to fair value interest rate risk. Short-term loan 1 has been fully repaid during the year.
- ^(c) The short-term loan 2 was arranged at floating interest rate, thus exposing the Group to cash flow risk. The short-term loan has an average effective interest rate of 5.90% (2014: 5.90%) per annum. Short-term loan 2 has been fully repaid during the year.

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

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

As at the end of the financial year, the Group had available \$15,027,871 (2014: \$19,745,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at the end of the financial year, the fair value of the Group's bank loans is approximately \$5,007,474 (2014: \$6,893,000).

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

14. Bank loans (Continued)

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

	Group	
	2015	2014
	\$	\$
Singapore dollar	5,933,236	7,478,555
Thai baht	-	1,000,000
	5,933,236	8,478,555

15. Trade payables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Entities under common directors/shareholders	-	599,894	-	-
Subsidiaries (Note 10)	-	-	56,000	153,010
Third parties	2,895,033	5,289,553	29,417	12,824
Total trade payables	2,895,033	5,889,447	85,417	165,834
Add: Bank loans (Note 14)	5,933,236	8,478,555	-	-
Add: Other payables (Note 16)	8,525,663	6,064,902	13,373,543	1,512,290
Add: Finance leases payables (Note 17)	446,118	870,316	-	-
Total financial liabilities carried at amortised cost	17,800,050	21,303,220	13,458,960	1,678,124

The average credit period of trade payables is 30 days (2014: 30 days).

No interest is charged on the outstanding balances.

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	1,489,617	1,261,433	85,417	165,834
Thai baht	1,280,477	4,379,857	-	-
Others	124,939	248,157	-	-
	2,895,033	5,889,447	85,417	165,834

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

16. Other payables

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Director of subsidiary ^(a)	5,954,097	2,480,865	865	865
Subsidiaries (Note 10)	-	-	13,247,816	1,286,341
Accruals ^(b)	1,525,099	2,176,522	116,022	190,571
Workers' guarantee payables ^(c)	484,824	552,890	-	-
Other payables	521,643	814,625	8,840	34,513
Deposit received	40,000	40,000	-	-
	8,525,663	6,064,902	13,373,543	1,512,290

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

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

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

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

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Singapore dollar	2,376,183	2,928,647	13,373,543	1,512,290
Thai baht	6,134,243	3,108,759	-	-
Others	15,237	27,496	-	-
	8,525,663	6,064,902	13,373,543	1,512,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

17. Finance leases payables

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	\$	\$	\$	\$
Group				
Amounts payable under finance leases:				
Within one year	378,047	471,435	362,284	415,886
In the second to fifth years inclusive	86,091	456,288	83,834	454,430
Total finance leases payables	464,138	927,723	446,118	870,316
Less: Future finance charges	(18,020)	(57,407)	NA	NA
Present value of lease obligations	446,118	870,316	446,118	870,316
Less: Amount due for settlement within 12 months (shown under current liabilities)			(362,284)	(415,886)
Amount due for settlement after 12 months			83,834	454,430

It is the Group's policy to lease certain of its plant, machinery and equipment and motor vehicle under finance leases. The average lease terms ranged from 5 to 7 years (2014: 3 to 7 years). The average effective borrowing rate was 5.82% (2014: 5.70%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

The finance leases payables are denominated in Singapore dollar.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

18. Deferred tax

	Group	
	2015	2014
	\$	\$
Deferred tax liabilities	-	75,739

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following are the deferred tax liabilities and assets recognised by the Group and the movements during the year.

	Accelerated tax depreciation	Tax losses	Total
	\$	\$	\$
Group			
At 1 January 2014	75,739	-	75,739
Credit to profit or loss (Note 27)	-	-	-
At 1 January 2015	75,739	-	75,739
Credit to profit or loss (Note 27)	142,815	(218,554)	(75,739)
At 31 December 2015	218,554	(218,554)	-

19. Share capital

	Group and Company			
	2015	2014	2015	2014
	Number of ordinary shares		\$	\$
Issued and paid up:				
At beginning and at end of year	141,200,000	141,200,000	23,698,348	23,698,348

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

20. Statutory surplus reserve

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

21. Merger reserve

Merger reserve arose as a result of a Group Restructuring Exercise in 2009 prior to its Initial Public Offering and it represented the difference between the nominal amount of the share capital of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition under common control (refer to Note 2).

22. Revenue

	Group	
	2015	2014
	\$	\$
Service revenue	37,703,608	54,425,154
Finance lease income	806,742	977,743
	<u>38,510,350</u>	<u>55,402,897</u>

23. Cost of services

	Group	
	2015	2014
	\$	\$
Cost of projects (include labour costs and other direct costs)	22,973,247	28,882,673
Depreciation of property, plant and equipment (Note 28)	1,439,362	1,305,144
Materials	5,126,469	8,634,405
	<u>29,539,078</u>	<u>38,822,222</u>

24. Other operating income

	Group	
	2015	2014
	\$	\$
Reimbursement of expenses from foreign workers	706,435	693,886
Rental income	318,524	340,095
Interest income	29,058	4,473
Gain on disposal of property, plant and equipment	-	13,325
Scrap income	77,466	403,170
Government grant	144,590	180,569
Others	104,917	235,259
	<u>1,380,990</u>	<u>1,870,777</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

25. Other operating expenses

	Group	
	2015	2014
	\$	\$
Rental expense:		
- Land lease	94,944	95,939
- Workshop lease	290,094	271,082
- Others	1,299,663	1,386,721
Repair and maintenance	915,728	1,477,012
Travelling expense	134,546	411,403
Staff training and welfare	203,424	266,157
Food and refreshment	130,659	180,935
Foreign exchange loss – net	644,061	302,888
Water and electricity	278,088	309,161
Transportation	38,026	137,945
Depreciation on property, plant and equipment (Note 28)	205,141	187,173
Property, plant and equipment written off	-	27,818
Staff uniform	47,456	24,516
Loss on disposal of property, plant and equipment	7,338	-
Others	323,161	420,301
	<u>4,612,329</u>	<u>5,499,051</u>

26. Finance costs

	Group	
	2015	2014
	\$	\$
Interest on bank borrowings	54,212	99,555
Interest on bank overdrafts	-	429
Interest on factoring creditor	-	19,863
Interest on obligations under finance leases	45,239	54,024
	<u>99,451</u>	<u>173,871</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. Income tax (credit)/expense

	Group	
	2015	2014
	\$	\$
Income tax:		
- Current tax	-	24,948
- (Overprovision)/Underprovision in prior years	(1,472)	86,309
	<u>(1,472)</u>	<u>111,257</u>
Deferred tax (Note 18)		
- Overprovision in prior years	(75,739)	-
	<u>(77,211)</u>	<u>111,257</u>

Domestic income tax is calculated at 17% (2014: 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)/charge for the financial year can be reconciled to the accounting (loss)/profit as follows:

	Group	
	2015	2014
	\$	\$
(Loss)/Profit before income tax	(1,627,470)	5,726,395
Income tax (benefit)/expense at statutory rate of 17% (2014: 17%)	(276,670)	973,488
Effect of income that is exempt from taxation	(133,491)	(1,034,860)
Effect of expenses that are not deductible in determining taxable profit	126,837	208,268
Tax exemption	(14,113)	(32,150)
Tax incentives	(3,916)	(90,377)
(Overprovision)/Underprovision in prior years	(77,211)	86,309
Effect of previously unrecognised tax losses now recognised	(218,554)	-
Deferred tax assets not recognised in profit or loss	518,458	-
Others	1,449	579
Total income tax (credit)/expense	<u>(77,211)</u>	<u>111,257</u>

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 \$4,775,350 (2014: \$3,011,210) available for offset against future profits. Included in unutilised tax losses are amounts of \$3,194,940 (2014: \$3,011,210) arising in certain foreign tax jurisdictions which will expire in 2020. No deferred tax asset has been recognised in accordance with the accounting policy in Note 2.20 to the financial statements due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

27. Income tax (credit)/expense (Continued)

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 promotional certificate.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

28. (Loss)/profit for the year

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

	Group	
	2015	2014
	\$	\$
Depreciation of property, plant and equipment:		
- cost of services (Note 23)	1,439,362	1,305,144
- administrative expenses	255,605	358,987
- other operating expenses (Note 25)	205,141	187,173
	<u>1,900,108</u>	<u>1,851,304</u>
Directors' remuneration:		
- of the Company	868,500	915,000
- of the subsidiaries	110,371	121,520
Audit fee:		
- paid/payable to auditors of the Company	87,000	120,000
- paid/payable to other auditors	37,170	43,892
Non-audit fee:		
- paid/payable to auditors of the Company	-	-
- paid/payable to other auditors	16,336	10,640
Employee benefits expense (including directors' remuneration)	22,290,008	26,779,398
Costs of defined contribution plans (included in employee benefits expense)	537,354	528,219
Impairment of investments in an associate	67,845	-
Allowance for impairment of amount due from an associate	302,864	-
Cost of inventories recognised as expense	<u>5,126,469</u>	<u>8,634,405</u>

29. (Loss)/earnings per share

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

	2015	2014
	\$	\$
(Loss)/Profit for the year attributable to owners of the Company	<u>(1,906,624)</u>	<u>2,639,326</u>
Weighted average number of ordinary shares for basic and diluted (loss)/earnings per share computation	<u>141,200,000</u>	<u>141,200,000</u>
Basic (loss)/earnings per share (cents)	<u>(1.35)</u>	<u>1.87</u>
Diluted (loss)/earnings per share (cents)	<u>(1.35)</u>	<u>1.87</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

29. (Loss)/earnings per share (Continued)

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit for the year attributable to the owners of the parent by the weighted average number of ordinary shares in issue of 141,200,000 (2014: 141,200,000) during the financial year.

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

30. Dividends

On 27 May 2014, the Company declared and paid a final one-tier tax exempt dividend of 0.15 cents per share amounting to \$211,800 in respect of the year ended 31 December 2013, to its shareholders.

On 4 September 2014, the Company declared and paid an interim one-tier tax exempt dividend of 0.20 cents per share amounting to \$282,400 in respect of the year ended 31 December 2014, to its shareholders.

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

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

31. Operating lease commitments

As lessees

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

	Group	
	2015	2014
	\$	\$
Future minimum lease payments payable:		
Within one year	246,228	241,959
After one year but within five years	377,726	382,524
After five years	676,760	868,649
Total	1,300,714	1,493,132

Leases comprise of:

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

32. Contingent liabilities

	Company	
	2015	2014
	\$	\$
Guarantees given to banks in respect of credit facilities and finance lease obligations of subsidiaries	30,827,380	36,966,923

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 \$30,827,380 (2014: \$36,966,923). The earliest period that the guarantee could be called is within 1 year (2014: 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.

33. Significant related party transactions

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

	Group	
	2015	2014
	\$	\$
Professional fee paid to immediate family member of directors/shareholders	200,000	180,000
Subcontractor fee paid to an entity controlled by a common significant shareholder of a subsidiary	2,507,004	4,595,145
Loan from a director of subsidiary	3,519,152	785,491

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

33. Significant related party transactions (Continued)

Key management personnel remuneration

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Short-term benefits	1,722,189	1,671,802	868,500	915,000
Post-employment benefits	116,760	110,505	25,500	27,700
	<u>1,838,949</u>	<u>1,782,307</u>	<u>894,000</u>	<u>942,700</u>

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.

34. Segment information

Services from which reportable segments derive their revenues

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Segment information (Continued)

Services from which reportable segments derive their revenues (Continued)

The segment assets comprise of trade receivables, work-in-progress, finance lease receivable and certain inventory, 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 of trade payables and bank loans drawdown by a subsidiary for the purpose to finance the leased vessel. The remaining liabilities are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Segment information (Continued)

	New building and conversion	Repair	Total
	\$	\$	\$
2014			
Revenue			
Segment revenue	33,956,869	21,446,028	55,402,897
Results			
Segment results	10,285,890	6,294,785	16,580,675
Other operating income			1,870,777
Administrative expenses			(6,996,975)
Other operating expenses			(5,499,051)
Finance costs			(173,871)
Share of loss of associate			(55,160)
Profit before income tax			5,726,395
Income tax expense			(111,257)
Profit for the year			5,615,138
Other information			
Capital expenditure			3,264,202
Property, plant and equipment written off			27,818
Gain on disposal of property, plant and equipment			(13,325)
Depreciation of property, plant and equipment			1,851,304
Assets and Liabilities			
Segment assets	35,523,200	9,119,782	44,642,982
Unallocated corporate assets			19,146,899
Total assets			63,789,881
Segment liabilities	10,541,911	-	10,541,911
Unallocated corporate liabilities			10,861,876
Total liabilities			21,403,787

Geographical information

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

34. Segment information (Continued)

Geographical information (Continued)

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

	Revenue		Non-current assets [#]	
	2015	2014	2015	2014
	\$	\$	\$	\$
<u>Geographical segments</u>				
Singapore	23,551,276	26,629,612	4,507,462	4,930,377
Thailand	14,756,221	28,589,768	8,325,021	9,642,481
PRC	202,853	183,517	5,718	7,932
	<u>38,510,350</u>	<u>55,402,897</u>	<u>12,838,201</u>	<u>14,580,790</u>

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

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

Information about major customers

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

	2015	2014
	\$	\$
Top 1 st customer	16,050,094	30,470,181
Top 2 nd customer	14,073,732	12,669,399
Top 3 rd customer	<u>1,780,202</u>	<u>6,356,671</u>

Each customer above contributes revenue to both reportable segments.

35. Financial instruments, financial risks and capital risks management

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(a) Categories of financial instruments

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
Financial assets				
Loans and receivables (including cash and cash equivalents)	40,258,877	47,130,159	19,896,467	4,679,413
Financial liabilities				
Financial liabilities carried at amortised cost	17,800,050	21,303,220	13,458,960	1,678,124

(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 3 (2014: 3) major customers which accounted for 91.9% (2014: 88.36%) of the net trade receivable balances.

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

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and Company's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(b) Credit risk (Continued)

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

	Group		Company	
	2015	2014	2015	2014
	\$	\$	\$	\$
< 3 months	6,653,345	4,464,696	-	869,910
3 months to 6 months	1,214,540	2,435,433	-	369,150
6 months to 12 months	1,038,533	183,605	-	-
> 12 months	1,001,137	686,848	-	260,010
	9,907,555	7,770,582	-	1,499,070

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

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

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

(c) Foreign exchange risk

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

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

	Liabilities		Assets	
	2015	2014	2015	2014
	\$	\$	\$	\$
Group				
Singapore dollars	106,138	14,918	8,940,552	2,600,209
Thai baht	-	-	5,953,201	2,480,000
United States dollars	6,958	12,432	-	82,533
Company				
Thai baht	-	-	5,953,201	2,480,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(c) Foreign exchange risk (Continued)

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2014: 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 by:

	2015	2014
	\$	\$
Group		
Singapore dollars	441,721	129,265
Thai baht	297,660	124,000
United States dollars	(348)	3,505
	<hr/>	<hr/>
Company		
Thai baht	297,660	124,000
	<hr/>	<hr/>

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

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

(d) Interest rate risk

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

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

The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Notes 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(d) Interest rate risk (Continued)

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 2015 would decrease/increase by \$29,666 (2014: decrease/increase by \$41,509). 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.

(e) Liquidity risk

As at the end of the reporting period, the Group's cash and cash equivalents amounted to \$8,945,317 (2014: \$11,476,378). 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 2015, the Group had available \$15,027,871 (2014: \$19,745,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

The Company funds its operations through internal funds. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(e) Liquidity risk (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial liabilities (Continued)

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$	\$	\$	\$	\$
Group						
2014						
Non-interest bearing	-	11,954,349	-	-	-	11,954,349
Fixed interest rate						
instruments	4.77	179,550	-	-	(2,800)	176,750
Finance leases						
payables (fixed rate)	5.70	471,435	456,288	-	(57,407)	870,316
Variable interest rate						
instruments	3.78	2,637,614	5,266,509	1,054,408	(656,726)	8,301,805
		<u>15,242,948</u>	<u>5,722,797</u>	<u>1,054,408</u>	<u>(716,933)</u>	<u>21,303,220</u>

Company

All financial liabilities of the Company in 2015 and 2014 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

Non-derivative financial assets

All financial assets of the Group and Company in 2015 and 2014 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

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

(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 which are subject to offsetting, enforceable master netting arrangements and similar agreements.

Financial assets

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

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets	Gross amounts of financial liabilities	Net amount
	\$	\$	\$
<u>Company</u>			
As at 31 December 2015			
Amount due from subsidiaries	19,592,062	(13,303,816)	6,288,246

There is no offsetting arrangements on financial assets and financial liabilities in financial year ended 31 December 2014.

(g) Capital risks management policies and objectives

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

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

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

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

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 2015

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

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

	Group	
	2015	2014
	\$	\$
Net debt	6,379,354	9,348,871
Total equity	36,499,788	42,386,094
Gearing ratio	17%	22%

Externally imposed capital requirements

- a) A subsidiary in Thailand was subject to externally imposed capital requirements, the details of which are disclosed in Note 20.
- b) Three subsidiaries, Wang Fatt Oil & Gas Construction Pte Ltd, ES Shipping Pte. Ltd. and Eng Soon Investment Pte Ltd were subject to bank covenants for bank loans disclosed in Note 14.

All of the above subsidiaries have complied with the externally imposed capital requirements for financial years ended 31 December 2015 and 31 December 2014.

36. Fair value of financial assets and financial liabilities

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

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

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

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

STATISTICS OF SHAREHOLDINGS

As at 14 March 2016

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	7	3.72	6,000	0.01
1,001 - 10,000	51	27.13	411,600	0.29
10,001 - 1,000,000	118	62.77	13,940,200	9.87
1,000,001 AND ABOVE	12	6.38	126,842,200	89.83
TOTAL	188	100.00	141,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

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

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	53,540,000	37.92
2.	LOW CHEE WEE	30,235,000	21.41
3.	HONG LEONG FINANCE NOMINEES PTE LTD	14,916,000	10.56
4.	YVONNE LOW-TRIOMPHE	7,540,000	5.34
5.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
6.	LEOW MEI LEE	3,600,000	2.55
7.	UOB KAY HIAN PRIVATE LIMITED	3,003,000	2.13
8.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
9.	ONG BENG CHYE	1,925,000	1.36
10.	KGI FRASER SECURITIES PTE. LTD.	1,449,000	1.03
11.	RHB SECURITIES SINGAPORE PTE. LTD.	1,122,300	0.79
12.	LIU WENYING	1,111,900	0.79
13.	CHRISTOPHER LOW CHEE LENG	905,000	0.64
14.	OCBC SECURITIES PRIVATE LIMITED	889,000	0.63
15.	SERM TANTASATIEN	835,000	0.59
16.	PHILLIP SECURITIES PTE LTD	729,000	0.52
17.	KOK SIP CHON	663,000	0.47
18.	DBS NOMINEES (PRIVATE) LIMITED	524,000	0.37
19.	LIM SEET HUAT (LIN SHIFA)	454,000	0.32
20.	LOH WING WAH	430,000	0.30
TOTAL		132,271,200	93.67

STATISTICS OF SHAREHOLDINGS

As at 14 March 2016

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

NAME	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%	NO. OF SHARES	%
LOW CHEE WEE ⁽¹⁾	30,235,000	21.41	53,540,000	37.92	83,775,000	59.33
CHRISTOPHER LOW CHEE LENG ^{(1) (3)}	905,000	0.64	67,660,000	47.92	68,565,000	48.56
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
HONG LEONG FINANCE NOMINEES PTE LTD ⁽³⁾	14,916,000	10.56	-	-	14,916,000	10.56
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, Christopher Low Chee Leng and Yvonne Low-Triomphe are siblings. Their mother is Neo Peck Keow @ Ng Siang Keng. Each of Low Chee Wee, Christopher Low Chee Leng and Yvonne Low-Triomphe are deemed interested in all the shares held by their mother, Neo Peck Keow @ Ng Siang Keng, by virtue of Section 7 of the Companies Act.
- (2) Eddy Neo Chiang Swee is deemed interested in the 3,600,000 shares held by his mother, Leow Mei Lee, by virtue of Section 7 of the Companies Act.
- (3) Christopher Low Chee Leng is deemed interested in the 14,120,000 shares held by Hong Leong Finance Nominees Pte Ltd. Christopher Low Chee Leng pledged the shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

COMPLIANCE WITH RULES 723 OF THE RULES OF CATALIST

Based on the information available to the Company as at 14 March 2016, approximately 15.60% of the issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the sixth annual general meeting (“**AGM**”) of ES Group (Holdings) Limited (the “**Company**”) will be held at 10 Kwong Min Road, Singapore 628712 on Tuesday, 26 April 2016 at 10.30 a.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements, the Directors’ Statement and the Auditor’s Report for the financial year ended 31 December 2015. **Resolution 1**
2. To approve the payment of Directors’ fees of \$137,500 for the financial year ending 31 December 2016, to be paid quarterly in arrears. **Resolution 2**
3. To re-elect Mr. Wee Siew Kim, a Director retiring pursuant to Article 98 of the Constitution of the Company.

Mr. Wee Siew Kim will, upon re-election as a Director of the Company, remain as Chairman of the Board, Chairman of the Nominating Committee and a member of the Audit and Risk Committee and the Remuneration and Compensation Committee, and shall be considered independent for purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) (the “**Catalist Rules**”). (See *Explanatory Notes*) **Resolution 3**
4. To re-elect Mr. Christopher Low Chee Leng, a Director retiring pursuant to Article 98 of the Constitution of the Company. (See *Explanatory Notes*) **Resolution 4**
5. To re-appoint Messrs BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

AS SPECIAL BUSINESS

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

6. That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and Rule 806 of the Catalist Rules, authority be and is hereby given to the directors of the Company (“**Directors**”) to:
 - (A) (i) issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, the “**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 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,

NOTICE OF ANNUAL GENERAL MEETING

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

(B) issue Shares in pursuance of any Instrument made or granted by our Directors pursuant to (A)(ii) and/or (A)(iii) above, notwithstanding that such authority may have ceased to be in force at the time the Shares are to be issued, provided that:

- (i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of the Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (“**Shareholders**”) (including Shares to be issued in pursuance of the Instruments made or granted pursuant to such authority) does not exceed 50% of the total number of issued Shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below);
- (ii) the total number of issued Shares in the capital of the Company excluding treasury shares shall be based on the Company’s total number of issued Shares excluding treasury shares, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities;
 - (b) new Shares arising from exercise of options or vesting of awards which are outstanding or subsisting at the time of the passing of this ordinary resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (iii) in exercising such authority, the Company shall comply with any or all of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Company’s constitution for the time being; and
- (iv) unless revoked or varied by the Company in a general meeting by an ordinary resolution, such authority shall continue in force until the conclusion of the next AGM or the date by which the AGM 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 6**

7. That pursuant to Section 161 of the Act, authority be and is hereby given to the Directors to:

- (a) grant awards, allot and issue shares under the Eng Soon Performance Share Plan (the “**PSP**”); and
- (b) grant options, allot and issue shares under the Eng Soon Employee Share Option Scheme (the “**ESOS**”),

NOTICE OF ANNUAL GENERAL MEETING

to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the PSP and/or exercise of options under the ESOS, whether granted during the subsistence of this authority or otherwise provided always that:

the aggregate number of Shares to be issued and/or issuable pursuant to the PSP, the ESOS and all other existing share schemes or share plans of the Company for the time being shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) for the time being and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier. **(See Explanatory Notes)**

Resolution 7

8. To transact any other ordinary business which may properly be transacted at an AGM.

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 11 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Ordinary Business to be Transacted:

Resolution 3

The key information of Mr. Wee Siew Kim can be found in the annual report. Mr. Wee Siew Kim, if re-appointed as a Director of the Company, will remain as the Non-Executive Chairman and Independent Director of the Company. There are no relationships including immediate family relationships between Mr. Wee Siew Kim and the other Directors, the Company, its related corporations, its 10% Shareholders or its officers.

Resolution 4

The key information of Mr. Christopher Low Chee Leng can be found in the annual report. Mr. Christopher Low Chee Leng, if re-appointed as a Director of the Company, will remain as the COO of the Company. Mr. Christopher Low Chee Leng's mother, Ms. Neo Peck Keow is a controlling Shareholder. Mr. Christopher Low Chee Leng, Mr. Low Chee Wee (CEO) and Ms. Yvonne Low-Triomphe (controlling Shareholder) are siblings. Mr. Christopher Low Chee Leng is the cousin of Mr. Eddy Neo Chiang Swee (Executive Director). Mr. Christopher Low Chee Leng has a total interest (direct and deemed) of 48.56% in the capital of the Company.

Explanatory Notes on Special Business to be Transacted:

Resolution 6

The ordinary resolution 6 proposed above, if passed, will empower the Directors, from the date of the AGM until the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from Shareholders in a general meeting but within the limitation imposed by this ordinary resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors may allot and issue under this ordinary resolution would not exceed 100% of the total number of issued Shares in the capital of the Company excluding treasury shares at the time of the passing of this ordinary resolution. For issue of Shares and convertible securities other than on a pro rata basis to all Shareholders, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares in the capital of the Company excluding treasury shares at the time of the passing of this ordinary resolution.

The 100% limit and the 50% limit will be calculated based on the Company's issued share capital at the time of the passing of this ordinary resolution, after adjusting for:

- (i) new Shares arising from the conversion or exercise of convertible securities; and
- (ii) any subsequent bonus issue, consolidation or subdivision of Shares.

Resolution 7

The ordinary resolution 7 proposed above, if passed, will authorise and empower the Directors to grant awards and/or options under the PSP and/or the ESOS respectively and to allot and issue Shares pursuant to the vesting of the awards under the PSP and/or exercise of options under the ESOS, provided that the aggregate number of Shares to be issued pursuant to the PSP and/or the ESOS shall not exceed 15% of the issued share capital of the Company (excluding treasury shares) for the time being.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the AGM (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 AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him. Where such member's form of proxy appoints more than 1 proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.
3. A proxy need not be a member of the Company.
4. A 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 its common seal or under the hand of its attorney or a duly authorised officer.
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 AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) 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 or service providers), 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 or service providers) 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.

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Proxy Form

ES Group (Holdings) Limited

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

Annual general meeting ("AGM") to be held on Tuesday, 26 April 2016

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 (delete as appropriate)

--	--	--	--

or failing which, the chairman of the AGM 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 sixth AGM of the Company to be held at 10 Kwong Min Road, Singapore 628712 on Tuesday, 26 April 2016 at 10.30 a.m. and at any adjournment thereof.

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

No.	Resolution	For	Against
	Ordinary Business		
1	Audited Financial Statements, Directors' Statement & Auditor's Report for the financial year ended 31 December 2015		
2	Directors' fees for the financial year ending 31 December 2016, to be paid quarterly in arrears		
3	Re-election of Director (Mr. Wee Siew Kim)		
4	Re-election of Director (Mr. Christopher Low Chee Leng)		
5	Re-appointment of Messrs BDO LLP as auditors of the Company		
	Special Business		
6	Authority to allot and issue shares		
7	Authority to grant awards, allot and issue shares under the PSP and to grant options, allot and issue shares under the ESOS		

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

Signed this _____ day of _____ 2016

Total Number of Shares Held

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

*delete as appropriate



Notes to the Proxy Form:

1. A member of the Company entitled to attend and vote at the AGM (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 AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him. Where such member's form of proxy appoints more than 1 proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.
3. A proxy need not be a member of the Company.
4. A 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 its 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 AGM.
7. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by the Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members.
8. An instrument of proxy 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 AGM, in accordance with Section 179 of the Act.
10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in 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 AGM as certified by The Central Depository (Pte) Limited to the Company.



ES Group (Holdings) Limited

Company Registration No.: 200410497Z
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