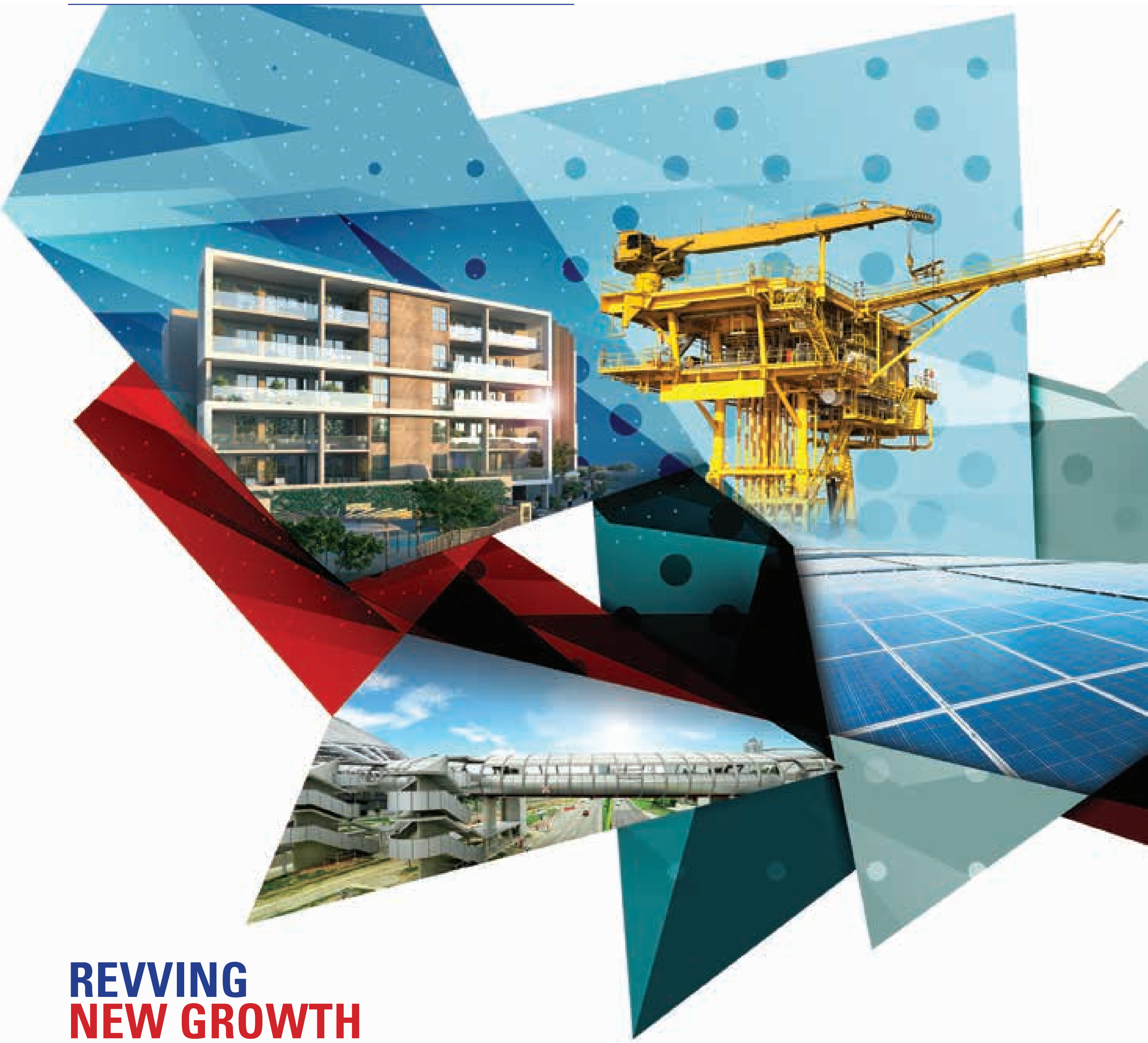
SHS HOLDINGS LTD.

REVVING NEW GROWTH

2016 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE



REVVING NEW GROWTH

The Group's two new growth engines – namely, renewable energy and modular construction – revved to a strong start in FY2016.

Our solar energy subsidiary, Sinenergy Pte. Ltd., completed a 4MW grid-tiered solar photovoltaic system on the rooftop of SATS Airfreight Terminals 5 and 6 at Singapore Changi Airport in 2016, and is presently working on the construction of a solar power plant in Bangladesh.

On 7 February 2017, our subsidiary Hetat Holdings Pte. Ltd. successfully completed the acquisition of a 60% stake in Vietnam-based TLC Modular Construction Joint Stock Company (TLC), and has now become a subsidiary of the Group. This acquisition is expected to boost the Group's capability in modular construction and open new channels of growth opportunities in the Asia Pacific region.

CORPORATE PROFILE

SMU

Leveraging on the synergies of its portfolio of businesses, SHS strives to further strengthen its earnings base to enhance greater value for shareholders.

Singapore
Grand prix

About SHS Holdings Ltd.

Established in 1971, SHS Holdings Ltd. has grown into a diversified group with three key businesses – structural steel & facade and modular construction services, renewable energy and corrosion prevention services.

With our sights in extending our footprints in Asia Pacific, we are continually strengthening our core businesses to further reinforce our platforms for growth. We are well positioned in our respective industries and are constantly expanding our customer base and deepening our geographical network while enlarging our portfolio of products and services.

STRUCTURAL STEEL & FACADE

HETAT has a strong track record in the design, engineering and construction of integrated structures created from steel, aluminium and glass materials. It is at the forefront of its field and one of a few fabricators with S1 accreditation from the Singapore Structural Steel Society.

With several landmark projects under its belt, Hetat is well placed to pursue further structural projects in Singapore, Malaysia, Mongolia and other potential markets.

CORPORATE PROFILE

MODULAR CONSTRUCTION

A niche method of construction that is gaining popularity in countries where productivity in construction is a priority, Modular Construction – also known as Pre-fabrication, Pre-finished Volumetric Construction (PPVC) – uses factory-produced pre-engineered building units that are delivered to site and assembled as large volumetric components or as substantial elements of a building. The Group is currently building an 88-room hotel in Christchurch, New Zealand, a 32-room apartment in Perth, Australia and Pre-fabricated bathroom units (PBUs) for projects in Vietnam and Singapore.

SOLAR ENERGY

With increased commitment to renewable energy and environmental sustainability around the world, as well as to minimize costs for every business; it is evident that everyone is seeking clean & affordable energy efficient solutions. The Group diversified into the solar energy sector in 2016 with specializes in solar energy

CORPORATE PROFILE

development and M&E works. **Sinenergy** are focused to establish solar energy as an affordable and reliable power generation source for our forward-thinking clients. It has successfully installed various roof-top, ground-mounted photovoltaic systems of all scales for domestic & commercial clients.

CORROSION PREVENTION

SHS CP is a leading provider of corrosion prevention services to the marine, oil and gas, construction and infrastructure industries. It has a strong niche in specialised tank coating services and large-scale plant operations in Singapore. Its proven capability in corrosion prevention services is underline by its status as a resident contractor for premier shipyards in Singapore.

STRATEGIC INVESTMENTS

The Group constantly evaluates strategic investment opportunities that can generate shareholder value. We invested in the growing energy sector with a 8.8% stake in Energy Drilling Pte Ltd – a Singapore-incorporated company primarily engaged in the business of owning and operating offshore drilling vessels. This investment allows the Group to participate in the high value-add offshore oil and gas drilling market, and is aligned with the Group's strategy of investing in high-growth energy companies to enhance its earnings base and deliver long-term shareholder value. Our strategic investment portfolio also comprises a stake in Aenergy Holdings Company Limited. Aenergy is an investment holding company and its subsidiaries are principally engaged in the business of developing mini-hydropower projects in Indonesia. The Company also holds a 30% stake in an executive condominium development – Heron Bay – in Singapore, which received temporary occupation permit in 4Q15.

Hydroelectric Power Plant

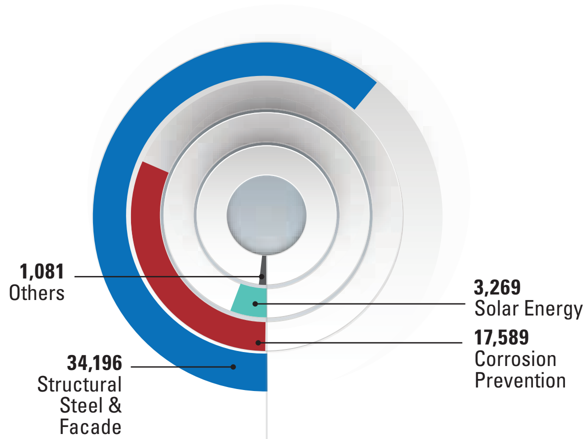
FINANCIAL HIGHLIGHTS

Profit & Loss Account (S$'000)	**FY2016**	**FY2015**
Revenue	56,135	62,727
Gross Profit	15,574	15,198
Profit before income tax	4,064	9,101
Profit after income tax		
– Continuing Operations	4,341	8,974
– Discontinued Operations	7,296	48,703
Profit Attributable to Equity holders		
– Continuing Operations	4,494	9,012
– Discontinued Operations	7,296	48,739
Per Share Data (Cents)		
Earnings Per Share – Basic	1.78	9.53
Earnings Per Share – Basic (Continuing Operations)	0.68	1.49
Net Asset Backing	31.79	35.98
Dividends	0.25	4.00

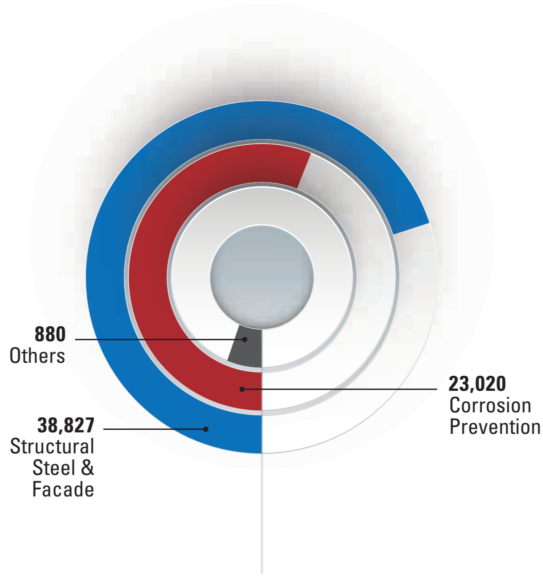
Statement of Financial Position (S$'000)	**FY2016**	**FY2015**
Total Assets	248,632	246,410
Total Liabilities	28,804	26,459
Shareholders' Equity	217,777	219,102
Non-Controlling Interests	2,051	849
Total Equity	219,828	219,951

Revenue by Business Segments (Continuing Operations) (S$'000)	**FY2016**	**FY2015**
Corrosion Prevention	17,589	23,020
Structural Steel & Facade	34,196	38,827
Solar Energy	3,269	–
Others	1,081	880

REVENUE BY BUSINESS SEGMENT IN FY2016 (S$'000)



REVENUE BY BUSINESS SEGMENTS IN FY2015 (S$'000)



MESSAGE FROM THE CHAIRMAN AND GROUP CEO

DEAR SHAREHOLDERS,

The volatility in the global economy, exacerbated by the highly competitive business landscape and the protracted downturn of the marine, oil and gas sectors, continued to challenge the Group's core businesses during the year in review.

Our Corrosion Prevention (CP) segment, which is dependent on a buoyant marine and offshore oil & gas industry, has been impacted by the severe downturn in the sector brought about by the volatility of crude oil prices globally. Revenue for the full year was down by 24% to S$17.6 million. However, the Group's efforts to rationalize its cost structure, while expanding and diversifying its customer base, have helped to soften the negative impact and helped the CP segment to remain marginally profitable in FY2016.

Our Structural Steel and Facade (SSF) business faced heightened competition, coupled with the loss of a production line due to the redevelopment of its plant in Tuas, led to revenue decline of 12% to S$34.2 million. Notwithstanding the sales decline, it registered a significant improvement in profits boosted by improved margins from better project and cost management, as well as the absence of bad debts provided in FY2015.

Revving up our new growth engines

To transform the Group to higher value-added businesses, we have developed new capabilities that are providing the new engines of growth for the Group – specifically, our renewable energy business, and the Pre-fabrication, Pre-finished Volumetric Construction ("PPVC"), or commonly known as modular construction.

In FY2016, our Solar Energy segment achieved revenue of S$3.3 million in its first year of operations, thanks to the completion of a 4MW grid-tiered solar photovoltaic system on the rooftop of SATS Airfreight Terminals 5 and 6 at Changi Airport.

On 19 October 2016, the Group through its subsidiary HDFC SinPower Limited ("HDFC"), made significant progress in its Bangladesh solar power plant project with the signing of the Power Purchase and Implementation Agreements with the Bangladesh Power Development Board and the Government of the People's Republic of Bangladesh and the Power Grid Company of Bangladesh Ltd respectively. Tariff for all electric energy purchases was fixed at US$0.17/kWh for 20 years. The construction of the Plant, estimated to be between US$70-80 million, is to be completed within 18 months.

We have made a giant leap in acquiring yet another new capability in modular construction to power our future growth. We are pleased to report that our acquisition of 60% interest in TLC Modular Construction Joint Stock Company (TLC), an established company based in Vietnam, was completed on 7 February 2017, and TLC has become a subsidiary of the Group.

Meanwhile, our subsidiary, TLC Modular Pte. Ltd., is using modular construction technology to develop a new hotel in New Zealand, a new apartment complex in Perth, Australia and prefabricated bathroom units (PBUs) for projects in Vietnam and Singapore.

MESSAGE FROM THE CHAIRMAN AND GROUP CEO

Rewarding Shareholders

As a gesture of our appreciation for your support, the Directors have proposed a final dividend of 0.25 Singapore cents per ordinary share, which represents a dividend payout of 38% from its net profit attributable to shareholder from continuing operations in FY2016. This is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 27 April 2017.

Business Prospects

Looking ahead for FY2017, we expect the business outlook to remain challenging for our existing core businesses. Our CP business will continue to be impacted by the industry pressures, but we will forge ahead with our cost rationalization and productivity enhancing strategies to mitigate the impact while expanding and diversifying our customer base.

Our SSF business has secured a stable order book for FY2017, and its new modular construction segment will provide the necessary boost as it contributes positively in the current fiscal year. We shall endeavor to deliver on-time the steel engineering projects that we have on hand, and accelerate the development of our modular construction business in the key markets of Australia, New Zealand, Vietnam and Singapore.

For our renewable energy business, we will focus on constructing the 50MW solar plant in Bangladesh to be ready by the end of the second quarter of 2018. By then, the project should provide a steady income stream to the Group.

Acknowledgement

SHS is just beginning to rev up its new growth engines, and the momentum generated holds much promise. However, headwinds looming ahead may provide some resistance but we are determined, more than ever, to deliver more value to our shareholders.

These are challenging times, which require us to think out of the box and be nimble and adaptable. Extraordinary times require extraordinary effort, and this is the time for all business units in SHS to rally together, and make things work excellently. We need to work even closer together and harder than ever before.

We would like to take this opportunity to thank our colleagues on the Board for their counsel and cooperation, our management and staff for their dedication and hard diligence, and to our shareholders – thank you all for your support. We look forward to meeting you again at the upcoming Annual General Meeting on 27 April 2017. Have a wonderful year ahead!

CHEW HOE SOON
Independent Chairman

NG HAN KOK, HENRY
Group Chief Executive Officer

OPERATIONS AND FINANCIAL REVIEW

The Group made its foray into the solar energy business as a core business in 2016, with the construction of the 4MW solar project for Singapore Airport Terminal Services ("SATS") in Singapore. This allowed the Group to increase its revenue streams and expand its business into growth areas such as renewable energy, to mitigate the challenging conditions of the other industries which it operates in.

For the full year ended 31 December 2016 ("FY16"), the Group's net profit attributable to shareholders declined 80% from S$57.8 million in FY15 to S$11.8 million in FY16, comprising S$4.5 million from continuing operations (the Corrosion Prevention ("CP"), Structural Steel and Facade ("SSF") and Solar Energy segments, and contributions from our strategic investments), and S$7.3 million from discontinued operations (the Refined Petroleum ("RP") segment). Discontinued operations for FY15 and FY16 relates to the Refined Petroleum Business, which was divested at the end of FY15.

The lower profit from continuing operations was due to the absence of the contribution in FY15 from the substantial share of associated company profit of S$13.8 million arising from the Heron Bay Executive Condominium project which was offset partially by goodwill impairment charges of S$2.7 million and provision for doubtful debts of S$2.5 million. Excluding these one-off impact, FY15 net profit would be S$0.4 million compared with FY16 net profit of S$4.5 million.

S$'000	FY16	FY15	Change
Revenue	56,135	62,727	(11%)
Net profit attributable to shareholders			
– Continuing Operations	4,494	9,012	(50%)
– Discontinued Operations	7,296	48,739	(85%)
	11,790	**57,751**	**(80%)**

Revenue from continuing operations declined 11% year-on-year from S$62.7 million to S$56.1 million in FY16 on the back of weaker performance from both the CP and SSF segments.

Despite the lower revenue, gross profit increased marginally by 2% year-on-year to S$15.6 million due to higher margin projects recognized and cost management controls from the SSF segment. As a result, gross profit margin improved to 27.8% for FY16, from 24.2% in FY15.

The Group's other income jumped 309% to S$2.9 million in FY16 due to higher income from the sale of scrap materials from the SSF segment, unrealized exchange gain arising from the depreciation of the Mongolian currency and the appreciation of the USD, government grants, and the interest income earned from the proceeds from the sale of the RP business.

Total operating expenses fell 29% to S$14.5 million in FY16 from continued costs rationalization measures taken in 2016 and the absence of FY15 provision for doubtful debts of S$2.5 million and goodwill impairment on ETS of S$2.7 million. Finance costs were slightly higher at S$135,000 in FY16 due to higher costs of borrowings during the year.

Share of associates' profits in FY16 was 98% lower year-on-year at S$0.3 million, mainly due to the recognition of profits from the Heron Bay Condominium project in FY15.

As a result, the Group achieved net profit attributable to shareholders from continuing operations of S$4.5 million in FY16, compared with S$9.0 million in FY15.

The Group's financial position remained healthy, with net assets at S$217.8 million as at 31 December 2016. This translates into net asset value per share of 31.79 Singapore cents. Its cash and cash equivalents declined from S$102.6 million as at 31 December 2015 to S$70.8 million as at 31 December 2016, mainly due to significant cash outflow for dividend pay-out in FY2016, cash outflow from operations to fund working capital, cash outflow from investing

OPERATIONS AND FINANCIAL REVIEW

activities such as the purchase of property, plant and equipment, additional investment in associated company and loans to JV companies. Our cash inflows mainly from cash proceeds from the completion adjustment in relation to the disposal of the RP business, issue of shares through warrant conversion and proceed from term loan.

SEGMENTAL RESULTS

Continuing Operations

S$'000	FY16	FY15	Change
Corrosion Prevention ("CP")			
– Revenue	17,589	23,020	(24%)
– Gross Profit	4,954	6,289	(21%)
Structural Steel and Facade ("SSF")			
– Revenue	34,196	38,827	(12%)
– Gross Profit	9,934	8,827	13%
Solar Energy			
– Revenue	3,269	–	NM
– Gross Profit	239	–	NM

Corrosion Prevention

Revenue from the CP segment declined 24% year-on-year to S$17.6 million in FY16, mainly due to the severe and protracted downturn of the global offshore oil and gas industry, as crude oil prices remain volatile and depressed. As a result, gross profit was 21% lower year-on-year to S$5.0 million. However, gross profit margin for FY16 improved to 28.2%, due to improvement made to the business model from lower dependence on subcontractors.

Structural Steel and Facade

The challenging trading conditions and the loss of a production line while the Group is redeveloping its SSF plant in Tuas resulted in a 12% year-on-year decline in revenue to S$34.2 million in FY16. Gross profit increased 13% to S$9.9 million while gross profit margin improved to 29.1% in FY16, largely due to better margin projects and better cost management control.

Solar Energy

In its maiden year, the Solar Energy segment achieved revenue contribution of S$3.3 million from the construction of the 4MW solar project for SATS in Singapore. The Solar Energy segment achieved gross profit of S$239,000, while gross profit margin was 7.3%.

OUTLOOK

The operating environment in FY17 is expected to remain challenging for our core businesses, amid domestic and global economic volatility, heightening competition and severe and protracted downturn of the marine, oil and gas sectors. Our CP business will continue to be impacted by a depressed marine, and offshore oil and gas sector. To mitigate the challenges, the Group will continue its cost rationalization efforts and enhance productivity to maintain an appropriate and efficient cost structure while focusing on expanding and diversifying our customer base.

The SSF segment continues to face margin pressure in an increasingly competitive industry. The Group has taken appropriate action to stay efficient and nimble while managing to secure a stable order book for FY17. In addition, the Group has progressively moved up the value chain with the entry into Pre-fabrication Pre-finished Volumetric Construction, which will provide new impetus for this segment and is expected to contribute positively from 2017.

The outlook for the Solar Energy segment is expected to remain bright, given the increasing energy demand and growing environmental concern in Asia. The segment's two key projects, the 4MW SATS project in Singapore and the 50MW Bangladesh project, are progressing on track. The 4MW SATS project was completed in end 2016 and is subject to regulatory approvals to be obtained by SATS. The Group is expected to be able to start selling power by the later part of 1Q17, and this will provide a steady income stream for the Group. The 50MW Bangladesh project is on target to complete by 2Q18.

The Group will continue its efforts to secure new income accretive projects to progressively contribute to its sales and profit, as well as add on to its portfolio of assets. The Group will also continue to explore and implement measures that increases operational efficiency and reduce costs.

BOARD OF DIRECTORS

MR CHEW HOE SOON

Non-Executive and Independent Chairman

Mr Chew Hoe Soon was appointed as Non-Executive and Non-Independent Director of SHS Holding Ltd. on 6 February 2015 and subsequently appointed as Non-Executive and Non-Independent Chairman on 12 August 2015. Recently, on 27 February 2017, he was re-designated to Non-Executive and Independent Chairman. He is a shareholder and Executive Director of various companies in Singapore engaged in the business of marine waste disposal, petroleum trading, oil tank storage and bunkering. Mr Chew's experience and knowledge will be invaluable to the Board as it seeks new growth opportunities in areas that are synergistic with the existing core businesses of the Group.

MR GOH KOON SENG

Executive Director & Group Chief Financial Officer

Mr Goh Koon Seng was appointed as Executive Director of SHS Holdings Ltd. on 12 July 2010. Effective from 31 December 2015, Mr Goh is designated Director and Group Chief Financial Officer and is responsible for all financial aspects of the Group, including financial planning and analysis, corporate finance and accounting, internal controls, financial reporting and treasury functions. Between 12 July 2010 and 30 December 2015, Mr Goh was the designated Director and Group Chief Operating Officer responsible for the management of the day-to-day business operations of the corrosion prevention business as well as supporting the Executive Chairman and Group CEO in carrying out their roles and responsibilities and on the Group's corporate and business development matters. From 2006 to 2007, Mr Goh was the Group's Chief Financial Officer and Joint Company Secretary. He rejoined the Group from Jiutian Chemical Group Limited where he was Chief Financial Officer from 2007 to 2010. Mr Goh was also previously the General Manager (Singapore, Indonesia, Philippines and Brunei) of Cerebos Pacific Ltd, where he held a number of senior finance and management positions over a span of 16 years from 1990. He holds a Bachelor of Accountancy degree (Honours) from the National University of Singapore. He is a Certified Public Accountant and a member of the Institute of Singapore Chartered Accountants.

MR NG HAN KOK, HENRY

Executive Director & Group Chief Executive Officer

Mr Henry Ng was appointed as Executive Director of SHS Holdings Ltd. on 3 January 2014 and Group Chief Executive Officer on 28 February 2014. As Group Chief Executive Officer, Mr Ng is responsible for making strategic proposals to the Board and implementing the Group's strategies, policies and Board's decisions. The Group CEO assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Directors and key management. He leads the development of the Group's growth strategy including identifying and assessing risks and opportunity of growth of existing business and new businesses and reviewing the performance of its existing businesses. Mr Ng is the founder and Managing Director of Hetat Holdings Pte. Ltd., the Group's structural steel & facade business. He is a veteran in the construction industry and has extensive experience of over 20 years in the related field of steel, aluminium and glass structures. He holds a Bachelor of Science (Building) honours degree from the University of Reading in the United Kingdom.

MR LIM SIOK KWEE, THOMAS

Executive Director and CEO Corrosion Prevention Services

Mr Thomas Lim was appointed as Executive Director and CEO Corrosion Prevention Services of SHS Holdings Ltd. on 30 December 2015.

He is the founder of the Company and was the Company's Executive Chairman from 29 April 2009 to 29 April 2013 and from 22 July 2013 to 27 April 2015. He has over 30 years' experience in corrosion prevention business and was the driving force in the Group's development and growth during the early years. He was also instrumental in the diversification of the Group's business into the offshore and construction sectors.

BOARD OF DIRECTORS

MR LEE GEE AIK

Independent Director

Lee Gee Aik was appointed as an Independent Director and Chairman of the Audit Committee of SHS Holdings Ltd. on 24 July 2015. He is also a member of Remuneration Committee. Mr Lee has over 30 years of extensive and varied experience in accounting, tax and financial matters, having previously worked with one of the Big Four accounting firms both in its Singapore and US offices and as a regional financial controller for about 5 years in the hospitality industry.

Mr Lee is a Fellow of the Association of Chartered Certified Accountants (UK) and the Institute of Singapore Chartered Accountants. He also obtained a Master in Business Administration from The Henley Management College, United Kingdom. Mr Lee is currently a director of Fuller & Ernst Pte Ltd. He has been re-appointed by the Ministry of Health to serve as Lay Person member of the Complaints Panel of the Singapore Pharmacy Council from 1 May 2014 to 30 April 2017. He is also independent director of Anchun International Holdings Limited, Astaka Holdings Limited and LHN Limited.

DR LEE KUO CHUEN DAVID

Independent Director

Dr Lee Kuo Chuen was appointed as Independent Director of SHS Holdings Ltd. on 1 October 2013. He is currently the Chairman of the Nominating Committee and members of the Remuneration and Audit Committees. Dr Lee has over 20 years of experience in financial modeling, portfolio allocation and alternative investments. He was a Director of Sim Kee Boon Institute for Financial Economics and currently a Professor at the Singapore Management University of Social Sciences. He is also a vice president of The Economic Society of Singapore. Prior to that, Dr Lee was a Director of Ferrell Asset Management which he founded in 1999, Managing Director of Fraser Asset Management and Director of Institutional Sales at Fraser Securities. Dr Lee is currently an independent director of HLH Group Limited. Dr Lee holds a PhD in Econometrics and Applied Economics from the London School of Economics and Political Science, and a Master of Science in Econometrics and Mathematical Economics from the University of London.

MR OH ENG BIN, KENNETH

Independent Director

Mr Kenneth Oh was appointed as Independent Director of SHS Holdings Ltd. on 14 January 2014. He is currently the Chairman of the Remuneration Committee and members of the Audit and Nominating Committee. Mr Oh is a senior partner in Dentons Rodyk & Davidson LLP's Corporate Practice Group, China Practice and Indonesia Practice. He has been in legal practice since 1999. Mr Oh practises mainly in the areas of corporate finance and mergers & acquisitions, with a focus on equity capital markets transactions involving IPOs and RTOs of Singapore and foreign companies, as well as secondary capital market issues including secondary listings, secondary post-listing fund raising and post-listing advisory and compliance. Mr Oh also advises on capital markets licensing and compliance, and on a wide range of general corporate advisory work for both public listed and private companies including private equity investments, joint ventures, corporate restructurings, debt restructuring and franchising. Mr Oh holds a Bachelor of Law degree (Honours) from the National University of Singapore and is admitted to the Singapore Bar.

GROUP MANAGEMENT AND PERSONNEL

SHS GROUP

MR. NG HAN KOK, HENRY
Executive Director & Group Chief Executive Officer

MR. GOH KOON SENG
Executive Director & Group Chief Financial Officer

MR. LIM SIOK KWEE, THOMAS
Executive Director & CEO Corrosion Prevention Services

STRUCTURAL STEEL & FACADE AND MODULAR CONSTRUCTION

MR. NG HAN KOK, HENRY
Executive Director & Group Chief Executive Officer

MR. GOH KOON SENG
Executive Director & Group Chief Financial Officer

MR. ALISTAIR WILLIAM RAGLAN SAWER
Chief Executive Officer (Modular Construction)

MR. WANG FENG JUNG, WILLIE
Contracts & Commercial Director

MR. CHENG CHEE CHAI
Engineering & Production Director

MR. CARMELO RAMOS GACAYAN
Senior Technical Manager

MS. SEE BEE LIAN
Procurement Manager

MR. YANNAM SWARNY REDDY
Production Manager

MS. CH'NG SAI LIAN, ADELINE
Human Resource Manager

MS. ALICE LEE SIAU YIAN
Finance Manager

MR. MAHALINGAM KALIMUTHU KUMAR
EHS Manager

CORROSION PREVENTION

MR. LIM SIOK KWEE, THOMAS
Executive Director & CEO Corrosion Prevention Services

MR. GOH KOON SENG
Executive Director & Group Chief Financial Officer

MR. TAN TECK SENG, RONNIE
General Manager (Trading)

MR. LEOW KIM HOCK
General Manager (Project & Technical)

MR. TANG ANN THEW, ANDREW
Marketing Manager (Plant Operations)

MR. LIM PENG CHENG
Production Manager (Plant Operations)

MR. GOH SIA TECK
Commercial Manager (Site)

MS. TEO SOO FANG, TRACY
Group Finance Manager

MS. CH'NG SAI LIAN, ADELINE
Human Resource Manager

MR. MAHALINGAM KALIMUTHU KUMAR
Safety Manager

SOLAR ENERGY

MR. NG HAN KOK, HENRY
Executive Director & Group Chief Executive Officer

MR. GOH KOON SENG
Executive Director & Group Chief Financial Officer

MR. LEE YIN YEE, PHILIP
Chief Operating Officer

MR. CHUA KOK KEONG, JOSEPH
Chief Executive Officer (EPC)

MR. RICHANAND MISHRA
General Manager

MS. LIM PEI WOON
Finance Manager

CORPORATE INFORMATION

BOARD OF DIRECTORS

Chew Hoe Soon
Non-Executive and Independent Chairman

Ng Han Kok, Henry
Executive Director & Group Chief Executive Officer

Goh Koon Seng
Executive Director & Group Chief Financial Officer

Lim Siok Kwee, Thomas
Executive Director & CEO Corrosion Prevention Services

Lee Gee Aik
Independent Director

Lee Kuo Chuen, David
Independent Director

Oh Eng Bin, Kenneth
Independent Director

AUDIT COMMITTEE

Lee Gee Aik *(Chairman)*
Lee Kuo Chuen, David
Oh Eng Bin, Kenneth

NOMINATING COMMITTEE

Lee Kuo Chuen, David (Chairman)
Oh Eng Bin, Kenneth
Ng Han Kok, Henry

REMUNERATION COMMITTEE

Oh Eng Bin, Kenneth *(Chairman)*
Lee Gee Aik
Lee Kuo Chuen, David

COMPANY SECRETARIES

Wan Tiew Leng, Lynn

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AUDIT PARTNER-IN-CHARGE

Christopher Bruce Johnson
Date of appointment: 24 July 2012

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Marina Bay Financial Centre Tower 3
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FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors of SHS Holdings Ltd. is committed to maintain a high standard of measures, practices and transparency in the disclosure of material information in line with those set out in the Code of Corporate Governance 2012 (the "2012 Code") revised by the Monetary Authority of Singapore on 2 May 2012.

The following report outlines the Company's corporate governance processes and structures that were in place throughout the financial year with specific reference made to the principles and guidelines of the 2012 Code.

The Board is pleased that the Company has adhered in all material aspects with the principles as set out in the Code. Deviations from the Code, if any, the Company's position in respect of the same is explained under the respective sections in this Report.

A. BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The Board's primary role is to protect and enhance long-term shareholder value. To fulfill this role, the Board is responsible for setting the Group's corporate governance practices and overall strategic direction, reviewing key management performance, review operational and financial performance of the Group to enable the Group to meet its objective and maximising return for shareholders at an acceptable level of risk.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with the Management to make objective decisions in the interest of the Group.

For more effective and efficient management, the Board has established a number of Board committees to assist in the execution of the Board's responsibilities. Those committees include the Audit, Nominating and Remuneration Committees function within clearly defined terms of reference which are reviewed on a regular basis. The terms of reference for the respective committees have incorporated the guidelines under the 2012 Code.

The Board meets at least four times a year and at other times as appropriate to address any specific significant matters and is responsible for the overall management of the Group. Apart from its statutory responsibilities, the Board approves the Group's business objectives, strategic plans, key initiatives, implementation plans, funding decisions, major investment and divestment decisions, appointment and remuneration of Directors, and ensure that the structure of the practices of the Board provide for sound corporate governance. In addition, the Board also reviews the Group's financial and operational matters, oversees the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfies itself as to the adequacy of such processes.

All Directors receive appropriate training to develop their individual skills, knowledge and competence necessary to be effective in their roles. It is our policy to provide new Directors with a detailed and thorough induction to familiarize them with the business, operations and financial performance; meeting with key management personnel and an overview of their responsibility; briefed on governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealings in the Company's securities and restrictions on disclosure of price-sensitive information. Where necessary, first-time Directors who do not have prior experience as a director of a Singapore listed company will attend training in areas such as accounting, legal and industry-specific knowledge. No new Directors or alternate Director were appointed in FY2016.

The Company also provides ongoing updates and briefings particularly, on relevant new laws, regulations and changing commercial risks, from time to time, to enable them to make well-informed decisions. Directors are also encouraged to attend at the Group's expense, relevant industry conferences, seminars or any training programme in connection with their duties as Directors. Management will from time to time bring to the Directors' attention on relevant training programs, seminars and workshops organised by various professional bodies and organisations.

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The Constitution of the Company allows Board meetings to be conducted by way of a teleconference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other.

The number of Board and Board committee meetings held in the financial year ended 31 December 2016 and the attendance of each Director are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
Directors	No. of meetings attended			
Chew Hoe Soon	4	–	–	–
Ng Han Kok, Henry	4	–	1	–
Goh Koon Seng	4	–	–	–
Lim Siok Kwee, Thomas	4	–	–	–
Lee Kuo Chuen, David	4	4	1	1
Oh Eng Bin, Kenneth	4	4	1	1
Lee Gee Aik	4	4	–	1

Principle 2: Board Composition and Guidance

Subsequent to financial year end, the NC has assessed independence of Mr Chew Hoe Soon and is satisfied that he is independent in accordance with the 2012 Code. Accordingly, the Board has accepted the NC's recommendation to re-designate Mr Chew Hoe Soon as the Independent Director of the Company. With the re-designation, Independent Directors make up more than half of the Board which comprises seven Directors, four of whom are Non-executive and Independent Directors as shown in the table below. There are no alternate Director on the Board.

Under the 2012 Code, an Independent Director is one who has no relationship with the Company, its related companies, its 10% shareholders or its officers that can interfere, or be reasonably perceived to interfere with the exercise of the Director's independent business judgement to the best interests of the Company.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The independence of each Director is reviewed annually by the Nominating Committee which has determined that no individual or small group of individuals dominates the Board's decision making. The process includes the use of a declaration form on independence which each Independent Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board. The Board has, upon the recommendation of the NC, reviewed and affirmed the independence of the following independent Directors, each of whom has served less than nine years as independent Directors:

1. Mr Chew Hoe Soon;
2. Mr Lee Gee Aik;
3. Mr Oh Eng Bin, Kenneth;
4. Dr Lee Kuo Chuen, David

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As and when Directors serve beyond nine years, the NC will perform a rigorous review to assess the independence of the relevant directors.

The Nominating Committee as well as the Board is of the view that the current Board size is appropriate and effective, taking into account the scope and nature of the Company's operations, and that the current Board comprises persons who as a group provide core competencies necessary to meet the Company's objectives. The NC is satisfied that members of the Board possess the relevant core competencies in areas such as accounting and finance, law and legislation, strategic planning, business and management experience required for the Board to be effective in all aspects of its roles. In particular, the Executive Directors possesses good industry knowledge while the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to contribute their valuable experiences and provide independent judgement during Board deliberations. The profiles of the Directors are set out on page 10 and 11 of this Annual Report.

Name	Board of Committee as chairman or member	Directorship: Date of first appointment	Directorship: Date of last re-election	Board Appointment whether executive or non-executive/ independent	Due for re-election at forthcoming Annual General Meeting
Chew Hoe Soon	–	6 February 2015	27 April 2015	Independent and Non-Executive Chairman	27 April 2017
Ng Han Kok, Henry	Member of NC	3 January 2014	29 April 2014	Executive Director	27 April 2017
Goh Koon Seng	–	12 July 2010	28 April 2016	Executive Director	–
Lim Siok Kwee, Thomas	–	30 December 2015	–	Executive Director	–
Lee Gee Aik	Chairman of AC and member of RC	24 July 2015	28 April 2016	Independent Director	–
Lee Kuo Chuen, David	Chairman of NC and member of AC and RC	1 October 2013	28 April 2016	Independent Director	–
Oh Eng Bin, Kenneth	Chairman of RC and member of NC and AC	14 January 2014	29 April 2014	Independent Director	27 April 2017

Key information of the Directors are set out on pages 10 and 11 of the Annual Report.

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Principle 3: Chairman and Chief Executive Officer

The Chairman and the Group CEO are separate individuals and are not related to each other. Mr Chew Hoe Soon is the non-executive and independent Chairman. Mr Ng Han Kok, Henry is the Group CEO. The respective roles of the Chairman and the Group CEO are kept separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

The Chairman, Mr Chew Hoe Soon plays a key role in providing strong leadership and vision. The Chairman is responsible for the workings of the Board, ensuring the integrity and effectiveness of its governance process. He works closely with the Board to implement the policies set by the Board to realize the Group's vision. He also promotes a culture of openness and debate at the Board and encourages constructive relations within the Board and between the Board and Management.

The Group CEO, Mr Ng Han Kok, Henry is responsible for making strategic proposals to the Board and implementing the Group's strategies and policies as well as the Board's decisions. The Group CEO assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Directors Mr Lim Siok Kwee, Thomas and Mr Goh Koon Seng. He leads the development of the Group's future strategy including identifying and assessing risks and opportunity of growth of existing business and reviewing the performance of its existing businesses.

In view that the Chairman and the Group CEO are not the same person and the Chairman is a non-executive and independent director, the Board has not appointed a lead independent director.

Principle 4: Board Membership

The Nominating Committee (the "NC") comprises three members, majority of whom including the Chairman, are Independent Directors:

- Lee Kuo Chuen, David (Chairman)
- Oh Eng Bin, Kenneth
- Ng Han Kok, Henry

The terms of reference for the NC had been amended to be in line with the recommendations of the 2012 Code. The principal functions of the NC are summarized as follows:

i. Reviews and makes recommendations to the Board on all board appointments;

ii. Reviews and recommends newly-appointed Directors and Directors retiring by rotation for re-election at regular intervals;

iii. Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustment that are deemed necessary;

iv. Determines the independence of each Director;

v. Assesses the effectiveness of the Board and its Board committees, the performance and contribution of each Director;

CORPORATE GOVERNANCE REPORT

vi. Decides whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations;

vii. Reviews training and professional development programs for the Board; and

viii. Oversees the management, development and succession planning of the Group

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

In accordance with Article 90 of the Company's Constitution, one-third of the Directors (other than the Managing Director) who are eligible for re-election must retire by rotation at every Annual General Meeting ("AGM"). The retiring Director who is eligible will offer himself for re-election.

By virtue of Article 96 of the Company's Constitution, any person so appointed by the Directors to fill a casual vacancy or as an additional Director shall hold office only until the next Annual General Meeting and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The NC has recommended the nomination of Directors who are retiring by rotation pursuant to Article 90 of the Company's Constitution, namely Mr Ng Han Kok, Henry, Mr Chew Hoe Soon and Mr Oh Eng Bin, Kenneth, respectively, for re-election at the forthcoming Annual General Meeting. They had duly abstained from making recommendations on their own nominations.

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation. In this respect, the Company's current policy stipulates that if a Director is a full-time employee of another listed company or a major corporation; he should not hold more than five other directorships on unrelated listed companies and/or major corporations. For FY2016, the NC has reviewed and is satisfied that Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company. As at 31 December 2016, the Company has no alternate director on its Board.

The search and nomination process for new Directors, if any, are through contacts and recommendations. In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on existing Board's requirement. The potential candidate maybe proposed by existing directors, substantial shareholder, the management or third party referrals. The NC makes recommendation to the Board for approval. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required.

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Principle 5: Board Performance

On an annual basis, the NC assesses the performance and effectiveness of the Board as a whole as well as the contribution of each individual director. The assessment process involves evaluation against a set of objective, quantitative and qualitative performance criteria proposed by the NC and approved by the Board.

The assessment parameters include objective performance criteria, which allow comparison with the Company's peers, attendance at meetings of the Board and Board Committees, contributions and participation at meetings, ability to make informed decisions and level of comprehension of legal, accounting and regulatory requirements affecting the Group.

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2016. To ensure confidentiality, the evaluation returns completed by all Directors were submitted to the Company Secretary for collation. The results of the performance evaluation were presented first to the NC for review and discussion and then to the Board. The Board is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Group.

Principle 6: Access to Information

Directors are updated regularly on the latest corporate governance, changes in listing rules and regulations, performance, business conditions and outlook of the Group. Directors have separate and independent access to the senior management, the Company Secretary and internal and external auditors of the Group at all times and are encouraged to speak to other employees to seek additional information if they so require. The Board should have a procedures for Directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the Company's expense.

To assist the Board in its discharge of its duties and responsibilities, all Directors are provided with complete, adequate and timely information prior to the Board meetings. The annual calendar of the Board activities is set in advance. The Board papers are dispatched to the Directors at least 3 days in advance before the Board meetings so that Directors have sufficient time to consider the background and explanatory information relating to matters to be tabled and discussed at relevant Board meetings. Management also provides the Executive Board members with monthly management accounts, and information on major development and material transaction are circulated to Directors when they arise.

The Company Secretary attends the Board and Board Committees meetings. The Company Secretary prepares the minutes, development of the agenda for the various meetings and assists in coordination and liaison between the Board, the Board Committees and Management. The role of the Company Secretary includes responsibility for ensuring that the Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practise and processes. Under the direction of the Chairman, the Company Secretary also ensures good information flows within the Board and its Board Committees and between Management and Independent Directors.

The appointment and removal of the Company Secretary are subject to the approval of the Board.

CORPORATE GOVERNANCE REPORT

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The Remuneration Committee (the "RC") comprises entirely of Independent Directors:

- Oh Eng Bin, Kenneth (Chairman)
- Lee Gee Aik
- Lee Kuo Chuen, David

The terms of reference for the RC had been amended to be in line with the recommendations of the 2012 Code. The duties of the RC include:

- to recommend to the Board, a framework of remuneration for all Directors and key management personnel, and to determine specific remuneration packages for each Executive Director. RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. RC's review covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;

- to review the remuneration of key management personnel; and

- to function as "the Committee" referred to in the SHS Employees' Share Option Scheme ("the Scheme") and shall have all the powers as set out in the Scheme as per Circular dated 22 September 2008.

As part of its review, the RC shall ensure that:

- all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;

- the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual executive directors' and key management personnel's performances; and

- the remuneration package of employees related to executive directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The RC's recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. Annual reviews of the compensation of Directors are also carried out by the RC to ensure that the remuneration of Executive Directors and key management personnel are commensurate with their performance and value add to the Group, giving due regard to the financial and commercial health and business needs of the Group.

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The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. For the purpose of assessing the performance of the Executive Director and key management personnel, specific KPIs are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but is not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each director.

Having reviewed and considered variable components of Executive Directors and key management personnel which are moderate, the Company is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The RC from time to time and where necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel. During FY2016, the RC did not engage any services of an external remuneration consultant.

The RC has access to both internal and external expert advice on human resource matters whenever there is a need to consult. The RC from time to time reviews the reasonableness of termination clauses stated in the contracts of service of Executive Directors and key management personnel.

Non-Executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. The Directors' fees includes basic retainer fees as Director, additional fees for serving as member on any of the Board committees, and allowances for serving as Chairman on any of Board committees. Directors' fees are recommended by the Board for approval at the AGM. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors.

The remuneration of Directors and the top 5 key management personnel of the Company for the year ended 31 December 2016 are set out below:

Remuneration band and name	Fees	Salary	Bonus	Others[1]	Total
Directors – From S$500,000 to S$749,999					
Ng Han Kok, Henry	–	94%	–	6%	100%
Directors – From S$250,000 to S$499,999					
Lim Siok Kwee, Thomas	–	86%	11%	3%	100%
Goh Koon Seng	–	81%	14%	5%	100%
Directors – Below S$250,000					
Lee Kuo Chuen, David	100%	–	–	–	100%
Oh Eng Bin, Kenneth	100%	–	–	–	100%
Chew Hoe Soon	100%	–	–	–	100%
Lee Gee Aik	100%	–	–	–	100%

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Remuneration band and name	Fees	Salary	Bonus	Others[(1)]	Total
Top 5 Management Personnel – From S$250,000 to S$499,999					
Wang Feng Jung, Willie	–	45%	47%	8%	100%
Cheng Chee Chai	–	72%	12%	16%	100%
Top 5 Management Personnel – Below S$250,000					
Lee Yin Yee, Philip	–	69%	23%	8%	100%
Carmelo Ramos Gacayan	–	73%	12%	15%	100%
Chua Kok Keong, Joseph	–	78%	13%	9%	100%

(1) Include employer contribution to the Central Provident Fund and benefits-in-kind such as club memberships, transport allowance and use of company vehicles etc.

The Company has disclosed the remuneration of each Director and top 5 key management personnel in bands of S$250,000 rather than to the nearest dollar, is of the view that given the sensitive and confidential nature of employees' remuneration, detailed disclosure is not in the best interests of the Company and the Group. Such disclosure would disadvantage the Group in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing among the management and employees of the Group.

The Company believes that the disclosure in bands of S$250,000 with a percentage breakdown, is sufficient indication, for the time being, of each Director and key management personnel's remuneration package.

Remuneration paid to Non-Executive Directors comprised solely directors' fees paid quarterly in arrears and additional director fees. These directors' fees were approved by the shareholders in the AGM held on 28 April 2016.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for the financial year ended 31 December 2016 is disclosed under Note 34 of the Notes to Financial Statements.

There were two employees who are immediate family members of a Director of the Company and whose remuneration exceeds S$50,000 for the financial year ended 31 December 2016. The details of these two employees and their remunerations are as follows:–

Name	Family relationship	Designation
From S$50,000 to S$100,000		
Goh Sia Teck	Nephew of an Executive Director – Lim Siok Kwee, Thomas	Manager (Site Operations)
Lim Peng Cheng	Nephew of an Executive Director – Lim Siok Kwee, Thomas	Production Manager

Shareholders' approval will be sought at the forthcoming Annual General Meeting on 27 April 2017 for the payment of the proposed fees to Non-Executive Directors quarterly in arrears for the financial year ending 2017.

Shareholders' approval was previously obtained for the implementation of the SHS Employees' Share Option Scheme. Details of the share option scheme are set out in the Directors' statement.

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C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board endeavors to provide shareholders with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. The Company has adopted quarterly results reporting. News releases and quarterly results announcements are published through SGXNET. Results for the first three quarters are released within 45 days from the end of the quarter, and full-year results within 60 days from the financial year end. For the full financial year under review, the Board will provide shareholders reassurance that in their opinion, the financial statements presented give a true and fair view of the state of affairs of the Group and of the Company.

The Company has on 30 April 2016 received signed undertakings from all its Directors and executive officers based on the revised form of Appendix 7.7, pursuant to Listing Rule 720(1) of the SGX-ST Listing Manual.

Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a monthly basis.

Principle 11: Risk Management and Internal Controls

The Company has an Enterprise Risk Management Framework in place for the Group. The key risks were identified and classified under five categories, namely, Strategic Risks, Financial Risks, Operational Risks, Compliance Risks and IT Risks. Action plans were in place to mitigate these risks. The said Framework has been reviewed by the AC and approved by the Board. The AC and the Board will continually assess the adequacy and effectiveness of the risk management framework and processes.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the shareholders and the Group's assets.

Both the Company's internal auditors, Crowe Horwath First Trust Risk Advisory Pte Ltd, and external auditors, Moore Stephens LLP (to the extent as required by them to form an audit opinion on the statutory financial statements) have conducted an annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any areas of review where the existing control can be enhanced to enable the process to operate more effectively and efficiently, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

During the financial year, the Group's external and internal auditors had conducted an annual review of the adequacy and effectiveness of the Group's internal controls that address financial, operational, information technology and compliance risks. No significant weaknesses were noted.

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The Board has also received assurance from the Group CEO, Executive Directors and the Group CFO that as at 31 December 2016:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2016 give a true and fair view of the Group's operations and finances; and

(b) the systems of internal controls and risk management in place were adequate and effective as at 31 December 2016, to address financial, operational, information technology and compliance risks of which considered relevant and material to its operations.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Based on the internal controls framework established, the independent review of the Group's governance and internal controls framework conducted by the internal and external auditors, and the assurance from the Management, the Board opines, with the concurrence of the AC, that there are adequate and effective controls and risk management systems in place within the Group addressing financial, operational, information technology and compliance risks within the current scope of the Group's business operations.

Principle 12: Audit Committee (the "AC")

The AC comprises of three Independent Directors:

- Lee Gee Aik (Chairman)
- Lee Kuo Chuen, David
- Oh Eng Bin, Kenneth

The Board is of the view that the AC have sufficient financial management related expertise and experience to discharge the AC's function. Two members of the AC, namely Lee Gee Aik and Lee Kuo Chuen, David have recent and relevant accounting or related financial management expertise and experience.

The overall objective of the AC is to ensure that Management has created and maintained effective control mechanisms within the Company and that such systems are strictly adhered to by all levels of Management and employees.

The AC has the explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

As a sub-committee of the Board, the AC provides a channel of communication between the Board, Management, the internal and external auditors with regards to findings and recommendations arising from internal and external audits.

During the year, the AC met with the Group's external auditors and the internal auditors to review the audit plans and the reports of the external auditors and internal auditors. The Group's external auditors are Moore Stephens LLP and Group's internal auditors are Crowe Horwath First Trust Risk Advisory Pte Ltd. The AC has also evaluated the adequacy of the internal controls of the Company with the auditors and discussed their findings with the Management. The AC reviewed the quarterly, half year and full-year results announcements before their submission to the Board for approval.

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The terms of reference for the AC had been amended to be in line with the recommendations of the 2012 Code. Specifically, the duties of the AC include:–

- assists the Board in discharging its statutory responsibilities on financial and accounting matters;
- reviews the financial and operating results and accounting policies of the Group;
- reviews significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement of financial statements before their submission to the Board for approval and the external auditors' report on the financial statements;
- reviews the adequacy of the Group's internal controls (financial, operational, compliance and information technology controls) and risk management via reviews carried out by the internal auditors;
- considers and reviews the assistance given by Management of the Group to the auditors;
- reviews the external audit plans and the review results of the external auditors' examination and evaluation of the Group's internal control system;
- reviews the audit plans and reports of the external auditors and considers the effectiveness of the actions taken by management on auditors' recommendations;
- recommends the re-appointment of the external auditors;
- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;
- reviews the internal audit plan and findings of the internal audit; and
- ensures that the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company; and generally undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

To create an environment for open discussion on audit matters, the AC meets with the external and internal auditors without the presence of the Company's Management at least once a year.

The AC members met four times during FY2016. The CEO, CFO, Company Secretary, external and internal auditors were invited to attend these meetings. None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

In the review of the financial statements for FY2016, the AC has discussed with Management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The AC reviewed, amongst other matters, the significant matters identified by external auditor that have been included in the Independent Auditor's Report to the Shareholders of the Company under "Key Audit Matters". Following the review, the AC was satisfied that those matters have been properly addressed and recommended the Board to approve the audited financial statements of the Group for FY2016. The Board has on 31 March 2017 approved the FY2016 financial statements.

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The Company has complied with Rule 712 and Rule 715 read with Rule 716 of the SGX-ST Listing Manual in engaging Moore Stephens LLP ("MSLLP"), as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority. MSLLP are the external auditors of the Company and of its Singapore subsidiaries.

The Audit Committee has reviewed the amount of non-audit services rendered to the Group by the external auditors. During the year, the professional fees payable to the external auditors of the Company for non-audit services amounted to S$80,000 or 43% of the total annual audit fee.

Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the Audit Committee has recommended re-nomination of MSLLP as auditors to the Board.

The details of audit services provided by the external auditors are outlined in Note 6 in the financial statements.

Principle 13: Internal Audit ("IA")

The Group's IA function has been outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd. The internal auditor has unrestricted access to the AC as well as the documents, records, properties and personnel of the Company and the Group, where relevant to their work. The internal auditor reports directly to the chairman of the AC on audit matters. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the adequately resources to perform its functions.

The Group's IA function is independent of the external audit. The internal auditor, is a corporate member of Singapore chapter of the Institute of Internal Auditors ("IIA"), and staffed with professionals with relevant qualifications and experience. Our engagement with Crowe Horwath First Trust Risk Advisory Pte Ltd stipulates that its work shall comply with the relevant International or local Standards for the Professional Practice of Internal Auditing issued by IIA. The appointment, assessment, and compensation of the internal auditor are approved by AC.

In second quarter of the year, an annual internal audit plan is developed and agreed by the AC.

The AC reviews the internal auditor's reports and the adequacy of the IA function to ensure that IA are conducted effectively and that the Management provides the necessary co-operation to enable the internal auditor to perform its function. The AC and the Board are satisfied that there are adequate internal controls in the Company.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other legal or ethical issues and to ensure that procedures are in place to address them. The details of the whistle-blowing policy and reporting mechanisms have been made available to all employees.

The Whistle Blowing Officers are appointed members of the AC. Any Whistle Blowing Officer to whom a concern has been raised, is obliged to make a report to the Board of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve the appropriate actions.

CORPORATE GOVERNANCE REPORT

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholders Meetings

In line with the continuous disclosure obligations of the Company pursuant to the SGX-ST's Listing Rules and the Companies Act, the Board's policy is that all shareholders should be equally informed of all major developments that impact the Group.

Any major or material developments are first disseminated via SGXNET followed by a press release, whenever necessary.

Price sensitive information is first publicly released, either before the Group meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period. The Company does not practice selective disclosure of information.

General meetings have been and are still the principal forum for dialogue with shareholders. Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers.

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group and its businesses. Shareholders of the Company are allowed to appoint proxies to attend and vote on their behalf. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Detailed information on each item in the AGM agenda is also provided in the explanatory notes to the Notice of AGM in this Annual Report.

Directors, including the chairpersons of the Board and the respective committees are present at the annual general meetings to answer shareholders' questions. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

The Company's Constitution provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies. Shareholders have the opportunity to participate effectively in and to vote at all general meetings. The Board adopt poll voting during the year which procedures are clearly explained by the scrutineers at such general meetings. The detailed results by showing the number of votes cast for and against each resolution are also announced via SGXNET after the said meeting. The minutes of general meetings, which include substantial comments or queries raised by shareholders and answers given by the Board and Management will be prepared by the Company and are available to shareholders upon written request.

CORPORATE GOVERNANCE REPORT

Dividend Policy

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group declared annual dividend at the rate of approximately 25%-40% of the net profit after tax in accordance with the consolidated financial statements. This is provided that the amount dividend declared does not exceed the Group's retained earnings and available cash resources.

SECURITIES TRANSACTIONS

The Company has a clear policy on the trading of its share by directors and executives within the Group. The Company has adopted its own internal Code of Best Practices on Securities Transactions (the "Securities Transactions Code"); The Securities Transactions Code provides guidance to directors and executives of the Group with regard to dealing in the Company's shares. It emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares.

The Group issues circulars to its directors, executives and employees informing them that they must not trade in the listed securities of the Company one month before the announcement of the Group's full year or two weeks before quarterly results and ending on the date of the announcement of such results. They are also encouraged not to deal in the Company's securities on short-term considerations.

Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions.

The Group has complied with the Securities Transactions Code.

INTERESTED PERSON TRANSACTIONS

Interested person transactions entered into by the Group for the financial year ended 31 December 2016 are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transaction conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Substantial shareholder: Mr. Teng Choon Kiat		
Sales of goods to Company associated to the substantial shareholder	S$852,200	–
Purchase of goods/services from Company associated to the substantial shareholder	S$50,100	–

CORPORATE GOVERNANCE REPORT

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on a normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

The Audit Committee has reviewed, and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The Audit Committee and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

MATERIAL CONTRACTS

There were no material contracts between the Company and its subsidiaries involving the interests of the Group CEO, Directors and controlling shareholders that are still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

USE OF PROCEEDS

The Company refers to the announcements dated 10 September 2014, 3 November 2014, 25 November 2014, 27 November 2014, 11 December 2014, 18 December 2014, 26 August 2016 and 7 February 2017 in relation to bonus warrants issue and wishes to provide an update on the net proceeds from the exercise of Warrants.

As at the date of report, total 85,056,983 have been converted to shares and the net proceeds have been fully utilized and the updated use of net proceeds as follows.

	S$'000
Net Proceeds – Exercise of Warrants	17,011
Less:	
Proceeds for the Group's projects in Solar and Modular Construction	(8,210)
Proceeds for use in share buyback	(1,778)
Proceeds use for Group redevelopment of factory for its structural steel business	(2,000)
Working capital including but not limited to the repayment of professional fees	(233)
Acquisition of shares in TLC Modular Construction Joint Stock Company, Vietnam	(4,790)
	–

DIRECTORS' STATEMENT

The directors present their statement to the shareholders together with the audited consolidated financial statements of SHS Holdings Ltd. (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 45 to 129 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date; 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.

1 Directors

The directors of the Company in office at the date of this statement are:

Chew Hoe Soon	Non-Executive and Independent Chairman
Ng Han Kok, Henry	Executive Director and Group Chief Executive Officer
Goh Koon Seng	Executive Director and Group Chief Financial Officer
Lim Siok Kwee, Thomas	Executive Director
Lee Gee Aik	Independent Director
Lee Kuo Chuen, David	Independent Director
Oh Eng Bin, Kenneth	Independent Director

2 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 or debentures of the Company or any other corporate body.

DIRECTORS' STATEMENT

3 **Directors' Interests in Shares and Debentures**

According to the register of directors' shareholdings, the directors holding office at the end of the financial year had an interest in the shares and debentures of the Company and its related corporations, as follows:

	Holdings registered in the name of directors			Holdings in which a director is deemed to have an interest		
Name of Directors	**As at beginning of the year**	**As at end of the year**	**As at 21/1/2017**	**As at beginning of the year**	**As at end of the year**	**As at 21/1/2017**
The Company						
Ordinary shares						
Chew Hoe Soon	1,000,000	1,040,000	1,040,000	8,340,000	1,300,000	1,300,000
Ng Han Kok, Henry	36,259,527	–	–	54,828,826	119,446,053	119,446,053
Goh Koon Seng	130,000	130,000	130,000	–	–	–
Lim Siok Kwee, Thomas	–	–	–	6,020,575	6,020,575	6,020,575
Warrants						
Chew Hoe Soon	8,514,500	7,322,000	7,322,000	8,490,000	490,000	490,000
Ng Han Kok, Henry	37,151,026	37,151,026	37,151,026	7,292,500	26,292,500	26,292,500
Goh Koon Seng	65,000	65,000	65,000	–	–	–
Lim Siok Kwee, Thomas	–	–	–	2,410,287	2,410,287	2,410,287

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment, if later, or at the end of the financial year.

4 **Share Options**

The SHS Employee Share Option Scheme

The SHS Share Option Scheme (the "Scheme") was approved and adopted by the members of the Company at an Extraordinary General Meeting held on 8 October 2008.

The Scheme provides a means to recruit and retain quality employees with talent that will assist the Group to realise its strategic and long-term business goals.

The Remuneration Committee (the "Committee") of the Company has been designated as the committee responsible for the administration of the Scheme. The selection of the participants in the Scheme and the grant of options are to be determined by the Committee at its absolute discretion. The Remuneration Committee comprises the following members:

Oh Eng Bin, Kenneth (Chairman)
Lee Gee Aik
Lee Kuo Chuen, David

DIRECTORS' STATEMENT

4 **Share Options (Cont'd)**

The SHS Employee Share Option Scheme (Cont'd)

The principal terms of the Scheme are:

(i) Scheme Size and Duration

The aggregate number of shares over which the Committee may grant options on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed ten per cent (10%) ("Maximum Limit") of the issued shares of the Company on the day immediately preceding the date of grant of the option. Any shares which are held as treasury shares will be disregarded for the purpose of computing the Maximum Limit.

The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing on the adoption date. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

The Scheme may also be terminated at any time by the Committee or by resolution of the shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated; no further options shall be offered by the Company hereunder.

The termination, discontinuance or expiry of the Scheme shall be without prejudice to the rights accrued to options which have been granted and accepted, whether such options have been exercised (whether fully or partially) or not.

(ii) Eligibility to participate in the Scheme

Confirmed group employees (including Directors) who have attained the age of 21 years on or prior to the relevant date of grant and are not undischarged bankrupts and have not entered into a composition with their respective creditors, and who have, as of the date of grant, been in the employment of the Group for a period of at least twelve (12) months or such shorter period as the Committee may determine, shall be eligible to participate in the Scheme at the absolute discretion of the Committee.

Controlling shareholders and their associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) are not entitled to participate in the Scheme.

DIRECTORS' STATEMENT

4 Share Options (Cont'd)

The SHS Employee Share Option Scheme (Cont'd)

(iii) Grant of Options

The Committee may offer to grant options as it may select in its absolute discretion at any time during the period when the Scheme is in force, except that no option shall be granted during the period of 30 days immediately preceding the date of announcement of the Company's interim and/or final results. In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is made, an offer to grant options may only be made on or after the second Market Day (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited) on which such announcement is released.

(iv) Exercise Period

Subject to the other rules of the Scheme and any other conditions as may be introduced by the Committee from time to time, an option granted can be exercised by the option holder as follows:

(a) in the case of a market price option which is granted to a group employee, a period commencing after the 1st anniversary of the date of grant and expiring on the 4th anniversary of such date of grant; and

(b) in the case of a discount option which is granted to a group employee, a period commencing after the 2nd anniversary of the date of grant and expiring on the 5th anniversary of such date of grant.

(v) Exercise Price

The exercise price for each share in respect of which an option is exercisable shall be determined by the Committee, in its absolute discretion, on the date of grant, at:

(a) in the case of a market price option which is granted to a group employee, a price equal to the average of the last dealt prices of the shares of the Company on the SGX-ST for the three consecutive Market Days immediately preceding the date of grant ("Market Price"); or

(b) in the case of a discount option which is granted to a group employee, a price which is set at a discount not exceeding ten per cent (10%) of the Market Price.

(vi) Termination of Options

Special provisions in the rules of the Scheme deal with the lapse or earlier exercise of options in circumstances which include the termination of the participant's employment in the Company, the bankruptcy of the participant, the death of the participant, a take-over of the Company and the winding-up of the Company.

DIRECTORS' STATEMENT

4 **Share Options (Cont'd)**

The SHS Employee Share Option Scheme (Cont'd)

(vii) Acceptance of Options

The grant of options shall be accepted within 30 days from the date of offer. Offers of options made to grantees, if not accepted by the closing date, will lapse. Upon acceptance of the offer, the grantee must pay the Company a consideration of S$1.00.

Options Granted under the Scheme

During the financial year, no options to take up unissued shares of the Company and its subsidiaries were granted.

Options Exercised

During the financial year, there were no shares of the Company or its subsidiaries issued by virtue of the exercise of options to take up unissued shares.

Options Outstanding

During the financial year, there were no options to take up unissued shares of the Company and its subsidiaries were granted.

5 **Warrants**

On 18 December 2014, the Company issued 303,641,586 warrants pursuant to a bonus issue on the basis of one warrant for every two existing ordinary shares held in the capital of the Company. On 19 December 2014, the warrants were listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of S$0.20 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

At the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

Date of issue	Warrants Outstanding at 1/1/2016	Warrants exercised	Warrants expired	Warrants Outstanding at 31/12/2016	Date of expiration
18/12/2014	303,115,378	(84,530,775)	–	218,584,603	Note 1

(Note 1: The date immediately preceding the 5th anniversary of the date of issue unless such date is not a market day, in which case the warrant will expire on the date prior to the closure of the Register of Members or the immediately preceding market day.)

As at the end of the financial year, except as reported above, no other warrants to take up unissued shares of the Company were granted and no shares were issued by virtue of the exercise of warrants to take up unissued shares of the Company. Except for the abovementioned outstanding warrants, no other options to take up unissued shares of the Company were outstanding as at the end of the financial year.

DIRECTORS' STATEMENT

6 Audit Committee

The members of the Audit Committee (AC) at the date of this statement are as follows:

Lee Gee Aik (Chairman)
Lee Kuo Chuen, David
Oh Eng Bin, Kenneth

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

(i) reviewed the audit plans of the internal and external auditors of the Company and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

(ii) reviewed the quarterly financial information and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

(iii) reviewed the effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;

(iv) met with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(v) reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

(vi) reviewed the cost effectiveness and the independence and objectivity of the external auditors, and the nature and extent of non-audit services provided by the external auditors;

(vii) recommended to the board of directors the external auditors to be nominated, approved the compensation of the external auditors, and reviewed the scope and results of the audit;

(viii) reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and

(ix) reviewed interested persons transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC having reviewed the external auditor's non-audit services, as disclosed in Note 6 to the financial statements, was of the opinion that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC is satisfied with the independence of the external auditors and has recommended to the Board of Directors that the independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

6 Audit Committee (Cont'd)

The Board, with the concurrence of the AC, is satisfied with the adequacy of the Company's internal controls and risk management systems in place within the Group or the Company in addressing financial, operational, information technology and risks compliance as at 31 December 2016.

The AC has convened four meetings since the last directors' statement with full attendance from all members. In performing its functions, the AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

The Company confirms that Rules 712 and 715 read with Rules 716 of the Singapore Exchange Securities Trading Limited's Listing Manual have been complied with.

Further information regarding the AC are detailed in the Corporate Governance Report set out in the Annual Report of the Company.

7 Independent Auditors

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors,

NG HAN KOK, HENRY

GOH KOON SENG

Singapore
31 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SHS Holdings Ltd. (the "Company") and its subsidiary companies (the "Group"), which comprise the consolidated statements of financial position of the Group and the statement of financial position of the Company as at 31 December 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition on construction contracts

We refer to Notes 2(e)(v), 2(h), 3(b)(iv) and 4 to the consolidated financial statements.

Revenue arising from construction contracts represents more than 60% of the Group's total revenue.

The Group recognises contract revenue and contract costs based on the stage of completion of the contract activity when the outcome of the construction contract can be estimated reliably at the statement of financial position date. The Group recognises the stage of completion of the contract by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant judgement and estimation are involved in assessing the percentage of completion, project costs-to-complete and provision for liquidated damages. Percentage of completion includes the estimation of total contract value which encompasses the value of work done to date and an estimation of the variation works that are recoverable from the customers. Any change in circumstances including cost overruns may result in penalties and provisions for liquidated damages.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

Revenue recognition on construction contracts (Cont'd)

Our response:

We have reviewed the Group's control environment on the revenue and costs cycle and performed tests of controls and tests of details on a sample basis. We have inspected the relevant project documents which included invoices, payment certificates, internal and external valuation reports and discussed the status of the key projects under construction with the contract manager of the Group. We have also verified that construction costs are identified and recognised in the appropriate projects.

We have also challenged the appropriateness of the unapproved variations and claims that were included in the computation of the contract revenue. In particular, we focused on whether there is subsequent approval of these variations and claims or where it is probable that these variations and claims will be thereafter approved.

We have checked the appropriateness of work-in-progress by reviewing the budget versus actual costs incurred, and also challenged management's assessment of foreseeable losses on projects by focusing on projects with low or negative margins. We have analysed the actual progress of the key projects and their contractually agreed timeline to identify any major delays and/or potential costs overruns. For projects which are expected to incur losses, we tested the computation of the foreseeable losses.

Our findings:

We found the Group's revenue recognition to be in line with its accounting policy as disclosed in Note 2(h) to the consolidated financial statements.

Impairment of goodwill

We refer to Notes 2(g)(i), 2(k)(i), 3(b)(ii) and 14 to the consolidated financial statements.

As at 31 December 2016, the Group has goodwill arising from the structural steel and facade engineering and corrosion prevention segments amounting to S$25.45 million and S$1.00 million, respectively.

The Group is required to perform an impairment test on goodwill of the cash-generating unit ("CGU") by comparing its carrying amount with its recoverable amount as at the current year end. The recoverable amount is determined based on value in use calculations which includes discounted cash flow projections of the CGU to which the goodwill is allocated to.

The impairment test involves significant judgement in determining the allocation of goodwill to the relevant CGU and in estimating the underlying assumptions to be applied in the discounted cash flow projections. The recoverable amounts are highly sensitive to key assumptions applied in respect of gross margin, the long term growth rate and pre-tax discount rate. A small change in the assumptions can have a significant impact to the estimation of the recoverable amounts.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

Impairment of goodwill (Cont'd)

Our response:

We conducted a detailed discussion with the Group's key management and finance key personnel and reviewed the impairment assessment process over the determination of the relevant cash-generating units and estimates for forecasted revenues, growth rates, profit margin, tax rates and discount rates.

We challenged management's estimates applied in the value in use models based on our knowledge of the Group's business activities, and compared them against historical forecasts and performance, and industrial benchmarks. Management's estimate of expected cash flow projections are also based on the Group's existing and potential clients, both in Singapore and Malaysia and the market developments.

We also evaluated the Group's planned strategies around revenue growth and cost controls and the sensitivity analysis of the possible increase or decrease in the estimated growth rate and discount rate used in the value in use models.

Our findings:

We concluded that the identification of cash-generating units was appropriate.

Based on the procedures performed, we found the estimated future cash flows and the assumptions used to be reasonable. We noted that management's analysis and assessment, including sensitivity analysis on recoverability of goodwill of the respective CGU supported their conclusion that no impairment loss was required.

Furthermore, we evaluated the adequacy of the Group's disclosures regarding the impairment of goodwill. We found the disclosures included in Note 14 to the financial statements to be appropriate in describing the impairment assessment performed for goodwill.

Recoverability of trade and other receivables

We refer to Notes 2(m), 3(a)(i), 17 and 19 to the consolidated financial statements.

As at 31 December 2016, the Group and the Company's trade and other receivables amounted to S$49.02 million and S$17.84 million respectively.

Management reviews trade and other receivables for objective evidence of impairment on a periodic basis. In determining this, management makes significant judgements on the assessment of the creditworthiness and the past payment history of each debtor, including whether there have been significant adverse changes in the debtors' financial condition affecting their ability to settle the debts. Where there is objective evidence of impairment, management estimates the amount of impairment loss that should be recorded against the receivables.

We focused on this area because of the significant judgement involved in evaluating the impairment indicators and estimating the impairment loss and recoverable amounts of the receivables.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

Recoverability of trade and other receivables (Cont'd)

Our response:

We analysed and tested, on a sample basis, the accuracy of the ageing profile of trade and other receivables by checking to the underlying supporting documents.

We reviewed and evaluated management's assessment of the recoverability of trade and other receivables that are past due as at the statement of financial position date including the review of subsequent receipts and their conclusions in light of known circumstances which includes historical payment behavior and analysis of customer credit risk.

We have also assessed the reasonableness and appropriateness of the allowance for impairment loss provided by management in view of objective evidence that the Group and the Company will not be able to collect the amounts due according to the original terms of the receivables.

Our findings:

We found that management's assessment of the Group's allowance for impairment of trade and other receivables to be reasonable and we did not identify any further material impairment of receivables.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Christopher Bruce Johnson.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 S$'000	Group 2015 S$'000
Continuing operations			
Revenue	4	56,135	62,727
Cost of sales and services		(40,561)	(47,529)
Gross profit		15,574	15,198
Other income		2,853	698
Selling and distribution expenses		(689)	(824)
Administrative expenses		(8,610)	(9,536)
Other operating expenses		(5,182)	(10,132)
Finance costs		(135)	(100)
Share of profit of associated companies, net of tax	11	257	13,797
Share of loss of joint venture companies, net of tax	12	(4)	–
Profit before income tax		4,064	9,101
Income tax	5	277	(127)
Profit for the year from continuing operations	6	4,341	8,974
Discontinued operation			
Profit for the year from discontinued operation	7	7,296	48,703
Total profit for the year		11,637	57,677
Other comprehensive income/(loss), net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Impairment loss on revaluation of property, plant and equipment	9	–	(1,490)
Items that may be reclassified subsequently to profit or loss:			
Realisation of exchange differences on disposal of subsidiaries	7	–	(22)
Exchange difference on translation of foreign operations		(503)	250
		(503)	228
Other comprehensive loss for the year, net of tax		(503)	(1,262)
Total comprehensive income for the year		11,134	56,415
Profit for the year attributable to:			
Equity holders of the Company		11,790	57,751
Non-controlling interests		(153)	(74)
		11,637	57,677
Total comprehensive income for the year attributable to:			
Equity holders of the Company		11,287	57,219
Non-controlling interests		(153)	(804)
		11,134	56,415
Earnings per share from continuing and discontinued operations attributable to equity holders of the Company:			
Basic (cents per share)	8	1.78 cents	9.53 cents
Diluted (cents per share)	8	1.71 cents	8.74 cents
Earnings per share from continuing operations attributable to equity holders of the Company:			
Basic (cents per share)	8	0.68 cents	1.49 cents
Diluted (cents per share)	8	0.65 cents	1.36 cents
Earnings per share from discontinued operations attributable to equity holders of the Company:			
Basic (cents per share)		1.10 cents	8.04 cents
Diluted (cents per share)		1.06 cents	7.38 cents

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 S$'000	Group 2015 S$'000	Company 2016 S$'000	Company 2015 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	9	42,793	27,138	8,399	8,995
Investment in subsidiaries	10	–	–	54,347	53,447
Investment in associates	11	22,291	20,112	7,004	4,965
Investment in joint ventures	12	6	–	–	–
Financial assets, available-for-sale	13	19,711	19,712	17,135	17,136
Goodwill	14	26,450	26,450	–	–
Intangible assets	15	52	110	–	–
Total Non-Current Assets		111,303	93,522	86,885	84,543
Current Assets					
Inventories	16	9,941	4,083	429	–
Trade receivables	17	21,147	23,518	201	1,533
Amounts due from subsidiaries	18	–	–	39,517	12,690
Amount due from a joint venture	21	328	–	–	–
Other receivables and prepayments	19	31,888	20,932	17,727	17,714
Loan receivable from an associated company	20	600	600	–	–
Loan receivables from joint ventures	21	2,633	–	–	–
Cash and bank balances	22	70,792	103,755	54,787	92,222
Total Current Assets		137,329	152,888	112,661	124,159
Total Assets		248,632	246,410	199,546	208,702
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables and accruals	24	12,311	14,041	1,722	3,453
Other payables	25	4,397	2,383	263	338
Amounts due to subsidiaries	18	–	–	4,980	6,700
Term loans	26	18	150	–	–
Other amounts due to bankers	27	5,314	6,229	–	–
Finance leases	28	103	210	–	–
Provision for taxation		528	858	–	35
Total Current Liabilities		22,671	23,871	6,965	10,526
Non-Current Liabilities					
Term loans	26	3,840	–	–	–
Finance leases	28	278	386	–	–
Deferred income tax	29	2,015	2,202	633	707
Total Non-Current Liabilities		6,133	2,588	633	707
Total Liabilities		28,804	26,459	7,598	11,233
Capital, Reserves and Non-Controlling Interests					
Share capital	30	160,636	143,730	160,636	143,730
Treasury shares	31	(5,003)	(3,226)	(5,003)	(3,226)
Asset revaluation reserve	32	1,748	1,748	2,874	2,874
Foreign currency translation reserve	32	897	1,400	–	–
Other reserve	32	–	–	3,297	3,297
Retained earnings	32	59,499	75,450	30,144	50,794
		217,777	219,102	191,948	197,469
Non-controlling interests	10	2,051	849	–	–
Total Equity		219,828	219,951	191,948	197,469
Total Liabilities and Equity		248,632	246,410	199,546	208,702

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to equity holders of the Company								
	Share Capital S$'000	Treasury Shares S$'000	Asset Revaluation Reserve S$'000	Foreign Currency Translation Reserve S$'000	Other Reserve S$'000	Retained Earnings S$'000	Total S$'000	Non-Controlling Interests S$'000	Total Equity S$'000
Balance at 1 January 2016	**143,730**	**(3,226)**	**1,748**	**1,400**	**–**	**75,450**	**219,102**	**849**	**219,951**
Profit for the year	–	–	–	–	–	**11,790**	**11,790**	**(153)**	**11,637**
Other comprehensive loss for the year, net of tax:									
– Exchange difference on translation of foreign operations	–	–	–	**(503)**	–	–	**(503)**	–	**(503)**
Total comprehensive income for the year	–	–	–	**(503)**	–	**11,790**	**11,287**	**(153)**	**11,134**
Issuance of ordinary shares (Note 30)	**16,906**	–	–	–	–	–	**16,906**	–	**16,906**
Dividends (Note 36)	–	–	–	–	–	**(27,741)**	**(27,741)**	–	**(27,741)**
Shares buy-back (Note 31)	–	**(1,777)**	–	–	–	–	**(1,777)**	–	**(1,777)**
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	**1,355**	**1,355**
Balance at 31 December 2016	**160,636**	**(5,003)**	**1,748**	**897**	**–**	**59,499**	**217,777**	**2,051**	**219,828**
Balance at 1 January 2015	143,625	(3,226)	2,508	1,172	(16,687)	23,358	150,750	1,497	152,247
Profit for the year	–	–	–	–	–	57,751	57,751	(74)	57,677
Other comprehensive income/(loss) for the year, net of tax:									
– Impairment loss on revaluation of property, plant and equipment (Note 9)	–	–	(760)	–	–	–	(760)	(730)	(1,490)
– Realisation of exchange differences on disposal of subsidiaries (Note 7)	–	–	–	(22)	–	–	(22)	–	(22)
– Exchange difference on translation of foreign operations	–	–	–	250	–	–	250	–	250
Total comprehensive income for the year	–	–	(760)	228	–	57,751	57,219	(804)	56,415
Issuance of ordinary shares (Note 30)	105	–	–	–	–	–	105	–	105
Disposal of subsidiaries (Note 7)	–	–	–	–	16,687	–	16,687	36	16,723
Dividends (Note 36)	–	–	–	–	–	(5,659)	(5,659)	–	(5,659)
Capital contribution by non-controlling interests	–	–	–	–	–	–	–	120	120
Balance at 31 December 2015	143,730	(3,226)	1,748	1,400	–	75,450	219,102	849	219,951

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 S$'000	2015 S$'000
Cash Flows from Operating Activities			
Profit for the year		**11,637**	57,677
Adjustments for:			
Income tax expenses recognised in profit or loss		**(277)**	1,979
Amortisation of intangible assets	15	**58**	512
Depreciation of property, plant and equipment	9	**2,972**	4,679
Bad debts written-off (trade)		**4**	82
Inventory written-off		**192**	227
Property, plant and equipment written-off		**2**	9
(Gain)/Loss on disposal of property, plant and equipment		**(2)**	20
Gain on disposal of subsidiaries	7	**(7,725)**	(35,322)
Share of profit of associated companies, net of tax	11	**(257)**	(13,797)
Share of loss of joint venture companies, net of tax	12	**4**	–
Impairment of property, plant and equipment	6	**544**	–
Impairment of goodwill	14	**–**	2,754
Impairment of financial assets, available-for-sale	13	**1**	–
Dividend income		**(411)**	(526)
Allowance for impairment of trade receivables	17	**278**	3,489
Interest expense		**135**	1,166
Interest income		**(897)**	(85)
Allowance for stock obsolescence	16	**444**	1,776
Reversal of allowance for stock obsolescence	16	**(27)**	(773)
Reversal of impairment of trade receivables	17	**(26)**	(80)
Unrealised foreign exchange (gain)/loss -net		**(513)**	363
Operating cash flows before working capital changes		**6,136**	24,150
Changes in working capital:			
Inventories		**(6,328)**	(337)
Receivables and prepayments		**(272)**	6,083
Payables		**(1,888)**	(2,830)
Cash (used in)/generated from operations		**(2,352)**	27,066
Interest paid		**(135)**	(1,166)
Interest received		**897**	46
Income tax paid		**(240)**	(2,936)
Net cash (used in)/generated from operating activities		**(1,830)**	23,010

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 S$'000	2015 S$'000
Cash Flows from Investing Activities			
Dividend received from financial assets, available-for-sale		**411**	526
Payment for purchase of property, plant and equipment	9	**(19,546)**	(3,457)
Purchase of financial asset, available-for-sale	13	**–**	(1,550)
Advance payments for capital expenditures	19	**(4,381)**	–
Proceeds from disposal of property, plant and equipment		**240**	67
Investment in joint ventures	12	**(7)**	–
Loan to joint ventures	21	**(2,633)**	–
Capital contribution to an associated company	11	**(2,039)**	(1,788)
Loan to a third party	19	**–**	(734)
Fund and loan to investee companies	19	**(4,521)**	–
Net cash inflow on disposal of subsidiaries	7	**7,725**	70,165
Deposit held in escrow	19	**–**	(10,000)
Net cash (used in)/generated from investing activities		**(24,751)**	53,229
Cash Flows from Financing Activities			
Proceeds from issue of ordinary shares	30	**16,906**	105
Purchase of treasury shares	31	**(1,777)**	–
Dividends paid on ordinary shares	36	**(27,741)**	(5,659)
Repayment of obligations under finance leases	28	**(215)**	(351)
Proceeds from term loan	26	**3,858**	–
Repayment of term loans	26	**(150)**	(1,227)
Decrease in funds from trust receipts	27	**(915)**	(2,429)
Decreased in fixed deposits pledged to banks	22	**1,200**	254
Capital contribution from non-controlling interests		**1,355**	120
Funds from a non-controlling interest	25	**2,172**	–
Net cash used in financing activities		**(5,307)**	(9,187)
Net (decrease)/increase in cash and cash equivalents		**(31,888)**	67,052
Effects of exchange rate changes on the balance of cash held in foreign currencies		**125**	(117)
Cash and cash equivalents at the beginning of the year		**102,555**	35,620
Cash and cash equivalents at the end of the year	22	**70,792**	102,555

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

1 Corporate Information

SHS Holdings Ltd. (the "Company") is listed on the Singapore Stock Exchange and incorporated and domiciled in Singapore. The address of its registered office and principal place of business is 81 Tuas South Street 5, Singapore 637651.

The principal activities of the Company are investment holding and those of grit blasting and painting. The principal activities of its subsidiaries are set out in Note 10 to the financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on the date of the Directors' Statement.

2 Significant Accounting Policies

(a) Basis of Preparation

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

The financial statements are presented in Singapore dollars (SGD or S$), which is the functional currency of the Company. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) New or Revised FRS

FRS effective for annual periods beginning on or after 1 January 2016

The accounting policies adopted are consistent with those of the previous financial year except that the current financial year, the Group and the Company have adopted the new and revised standards which are effective for annual financial period beginning on or after 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(b) New or Revised FRS (Cont'd)

FRS effective for annual periods beginning on or after 1 January 2016 (Cont'd)

Description		**Effective for annual periods beginning on or after**
Amendments to FRS 1	*Disclosure Initiative*	1 January 2016
Amendments to FRS 27	*Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 105	*Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
Amendments to FRS 107	*Financial Instruments: Disclosures*	1 January 2016
Amendments to FRS 111	*Accounting for Acquisition of Interests in Joint Operations*	1 January 2016

The adoption of the following new or amended FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the financial performance or financial position of the Group and the Company for the current or prior financial years.

FRSs issued but not yet effective

The Group and the Company have not adopted the following standards that have been issued but are not yet effective.

Description		**Effective for annual periods beginning on or after**
Amendments to FRS 7	*Statement of Cash Flows*	1 January 2017
Amendments to FRS 12	*Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRS 112 (2016)	*Disclosure of Interests in Other Entities*	1 January 2017
Improvements to FRS 28	*Investment in Associates and Joint Ventures*	1 January 2018
INT FRS 122	*Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 109	*Financial Instruments*	1 January 2018
FRS 116	*Leases*	1 January 2019

Except for FRS 115, FRS 109 and FRS 116 described below, management anticipates that the adoption of the other new/revised FRS above in future period will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(b) New or Revised FRS (Cont'd)

FRSs issued but not yet effective (Cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115, published in November 2014, establishes a revised framework for revenue recognition based on the following five-step approach:

- Identification of the contracts;
- Identification of the performance obligations in the contract;
- Determination of the transaction prices;
- Allocation of the transaction price to the performance obligation; and
- Recognition of revenue when (or as) an entity satisfies a performance obligation.

FRS 115 will replace the existing revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and INT FRS 113 *Customer Loyalty Programs*.

FRS 115 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the potential impact that will result from the application of FRS 115. FRS 115 may impact the recognition of revenue on construction contract entered into by the Group.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on a new expected credit loss model, changes the hedge accounting requirements, and carries forward the recognition and de-recognition requirements for financial instruments from FRS 39.

FRS 109 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the potential impact that will result from the application of FRS 109. The expected credit loss model may require the Group to recognise higher impairment provisions in respect of receivables.

FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions involving the Legal Form of a Lease*.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(b) New or Revised FRS (Cont'd)

FRSs issued but not yet effective (Cont'd)

FRS 116 *Leases (Cont'd)*

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

FRS 116 is effective for accounting periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 Revenue from Contracts with Customers at or before the date of initial application of FRS 116. The Group has entered into lease agreements, which are expected to be recognised as ROU assets with corresponding lease liabilities under the new standard. The Group plans to adopt FRS 116 when it becomes effective in 2019 and will perform a more in-depth analysis of the quantitative effects in future financial years prior to adoption. The Group and the Company are in the process of assessing the potential impact that will result from the application of FRS 116. The recognition of certain lease contracts entered into by the Group and the Company may be impacted by FRS 116.

(c) Consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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 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 agreements; 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 **Significant Accounting Policies (Cont'd)**

(c) Consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquire on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(ii) Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(c) Consolidation (Cont'd)

(iii) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(iv) Associates and joint ventures

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associates and joint ventures are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(c) Consolidation (Cont'd)

(iv) Associates and joint ventures (Cont'd)

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been change where necessary to ensure consistency with the policies adopted by the Group.

(d) Discontinued Operations

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and;

(i) represents a separate major line of business or geographical area of operations; or

(ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

(e) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue on the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) Rendering of services

Service income, management and consultancy fees are recognised in the period in which the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(e) Revenue Recognition (Cont'd)

(iii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iv) Dividend income

Dividend income is recognised when the right to receive payment is established.

(v) Construction contracts

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 2(h) Construction contracts below).

(vi) Rental income

Rental income from operating lease (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term as set out in the specific rental agreement.

(f) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold properties are revalued at regular intervals by the directors based upon the advice of professional valuers to open market values on an existing use basis. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(f) Property, Plant and Equipment (Cont'd)

Depreciation of property, plant and equipment is calculated using a straight-line method to allocate the depreciable amounts over their estimated useful lives as follows:

Leasehold buildings	–	over the lease term
Renovation/leasehold improvements	–	5 – 10 years
Furniture and fittings	–	5 – 10 years
Machinery and yard equipment	–	5 – 10 years
Motor vehicles	–	5 – 10 years
Office and computer equipment	–	2 – 10 years

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision are recognised in profit or loss when the changes arise.

Freehold land has an unlimited useful life and therefore is not depreciated.

Construction-in-progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction-in-progress consists of construction costs including other attributable direct cost and finance costs incurred during the period of construction. Construction-in-progress is classified to the appropriate category of property, plant and equipment when completed and ready for use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expense is recognised in the profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

(g) Intangible Assets

(i) Goodwill on acquisitions

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(g) Intangible Assets (Cont'd)

(i) Goodwill on acquisitions (Cont'd)

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

Goodwill on acquisition of an associated company is included in the carrying amount of the investments in associates and is assessed for impairment as part of the investment.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit and loss on disposal.

Gains and losses on the disposal of subsidiaries and an associated company include the carrying amount of goodwill relating to the entity disposed.

(ii) Customer listings

Customer listings are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of three years.

(iii) Capitalised developments

Capitalised developments are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives of ten years.

(iv) Customer contractual backlog

Customer contractual backlog is initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to the profit or loss using the straight-line method over their estimated useful lives. The customer contractual backlog has estimated useful life of 2 years.

(h) Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the statement of financial position date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable and contract costs should be recognised as an expense in the period in which they are incurred.

2 Significant Accounting Policies (Cont'd)

(h) Construction Contracts (Cont'd)

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

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

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

At the statement of financial position date, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions are included within "trade receivables". Advances received are included within "trade and other payables".

(i) Investments in Subsidiaries and Associated Companies

Investments in subsidiaries and associated companies are stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries and associated companies, the difference between net disposal proceeds and the carrying amount of the investment is taken to profit or loss.

(j) 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(k) Impairment of Non-Financial Assets

(i) Goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Goodwill included in the carrying amount of an investment in an associated company is tested for impairment as part of the investment, rather than separately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU.

Recoverable amount is the higher of fair value less costs of disposal and 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 for which the estimates of future cash flows have not been adjusted.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(ii) Intangible assets, including customer listings fee and customer contractual backlog
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures

Finite intangible assets (including customer listings fee and customer contractual backlog), property, plant and equipment and investments in subsidiaries and an associated company are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its intangible assets, property, plant and equipment and investments in subsidiaries and associated companies and joint ventures 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), on an individual asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(k) Impairment of Non-Financial Assets (Cont'd)

(ii) Intangible assets, including customer listings fee and customer contractual backlog
Property, plant and equipment
Investments in subsidiaries, associated companies and joint ventures (Cont'd)

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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and 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 for which the estimates of future cash flows have not been adjusted.

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 (or cash-generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to Note 2(f) Property, Plant and Equipment for the treatment of a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or 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. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 **Significant Accounting Policies (Cont'd)**

(l) Financial Assets

The Group classifies its non-derivative financial assets in the following categories: loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets are acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. The Group's loans and receivables comprise trade and other receivables (other than prepayments), loan receivables, amount due from subsidiaries, amount due from a joint venture and cash and bank balances. Loans and receivables are recognised initially at fair value plus any directly attributable transaction costs, and are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

The Group assesses at each statement of financial position date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Financial assets, available-for-sale

Financial assets, available-for-sale are non-derivatives that are either designated in this category or not classified in any other category. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the statement of financial position date.

Dividend income on financial assets, available-for-sale is recognised separately in profit or loss.

For financial assets, available-for-sale that do not have a quoted market active price in active market whose fair value cannot be reliably measured are measured at cost less impairment losses subsequent to initial recognition.

A significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the financial assets, available-for-sale is impaired.

For financial assets, available-for-sale that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The impairment losses recognised as an expense on equity securities are not reversed.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(m) Trade and Other Receivables

Trade and other receivables other than prepayments and advances to sub-contractors, including the amounts due from subsidiaries and joint ventures, and loan receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except those maturing later than 12 months after the statement of financial position date which are classified as non-current assets.

The Group assesses at each statement of financial position date whether there is objective evidence that receivables are impaired. An allowance for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance 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 amount of allowance for impairment is recognised in profit or loss.

(n) Financial Guarantees

The Company has issued corporate guarantees to banks for credit facilities of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs and subsequently at the higher of the amount recognised as a provision and the amount initially recognised less cumulative amortisation.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the terms of the borrowings using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Borrowings which are due to be settled within 12 months after the statement of financial position date are included in current borrowings in the statement of financial position even though the original term was for a year longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the statement of financial position date and before the financial statements are authorised for issue. Other borrowings due to be settled more than 12 months after the statement of financial position date are included in non-current borrowings in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(p) Trade and Other Payables

Trade and other payables including accruals, amounts due to subsidiaries and bankers are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

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

(q) Fair Value Estimation

The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amount. The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each statement of financial position date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analyses, are also used to determine the fair values of the financial instruments.

The fair values of currency forwards are determined using actively quoted forward exchange rates. The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

(r) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis and includes freight and handling charges. Allowance is made, where necessary, for obsolete, slow moving and defective inventory in arriving at the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

(s) Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(t) Leases

(i) *Finance lease* (when the Group is a lessee)

Leases where the Group assumes substantially the risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on the basis that reflects a constant periodic rate of interest on the finance lease liability.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(t) Leases (Cont'd)

(ii) Operating lease

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (when the Group is a lessee) are recognised in profit or loss on a straight-line basis over the period of the lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasing income from operating lease (when the Group is a lessor) is recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as income in the profit or loss when earned.

(u) Income Taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Current income tax for current and prior years is recognised at the amounts expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of reporting period.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint ventures except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be recognised.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(u) Income Taxes (Cont'd)

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is recognised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the statement of financial position date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amounts of 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.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(v) Employee Benefits

(i) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. The Group's contributions to defined contribution plans are recognised in the financial year to which they relate.

(ii) Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liabilities for annual leave as a result of services rendered by employees up to the statement of financial position date.

(iii) Share-based compensation

The Group has in place the SHS Employee Share Option Scheme for granting share options to confirmed group employees, including Directors.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in profit or loss and a corresponding adjustment to share option reserve.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(v) Employee Benefits (Cont'd)

(iii) Share-based compensation (Cont'd)

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

(w) Currency Translation

(i) Functional and presentation currency

The financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to each entity (the "functional currency"). The financial statements are presented in Singapore dollars, which is the functional and presentation currency of the Company.

(ii) Transactions and balances

In preparing the financial statements of the individual entities, transactions in a currency other than the entity's functional currency ("foreign currency") are translated using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at 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.

(iii) Translation of Group entities' financial statements

The results and financial position of Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rate at the reporting date;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(w) Currency Translation (Cont'd)

(iii) Translation of Group entities' financial statements (Cont'd)

- Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions);

- All resulting currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal (i.e. loss of control) of the entity giving rise to such reserve; and

- Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rate at the statement of financial position date.

(x) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

(y) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, bank balances and short-term deposits with financial institutions (net of bank overdrafts) which are subject to an insignificant risk of change in value.

(z) Share Capital and Treasury Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the Company's equity holders. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of treasury shares.

(aa) Dividends

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(bb) Derivative Financial Instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange risk, including foreign exchange forward contracts.

Derivative financial instruments are initially recognised at their fair value on the date the contract is entered into and are subsequently re-measured at their fair value at each statement of financial position date. The resulting gain or loss is recognised in profit or loss.

(cc) Warrants Reserve

Proceeds from the issuance of warrants, net of issue costs, are credited to warrants reserve which is non-distributable. Warrants reserve is transferred to the share capital upon the exercise of warrants and the warrants reserve in relation to the unexercised warrants at the expiry of the warrants will be transferred to retained earnings.

(dd) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b. An entity is related to the Company and to a reporting entity if any of the following conditions applies:

   i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
   ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
   iii. both entities are joint ventures of the same third party;
   iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
   v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;
   vi. the entity is controlled or jointly controlled by a person identified in (a);
   vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
   viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

2 Significant Accounting Policies (Cont'd)

(ee) Government Grant

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

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

3 Critical Accounting Judgements and Estimates

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

The 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.

(a) Critical Judgements in Applying Accounting Policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below:

(i) Recoverability of trade and other receivables

The Group assesses at each statement of financial position date whether there is any objective evidence that receivables are impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectible. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, current economic trends, significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics.

Allowance for impairment of trade receivables of S$278,000 (2015: S$3,489,000), write off of trade receivables of S$4,000 (2015: S$82,000) and reversal of impairment of trade receivables of S$26,000 (2015: S$80,000) have been recognised in profit or loss of the Group for the financial year ended 31 December 2016. Further, the Group has also written off trade receivables which were previously impaired of S$223,000 (2015: S$539,000).

As at 31 December 2016, the carrying amount of the Group and the Company's trade and other receivables are disclosed in Notes 17 and 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3 Critical Accounting Judgements and Estimates (Cont'd))

(a) Critical Judgements in Applying Accounting Policies (Cont'd)

(ii) Impairment of inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Inventory items identified to be obsolete and unusable are also written off and charged as an expense for the year.

Allowance for impairment of stock obsolescence of S$444,000 (2015: S$1,776,000), inventory written off of S$192,000 (2015: S$227,000) and a reversal of allowance for stock obsolescence of S$27,000 (2015: S$773,000) have been recognised in profit or loss of the Group for the financial year ended 31 December 2016.

As at 31 December 2016, the carrying amounts of the Group and the Company's inventories are disclosed in Note 16 to the financial statements.

(iii) Impairment of financial assets, available-for-sale

The Group and the Company reviews its equity securities classified as financial assets, available-for-sale at each statement of financial position date to assess whether they are impaired. The Group and the Company also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group and Company evaluates, among other factors, includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered.

The Group recognised impairment of financial assets, available-for-sale of S$1,000 (2015: Nil) in profit or loss of the Group for the financial year ended 31 December 2016.

As at 31 December 2016, the carrying amounts of financial assets, available-for-sale of the Group and the Company are disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3 Critical Accounting Judgements and Estimates (Cont'd))

(b) Key Sources of Estimation Uncertainty

The following are 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.

(i) Useful lives of property, plant and equipment

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and Management estimates the useful lives of these property, plant and equipment are disclosed in Note 2(f). The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition the estimation of the useful lives of property, plant and equipment are based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

There is no change in the estimated useful lives of property, plant and equipment during the year. As at 31 December 2016, the carrying amounts of property, plant and equipment of the Group and the Company are disclosed in Note 9 to the financial statements.

A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximately S$149,000 (2015: S$234,000) variance in the Group's profit for the year.

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss was recognised for the goodwill assessed as at 31 December 2016 (2015: S$2,754,000) as the relevant recoverable amounts were in excess of the respective carrying amounts. As at 31 December 2016, the carrying amount of the Group's goodwill and the sensitivity analysis relating to impairment of goodwill are disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

3 Critical Accounting Judgements and Estimates (Cont'd))

(b) Key Sources of Estimation Uncertainty (Cont'd)

(iii) Impairment of investment in subsidiaries and associated companies

Management follows the guidance of FRS 36 – "Impairment of Assets" in determining whether investments in subsidiaries are impaired. An estimate is made of the future profitability of the investee and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The carrying amount of investment in subsidiaries and associated companies of the Company as at the statement of financial position date is disclosed in Notes 10 and 11 to the financial statements. A 10% less favourable than management's estimates at the end of the reporting year in the estimated growth rate and the discount rate used would not result in an additional impairment loss.

(iv) Determination of percentage of completion on construction contracts

The Group used the percentage of completion method to account for its contract revenue. The stage of completion is measured by reference to the contract costs incurred to date compared to the estimated total costs for the contract.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists. The aggregate costs incurred plus recognised profit less recognised losses to date, progress billings, retention on construction contracts and due from/to customers are disclosed in Notes 17, 19 and 23 to the financial statements.

If the total contract costs to be incurred on on-going contracts had increased/(decreased) by 5% from management's estimates, the Group's revenue from construction contracts in progress will increase/(decrease) by S$1,507,000 (2015: S$1,871,000) and the profit of the Group will increase/(decrease) by S$332,000 (2015: S$412,000).

4 Revenue

	Group	
	2016	**2015**
	S$'000	**S$'000**
Construction contracts	36,759	38,827
Services rendered	12,881	17,178
Sale of goods	5,415	5,842
Storage and leasing income	1,080	880
	56,135	62,727

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5 Income Tax

	Group	
	2016	**2015**
	S$'000	**S$'000**
Provision for tax in respect of results for the year:		
– Current taxation	**78**	146
– Foreign taxation – current	**1**	440
– (Over)/under provision of current income tax in prior years	**(169)**	119
– Deferred tax income relating to origination of temporary differences	**(187)**	(578)
	(277)	127

Income tax expense on the results for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to profit before income tax due to the following:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Profit before income tax	**4,064**	9,101
Income tax expense at statutory rate of 17% (2015: 17%)	**691**	1,547
Non-deductible expenses	**234**	853
Non-taxable items	**(149)**	(111)
Share of profit of associated companies, net of tax	**(43)**	(2,346)
Singapore statutory tax exemption	**(121)**	(98)
Tax allowances and incentives*	**(455)**	(141)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(14)**	109
Utilisation of deferred tax asset previously not recognised (Note 29)	**(319)**	(155)
Deferred tax assets not recognised (Note 29)	**130**	389
Corporate income tax rebate	**(62)**	(39)
(Over)/under provision of current income tax in prior years	**(169)**	119
	(277)	127

* Tax allowance and incentive mainly relate to productivity and innovation credit (PIC).

The tax rate used for the years 2016 and 2015 reconciliations above is the corporate tax rate of 17% payable by corporate entities in Singapore on taxable profits under the tax law in that jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6 Profit for the Year from Continuing Operations

	Group	
	2016	**2015**
	S$'000	**S$'000**
Except as disclosed elsewhere in the notes to the financial statements, profit before income tax is arrived at after crediting/(charging) the following:		
Included in cost of sales		
Purchase of goods	**(13,870)**	(13,900)
Sub-contract fee	**(7,308)**	(14,662)
Depreciation of property, plant and equipment	**(2,112)**	(2,380)
Staff costs		
– Salaries	**(7,225)**	(6,408)
– Defined contribution plan	**(223)**	(90)
– Foreign workers levy	**(2,015)**	(2,135)
Included in other income		
Interest income	**897**	53
Government grants and PIC cash pay-out	**202**	–
Dividend income from financial assets, available-for-sale	**411**	399
Gain/(loss) on disposal of property, plant and equipment	**2**	(11)
Scrap sales and service income	**302**	222
Foreign exchange gain	**708**	–
Included in selling and distribution expenses		
Entertainment	**(139)**	(314)
Delivery and lighterage charges	**(216)**	(231)
Sales commission	**(43)**	(58)
Travelling	**(201)**	(202)
Included in administrative expenses		
Directors' fees	**(545)**	(272)
Directors' remuneration		
– Salaries and bonus	**(1,157)**	(2,059)
– Defined contribution plan	**(24)**	(24)
Staff costs		
– Salaries	**(4,688)**	(5,473)
– Defined contribution plan	**(454)**	(447)
– Staff welfare	**(314)**	(268)
– Workman and staff insurance	**(132)**	(179)
Commercial car expenses	**(150)**	(29)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6 Profit for the Year from Continuing Operations (Cont'd)

	Group	
	2016	**2015**
	S$'000	**S$'000**
Except as disclosed elsewhere in the notes to the financial statements, profit before income tax is arrived at after crediting/(charging) the following: (Cont'd)		
Included in other operating expenses		
Audit fees paid/payable to:		
– Auditors of the Company	**(188)**	(173)
– Auditors of the Subsidiaries	**(14)**	(16)
Non-audit fees paid/payable to:		
– Auditors of the Company*	**(80)**	–
Utilities	**(699)**	(798)
Allowance for stock obsolescence	**(15)**	–
Reversal of allowance for stock obsolescence	**27**	103
Inventory written off	**(192)**	(99)
Impairment of goodwill	**–**	(2,754)
Impairment of property, plant and equipment	**(544)**	–
Property, plant and equipment written off	**(2)**	(2)
Depreciation of property, plant and equipment	**(860)**	(920)
Amortisation of intangible assets	**(58)**	(512)
General repair and maintenance expenses	**(58)**	(25)
Professional fees	**(140)**	(340)
Property tax	**(247)**	(193)
Repairs and maintenance	**(605)**	(222)
Allowance for impairment of trade receivables	**(278)**	(2,549)
Bad debts written off (trade)	**(4)**	(4)
Reversal of impairment of trade receivables	**26**	–
Impairment of available for sale financial assets	**(1)**	–
Rental expense – operating lease	**(436)**	(535)
Foreign exchange loss	**(17)**	(220)
Included in finance costs		
Finance lease	**(15)**	(7)
Term loans	**(1)**	(19)
Trust receipt	**(115)**	(73)

* Non-audit fee relates to the financial due diligence services conducted on the proposed acquisition entities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7 Discontinued Operation

In the previous financial year ended 31 December 2015, the Group entered into a conditional sale and purchase agreement with Brenntag (Holding) B.V. (the "Buyer") on 18 September 2015, for the sale of its entire shareholding interests in TAT Petroleum Pte Ltd, Axxmo International Pte Ltd and PT TAT Petroleum Indonesia (the "RP segment" or "TAT Group"). The initial consideration was approximately S$100.3 million and the sale transaction was completed on 31 December 2015, on which date control of the RP segment passed to the acquirer. The overall consideration for the disposal of the subsidiaries is subject to any adjustments to be made in relation to the net debt and working capital post completion.

On 20 May 2016, the Group and the Buyer agreed to a post completion adjustment that the final consideration was adjusted to S$108.1 million and the net difference between the final consideration and the initial consideration, being an amount equal to approximately S$7.8 million and the additional gain on disposal has been recognised in profit or loss of the Group during the current financial year ended 31 December 2016 as disclosed below.

Profit for the year from discontinued operation

The results of the discontinued operation arising from the disposal of RP segment above included in the consolidated statement of comprehensive income for the years ended 31 December 2016 and 2015 are set out below.

	Group	
	2016	**2015**
	S$'000	**S$'000**
Revenue	–	324,624
Cost of sales	–	(281,833)
Gross profit	–	42,791
Other income	–	884
Distribution costs	–	(9,396)
Administrative expenses	–	(11,476)
Other operating expenses*	**(429)**	(6,504)
Finance costs	–	(1,066)
Profit before income tax	**(429)**	15,233
Income tax	–	(1,852)
Profit for the year	**(429)**	13,381
Gain on disposal of operations	**7,725**	35,322
Profit for the year from discontinued operation	**7,296**	48,703
Attributable to		
Equity holders of the Company	**7,296**	48,739
Non-controlling interest	–	(36)
	7,296	48,703
Cash flows statement from discontinued operation		
Cash flow (used in)/generated from operating activities	**(429)**	14,340
Cash flow generated from/(used in) investing activities	**7,725**	(1,351)
Cash flow used in financing activities	–	(7,186)
Net cash inflows	**7,296**	5,803

* Being allowance for impairment on stock obsolescence for refined petroleum products as disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7 Discontinued Operation (Cont'd)

Details of the assets and liabilities disposed of TAT Group, and the calculation of the profit or loss on disposal are as follows:

Consideration received and assets and liabilities of TAT Group in 2015

	2015 S$'000
Consideration received in cash and cash equivalents	89,868
Deferred sales proceeds held in escrow accounts (Note 19)	10,000
Total consideration received**	99,868
Non-current assets	
Property, plant and equipment	10,369
Club membership	125
Other receivables and deposits	875
Goodwill (Note 14)	7,973
Current assets	
Cash and bank balances	29,703
Short-term deposits	2,054
Trade receivables	32,223
Other receivables and deposits	6,180
Inventories	26,577
Current liabilities	
Trade and other payables	(16,071)
Borrowings	(51,318)
Income tax payables	(2,665)
Non-current liabilities	
Borrowings	(16)
Deferred tax liabilities	(726)
Minority Interest	43
Net assets disposed of	45,326

** Net of professional fee of S$420,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

7 Discontinued Operation (Cont'd)

Gain on disposal of TAT Group recognised in the years 31 December 2016 and 2015

	2016 S$'000	2015 S$'000
Cash considerations	**7,823**	100,288
Less: directly attributable costs (2015: inclusive of accrued directly attributable costs of S$2,555,000)	**(98)**	(2,975)
Net proceeds	**7,725**	97,313
Net assets disposed of	–	(45,326)
Recycle of other reserve	–	(16,687)
Recycle of foreign exchange differences	–	22
Gain on disposal of subsidiaries	**7,725**	35,322

The aggregate cash inflow arising from disposal of TAT Group

	2016 S$'000	2015 S$'000
Consideration received in cash and cash equivalents (exclusive of accrued directly attributable costs of S$Nil (2015: S$2,555,000))	**7,725**	99,868
Less: cash and cash equivalents disposed of	–	(29,703)
Net cash inflow from disposal of subsidiaries	**7,725**	70,165

8 Earnings Per Share, Basic and Diluted

Basic and diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The following reflects the earnings and share data used in the basic and diluted earnings per share computations for the years ended 31 December 2016 and 2015:

	Group	
	2016 S$'000	2015 S$'000
Profit for the year attributable to equity holders of the Company:		
– from continuing operations	**4,494**	9,012
– from discontinued operation	**7,296**	48,739
Profit for the year attributable to equity holders of the Company used in the calculation of basic and diluted earnings per share	**11,790**	57,751

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8 Earnings Per Share, Basic and Diluted (Cont'd)

	Group	
	2016	2015
	S$'000	S$'000
Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**662,109,747**	605,972,754
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**690,061,973**	660,718,288
Earnings per share from continuing operations attributable to equity holders of the Company (Cents per share)		
– Basic	**0.68 cents**	1.49 cents
– Diluted	**0.65 cents**	1.36 cents
Earnings per share attributable to equity holders of the Company (Cents per share)		
– Basic	**1.78 cents**	9.53 cents
– Diluted	**1.71 cents**	8.74 cents

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares from warrants.

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Group	
	2016	2015
	S$'000	S$'000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**662,109,747**	605,972,754
Shares deemed to be issued for no consideration in respect of:		
Warrants	**27,952,226**	54,745,534
	690,061,973	660,718,288

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share warrants was based on quoted market prices for the period during which the warrants were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9 Property, Plant and Equipment

	Land & leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Machinery & yard equipment S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Construction in progress S$'000	Total S$'000
Group								
2016								
Cost or Valuation								
At 1 January	30,376	1,955	1,681	14,608	2,110	850	–	51,580
Additions	6,071	56	160	696	171	69	12,323	19,546
Disposals/written off	–	–	(34)	(1,232)	–	(149)	–	(1,415)
Reclassification	–	(1,292)	–	–	–	–	1,292	–
Currency alignment	–	–	(3)	5	(7)	–	–	(5)
Total	36,447	719	1,804	14,077	2,274	770	13,615	69,706
Cost	12,485	719	1,804	14,077	2,274	770	13,615	45,744
Valuation	23,962	–	–	–	–	–	–	23,962
At 31 December	36,447	719	1,804	14,077	2,274	770	13,615	69,706
Accumulated depreciation and impairment loss								
At 1 January	9,666	513	1,414	11,337	731	781	–	24,442
Depreciation charge	1,199	65	175	1,230	385	47	–	3,101
Disposals/written off	–	–	(34)	(990)	–	(147)	–	(1,171)
Impairment losses recognised in profit and loss	536	–	–	–	–	8	–	544
Currency alignment	–	–	(2)	–	(1)	–	–	(3)
At 31 December	11,401	578	1,553	11,577	1,115	689	–	26,913
Net book value								
At 31 December	25,046	141	251	2,500	1,159	81	13,615	42,793

	Land & leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Machinery & yard equipment S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Total S$'000
Group							
2015							
Cost or Valuation							
At 1 January	38,730	859	2,967	20,160	6,567	855	70,138
Additions	–	1,376	268	985	1,378	17	4,024
Disposals/written off	–	(31)	(145)	(1,327)	(345)	(3)	(1,851)
Derecognised on disposal of subsidiaries (Note 7)	(8,354)	(293)	(1,429)	(5,166)	(5,479)	(17)	(20,738)
Reclassification	–	38	–	(38)	–	–	–
Currency alignment	–	6	20	(6)	(11)	(2)	7
Total	30,376	1,955	1,681	14,608	2,110	850	51,580
Cost	6,414	1,955	1,681	14,608	2,110	850	27,618
Valuation	23,962	–	–	–	–	–	23,962
At 31 December	30,376	1,955	1,681	14,608	2,110	850	51,580
Accumulated depreciation and impairment loss							
At 1 January	7,610	557	2,104	14,692	4,678	749	30,390
Depreciation charge	1,567	164	344	1,808	747	49	4,679
Disposals/written off	–	(31)	(143)	(1,261)	(328)	(3)	(1,766)
Derecognised on disposal of subsidiaries (Note 7)	(1,001)	(181)	(905)	(3,904)	(4,366)	(12)	(10,369)
Impairment losses recognised in other comprehensive income	1,490	–	–	–	–	–	1,490
Currency alignment	–	4	14	2	–	(2)	18
At 31 December	9,666	513	1,414	11,337	731	781	24,442
Net book value							
At 31 December	20,710	1,442	267	3,271	1,379	69	27,138

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9 Property, Plant and Equipment (Cont'd)

	Leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Machinery & yard equipment S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Total S$'000
Company							
2016							
Cost or Valuation							
At 1 January	**14,729**	**353**	**1,024**	**–**	**356**	**653**	**17,115**
Additions	**–**	**51**	**–**	**–**	**–**	**–**	**51**
Disposals/written off	**–**	**–**	**–**	**–**	**–**	**(146)**	**(146)**
Total	**14,729**	**404**	**1,024**	**–**	**356**	**507**	**17,020**
Cost	**–**	**404**	**1,024**	**–**	**356**	**507**	**2,291**
Valuation	**14,729**	**–**	**–**	**–**	**–**	**–**	**14,729**
At 31 December	**14,729**	**404**	**1,024**	**–**	**356**	**507**	**17,020**
Accumulated depreciation and impairment loss							
At 1 January	**6,022**	**295**	**1,018**	**–**	**162**	**623**	**8,120**
Depreciation charge	**571**	**20**	**3**	**–**	**36**	**17**	**647**
Disposals/written off	**–**	**–**	**–**	**–**	**–**	**(146)**	**(146)**
At 31 December	**6,593**	**315**	**1,021**	**–**	**198**	**494**	**8,621**
Net book value							
At 31 December	**8,136**	**89**	**3**	**–**	**158**	**13**	**8,399**
2015							
Cost or Valuation							
At 1 January	14,729	353	1,111	9,717	356	653	26,919
Additions	–	–	–	–	–	1	1
Disposals to a subsidiary	–	–	(87)	(9,717)	–	(1)	(9,805)
Total	14,729	353	1,024	–	356	653	17,115
Cost	–	353	1,024	–	356	653	2,386
Valuation	14,729	–	–	–	–	–	14,729
At 31 December	14,729	353	1,024	–	356	653	17,115
Accumulated depreciation and impairment loss							
At 1 January	5,451	279	1,083	7,201	126	598	14,738
Depreciation charge	571	16	3	–	36	26	652
Disposals to a subsidiary	–	–	(68)	(7,201)	–	(1)	(7,270)
At 31 December	6,022	295	1,018	–	162	623	8,120
Net book value							
At 31 December	8,707	58	6	–	194	30	8,995

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9 Property, Plant and Equipment (Cont'd)

(a) As at the date of statement of financial position, the leasehold buildings of the Group consist of the following:

Property Address	Description	Tenure
81 Tuas South Street 5, Singapore 637651	Single storey detached factory with ancillary 2-storey warehouse, and a 3-storey annexe office block	30 years lease from 1999 with an option to renew for an additional 1 year
1 Penjuru Lane, Singapore 609217	A single-storey detached factory building with a mezzanine office and side/rear extension	10 years leasehold commencing from 1 November 2007
19 Tuas Avenue 20, Singapore 638830	Single-storey factory block with mezzanine office and a 3-storey ancillary office block	20 years from 1 October 2015

(b) The Group's leasehold buildings at 81 Tuas South Street 5, Singapore 637651 and 1 Penjuru Lane, Singapore 609217 were professionally valued by independent valuer, Premas Valuers & Property Consultants Pte. Ltd. and Orange Tee Pte. Ltd. based on open market value in 2012.

The Group's leasehold building at 19 Tuas Avenue 20, Singapore 638830 was professionally valued by independent valuer, Savills Valuation and Professional Services (S) Pte Ltd based on open market value in 2014.

The independent valuers had used the direct comparison method by referring to market evidence of recent transactions for similar properties. The fair value of the leasehold buildings had been incorporated in the consolidated financial statements of the Group and statement of financial position of the Company in those financial years in which the valuations were made.

As at 31 December 2016, the carrying amount of these leasehold buildings did not differ materially from their market values based on directors' valuations. The fair value measurement is disclosed in Note 39(b) to the financial statements.

(c) Had the property, plant and equipment stated at valuation been included in the financial statements at cost less depreciation, the net book value as at the statement of financial position date would have been as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Leasehold buildings	**10,513**	10,723	**7,550**	7,630

(d) Included in land and leasehold buildings of the Group are freehold land acquired during the current financial year with a total carrying amount of S$6,071,000 (2015: S$Nil) as at 31 December 2016. The land is located in Malaysia and Bangladesh.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9 Property, Plant and Equipment (Cont'd)

(e) Included in machinery and yard equipment of the Group are of machinery in the process of construction with a carrying amount of S$106,000 (2015: S$Nil) as at 31 December 2016. These assets are not depreciated as they are not yet available for use.

(f) Land and leasehold buildings of the Group and the Company with carrying amounts of S$23,531,000 (2015: S$20,121,000) and S$8,136,000 (2015: S$8,707,000), respectively are mortgaged to secure the credit facilities of the Group and the Company (Notes 26 and 27).

(g) Net book values of motor vehicles, machinery and yard equipment acquired under hire purchase for the Group amounted to S$664,000 (2015: S$974,000).

(h) During the current financial year, the Group acquired property, plant and equipment with an aggregate cost of S$19,546,000 (2015: S$4,024,000) which are paid by way of the following:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Cash payments	**19,546**	3,457
Finance lease	–	567
	19,546	4,024

(i) Depreciation for the current year is recognised in the consolidated financial statements of the Group as follows:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Continuing operations (Note 6)	2,972	3,300
Discontinued operation (Note 7)	–	1,366
Work in progress (Note 16)	129	13
	3,101	4,679

(j) During the current financial year, an impairment loss recognised in respect of the leasehold building at 1 Penjuru Lane amounted to S$536,000 (2015: S$1,490,000) in profit or loss (2015: other comprehensive income) of the Group. Those assets belonged to the other reportable segment. The amount was impaired mainly due to the cessation of chemical hub dealings as a result of the disposal of the RP segment (Note 7). The respective lease of the building will expire in the subsequent financial year and the Group estimated the recoverable amount of this asset to be Nil.

(k) The construction in progress of the Group represents the construction of a new office building and factories in Singapore and Malaysia, of which the building in Singapore will be completed in April 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10 Investment in Subsidiaries

Details of subsidiary companies and their net cost of investment to the Company at 31 December are:

	Company	
	2016	2015
	S$'000	**S$'000**
Eastern Tankstore (S) Pte. Ltd.	**4,080**	4,080
Hetat Holdings Pte. Ltd.	**45,300**	45,300
See Hup Seng CP Pte. Ltd. (a)	**8,047**	8,047
Sinenergy Holdings Pte. Ltd. (b)	**1,000**	100
SHS Trading Pte. Ltd. (c)	**–**	–
SHS Capital Pte. Ltd. (c)	**–**	–
	58,427	57,527
Allowance for impairment	**(4,080)**	(4,080)
	54,347	53,447

(a) See Hup Seng CP Pte. Ltd., ("SHS CP") is a wholly owned subsidiary incorporated on 30 June 2014. On 12 October 2015, the Company carried out an internal restructuring whereby the subsidiaries carrying out the corrosion prevention businesses were transferred to SHS CP. The internal restructuring aims to realign various business segments of the Group and to enable the Company to operate solely as investment holding company. SHS CP increased its share capital by allotting and issuing new ordinary shares in full satisfaction of the purchase consideration. This led to the increase in investment cost of the Company in SHS CP by S$7,947,000 from S$100,000 to S$8,047,000. The difference between the carrying amount of the net assets of the companies transferred and the consideration shares of S$3,297,000 is recorded as other reserve in the Company's equity (Note 32).

(b) On 19 December 2016, the Company increased its investment in its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd. by subscribing for 900,000 ordinary shares at a total consideration of S$900,000.

(c) The cost of investment in SHS Trading Pte. Ltd. and SHS Capital Pte. Ltd. are S$1 (2015: S$1) and S$2 (2015: S$2) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10 Investment in Subsidiaries (Cont'd)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2016 %	2015 %
***	Hetat Holdings Pte. Ltd. Singapore	Investment holding	**100**	100
***	See Hup Seng CP Pte. Ltd. Singapore	Provision of corrosion prevention services	**100**	100
***	SHS Capital Pte. Ltd. Singapore	Investment holding	**100**	100
***	Eastern Tankstore (S) Pte. Ltd. Singapore	Warehousing and storage handling services	**51**	51
####	SHS Trading Pte. Ltd. *(formerly known as TAT Petroleum Trading Pte. Ltd.)* Singapore	Dormant	**100**	100
***	Sinenergy Holdings Pte. Ltd. Singapore	Investment holding	**100**	100
	Held by subsidiary companies: See Hup Seng CP Pte. Ltd.			
***	SHS Special Coating Pte Ltd Singapore	Grit blasting and painting	**100**	100
***	SHS System Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
***	SHS Offshore Pte Ltd Singapore	Grit blasting and painting	**100**	100
***	Gardella Singapore Coating Pte Ltd Singapore	Dormant	**100**	100
***	Lesoon Equipment Pte. Ltd. Singapore	Trading and manufacturing of blasting and painting equipment	**94.5**	94.5
***	Speedo Corrosion Control Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100

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10 Investment in Subsidiaries (Cont'd)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2016 %	2015 %
	Held by subsidiary companies:			
	Lesoon Equipment Pte. Ltd.			
*****	Speedlock Equipment Sdn. Bhd. Malaysia	Trading and manufacturing of blasting and painting equipment	**94.5**	94.5
	Gardella Singapore Coating Pte Ltd			
**	Gardella Coating Philippines, Inc. Philippines	Dormant	**99.9**	99.9
	Hetat Holdings Pte. Ltd.			
***	Hetat Pte. Ltd. Singapore	Engineering and project management for steel, glass and aluminum contracts	**100**	100
***	Hetat Construction Pte. Ltd. Singapore	Dormant	**100**	100
***	Sinenergy Pte. Ltd.[(1)] Singapore	Engineering and project management for electrical works	–	60
*****	Xiang Tong (Shanghai) International Trading Co., Ltd The People's Republic of China	Import and export of construction materials	**100**	100
***	TLC Modular Pte. Ltd.[(2)] Singapore	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	–
*****	TLC Modular Sdn. Bhd.[(2)] Malaysia	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	–

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10 Investment in Subsidiaries (Cont'd)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2016 %	2015 %
	Held by subsidiary companies:			
	Hetat Pte. Ltd.			
**	Hetat Global Mongolia LLC Mongolia	Engineering and project management for steel, glass and aluminum contracts	**100**	100
*****	Hetat Engineering & Construction Sdn. Bhd. Malaysia	Engineering and project management for steel, glass and aluminium contracts	**100**	100
####	Seri Hetat Engineering Sdn. Bhd. Brunei	Dormant	**99.9**	99.9
	Sinenergy Holdings Pte. Ltd.			
***	Sinenergy Pte. Ltd.[1] Singapore	Engineering and project management for electrical works	**60**	–
***	Sinenergy Engineering Pte. Ltd.[2] Singapore	Air-conditioning and mechanical ventilation	**60**	–
*****	HDFC SinPower Ltd.[2] Bangladesh	Built, develop, install, setup, and operate Power Plants in Bangladesh	**65**	–

Subsidiary companies	Auditors
Gardella Coating Philippines, Inc.	Punongbayan & Araullo
Hetat Global Mongolia LLC	Reliance Securities Auditing LLC

** Audited by other certified public accounting firms (see above)
*** Audited by Moore Stephens LLP, Singapore
***** Audited by member firms of Moore Stephens International Limited
Not required to be audited under the laws of the country of incorporation as the company qualified for exemption from audit
(1) Interest was previously held by Hetat Holdings Pte. Ltd. and transferred to Sinenergy Holding Pte. Ltd. during the current financial year.
(2) Subsidiaries incorporated during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10 Investment in Subsidiaries (Cont'd)

The Group has the following subsidiaries that have material non-controlling interests:

Name of subsidiary (Place of incorporation and principal place of business)	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
	2016	2015	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Eastern Tankstore (S) Pte. Ltd. Singapore	**49%**	49%	**(234)**	(721)	**265**	500
Sinenergy Pte. Ltd. Singapore	**40%**	40%	**214**	(58)	**276**	62
HDFC SinPower Ltd. Bangladesh	**35%**	–	**(8)**	–	**1,240**	–
Individually immaterial subsidiaries with non-controlling interests					**270**	287
					2,051	849

Summarised financial information in respect of a material non-controlling interest is set out below.

The summarised financial information below represents amounts before intragroup eliminations:

	2016 S$'000	2015 S$'000
Eastern Tankstore (S) Pte. Ltd.		
Current assets	**593**	304
Non-current assets	**64**	976
Current liabilities	**(115)**	(260)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**277**	520
Non-controlling interests	**265**	500
Revenue	**1,080**	4,558
Cost of sales and expenses	**(1,558)**	(4,539)
(Loss)/Profit for the year	**(478)**	19
(Loss)/Profit attributable to equity holders the Company	**(244)**	10
(Loss)/Profit attributable to the non-controlling interests	**(234)**	9
(Loss)/Profit for the year	**(478)**	19
Total comprehensive loss attributable to equity holders of the Company	**(244)**	(750)
Total comprehensive loss attributable to the non-controlling interests	**(234)**	(721)
Total comprehensive loss for the year	**(478)**	(1,471)

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10 Investment in Subsidiaries (Cont'd)

Summarised financial information in respect of a material non-controlling interest is set out below.

The summarised financial information below represents amounts before intragroup eliminations:

	2016 S$'000	2015 S$'000
Eastern Tankstore (S) Pte. Ltd. (cont'd)		
Dividends paid to non-controlling interests	–	–
Cash flows generated from operating activities	**263**	275
Cash flows generated from investing activities	**225**	–
Cash flows used in financing activities	**(150)**	(300)
Net cash inflow/(outflow)	**338**	(25)
Sinenergy Pte. Ltd.		
Current assets	**1,149**	163
Non-current assets	**39**	2
Current liabilities	**(497)**	(9)
Non-current liabilities	–	–
Equity attributable to owners of the Company	**415**	94
Non-controlling interests	**276**	62
Revenue	**5,469**	215
Cost of sales and expenses	**(4,934)**	(359)
Profit/(Loss) for the year	**535**	(144)
Profit/(Loss) attributable to equity holders of the Company	**321**	(86)
Profit/(Loss) attributable to the non-controlling interests	**214**	(58)
Profit/(Loss) for the year	**535**	(144)
Total comprehensive profit/(loss) attributable to equity holders of the Company	**321**	(86)
Total comprehensive profit/(loss) attributable to the non-controlling interests	**214**	(58)
Total comprehensive profit/(loss) for the year	**535**	(144)
Dividends paid to non-controlling interests	–	–
Cash flows generated from/(used in) operating activities	**657**	(161)
Cash flows used in investing activities	**(47)**	(3)
Cash flows generated from financing activities	–	300
Net cash inflow	**610**	136

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

10 Investment in Subsidiaries (Cont'd)

Summarised financial information in respect of a material non-controlling interest is set out below.

The summarised financial information below represents amounts before intragroup eliminations:

	2016 S$'000	2015 S$'000
HDFC SinPower Ltd.		
Current assets	**1,516**	–
Non-current assets	**4,318**	–
Current liabilities	**(2,178)**	–
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**2,416**	–
Non-controlling interests	**1,240**	–
Revenue	**–**	–
Cost of sales and expenses	**(24)**	–
Loss for the year	**(24)**	–
Loss attributable to owners of the Company	**(16)**	–
Loss attributable to the non-controlling interests	**(8)**	–
Loss for the year	**(24)**	–
Total comprehensive loss attributable to owners of the Company	**(16)**	–
Total comprehensive loss attributable to the non-controlling interests	**(8)**	–
Total comprehensive loss for the year	**(24)**	–
Dividends paid to non-controlling interests	**–**	–
Cash flows used in operating activities	**(761)**	–
Cash flows used in investing activities	**(1,515)**	–
Cash flows generated from financing activities	**3,568**	–
Net cash inflow	**1,292**	–

11 Investment in Associates

	Group		Company	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Unquoted equity shares, at cost				
At the beginning of the year	**7,314**	5,526	**5,814**	4,026
Additions during the year	**2,039**	1,788	**2,039**	1,788
At the end of the year	**9,353**	7,314	**7,853**	5,814
Less: Impairment loss	**–**	–	**(849)**	(849)
Share of net post acquisition reserves	**13,055**	12,798	**–**	–
Share of translation difference	**(117)**	–	**–**	–
	22,291	20,112	**7,004**	4,965

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11 Investment in Associates (Cont'd)

	Name of Company (Country of incorporation and place of business)	Principal activities	Group Cost 2016 S$'000	Group Cost 2015 S$'000	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %
	Held by the Company:					
*	Guangzhou City South Special Coating Company Limited The People's Republic of China	Grit blasting, tank cleaning and painting	**849**	849	**47**	47
**	Aenergy Holdings Company Limited Hong Kong	Investment holding company and its subsidiaries are engaged in constructing, operating and maintaining hydropower plants and the production of electric power	**7,004**	4,965	**25**	25
			7,853	5,814		
	Held by SHS Capital Pte. Ltd.					
***	Serangoon EC Pte. Ltd. Singapore	Real estate development	**1,500**	1,500	**30**	30
			9,353	7,314		

* Audited by ShineWing Certified Public Accountants
** Audited by Moore Stephens Hong Kong
*** Audited by Philip Liew & Co

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with FRSs (adjusted by the Group for equity accounting purposes).

Guangzhou City South

	2016 S$'000	2015 S$'000
Current assets	**3,867**	6,303
Non-current assets	**1,153**	947
Current liabilities	**(10,755)**	(10,693)
Non-current liabilities	–	–
Revenue	**13,637**	36,681
Loss from continuing operations	**(2,497)**	(1,192)
Loss for the year	**(2,497)**	(1,192)
Total comprehensive loss for the year	**(2,497)**	(1,192)
Dividends received from the associate during the year	–	–

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11 Investment in Associates (Cont'd)

Guangzhou City South (Cont'd)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Guangzhou City South recognised in the consolidated financial statements:

	2016 S$'000	2015 S$'000
Net liabilities of the associate	**(5,735)**	(3,443)
Proportion of the Group's ownership in Guangzhou City South	**47%**	47%
Carrying amount of the Group's interest in Guangzhou City South	**–**	–

The Group has not recognised its share of loss for the year of Guangzhou City South amounting to S$1,174,000 (2015: S$560,000) because the Group's cumulative share of losses exceeds its interest in this associate and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to S$2,542,000 (2015: S$1,368,000) at the statement of financial position date.

The Company has recognised full impairment on its investment in Guangzhou City South.

Serangoon EC Pte. Ltd.

	2016 S$'000	2015 S$'000
Current assets	**69,548**	154,232
Non-current assets	**–**	14,432
Current liabilities	**(6,117)**	(117,524)
Non-current liabilities	**(11,212)**	–
Revenue	**15,666**	349,284
Profit from continuing operations	**1,079**	46,202
Profit for the year	**1,079**	46,202
Total comprehensive income for the year	**1,079**	46,202
Dividends received from the associate during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Serangoon EC Pte. Ltd. recognised in the consolidated financial statements:

	2016 S$'000	2015 S$'000
Net assets of the associate	**52,219**	51,140
Proportion of the Group's ownership in Serangoon EC Pte. Ltd.	**30%**	30%
Carrying amount of the Group's interest in Serangoon EC Pte. Ltd.	**15,666**	15,342

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11 Investment in Associates (Cont'd)

Aenergy Holdings Company Limited

	2016 S$'000	2015 S$'000
Current assets	**13,424**	15,929
Non-current assets	**9,632**	2
Current liabilities	**(4,955)**	(3,847)
Non-current liabilities	**–**	–
Non-controlling interest	**(283)**	–
Revenue	**–**	–
Loss from continuing operations	**(266)**	(252)
Loss for the year	**(266)**	(252)
Total comprehensive loss for the year	**(266)**	(252)
Dividends received from the associate during the year	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Aenergy Holdings Company Limited recognised in the consolidated financial statements:

	2016 S$'000	2015 S$'000
Net assets of the associate	**17,818**	12,084
Proportion of the Group's ownership in Aenergy Holdings Company Limited	**25%**	25%
	4,455	3,021
Add: Capital infusion	**2,170**	1,944
Carrying amount of the Group's interest in Aenergy Holdings Company Limited	**6,625**	4,965

On 17 May 2016, Aenergy made a capital call to its shareholders to infuse US$6,000,000 (2015: US$5,000,000). The Group injected US$1,500,000, equivalent to approximately S$2,039,000 (2015: US$1,250,000 equivalent to approximately S$1,788,000), representing a 25% (2015: 25%) of the Group's interest in Aenergy on 16 September 2016 (2015: 6 October 2015). Aenergy has recorded the amount received of approximately S$2,170,000 (2015: S$1,944,000) as the amount due to shareholders and will be converted to equity once the capital call from other shareholders have been completed.

12 Investment in Joint Ventures

	Group		Company	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Unquoted equity shares, at cost				
At the beginning of the year	**–**	–	**–**	–
Additions during the year	**7**	–	**–**	–
At the end of the year	**7**	–	**–**	–
Share of net post acquisition reserves	**(4)**	–	**–**	–
Share of loss transfer to offset against loan receivable from joint ventures (Note 21)	**3**	–	**–**	–
	6	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12 Investment in Joint Ventures (Cont'd)

Details of the Group's material joint venture at the end of the reporting period as follows:

Name of Company (Country of incorporation and place of business)	Principal activities	Group Cost 2016 S$'000	Group Cost 2015 S$'000	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %
* Pacific Land Development Co., Ltd. Myanmar	Provide services related to technical consultancy for construction, mechanical or electrical installation and other services related to construction.	7	–	50	–
** Changi Mega Solar Pte. Ltd. Singapore	Generation of electricity by other sources, transmission, distribution and sale of electricity.	***	–	51	–

* Audited by Zin & Friends Audit Firm
** Audited by Moore Stephens LLP
*** Cost of investment is S$51.

The above joint ventures are accounted for using the equity method in these financial statements.

Aggregate information of joint ventures that are not individually material

	2016 S$'000	2015 S$'000
The Group's share of loss from continuing operations	(4)	–
The Group's share of total comprehensive loss	(4)	–
Aggregate carrying amount of the Group's interest in these joint ventures	6	–

The Group has not recognised the share of loss for the year of a joint venture amounting to S$3,000 (2015: S$Nil) in profit or loss because the Group's cumulative share of losses exceeds its interest in that joint venture and the Group has no obligation in respect of those losses. However, such share of loss and the unrealised profit from transactions with this joint venture totalling S$460,000 (2015: S$Nil) have been accounted for by reducing the loan receivables from this joint venture as disclosed in Note 21 to the financial statements.

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13 Financial Assets, Available-For-Sale

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Unquoted equity shares, at cost				
Balance at the beginning of the year	**19,712**	18,162	**17,136**	15,289
Additions	**–**	1,550	**–**	1,847
Impairment loss	**(1)**	–	**(1)**	–
Balance at the end of the year	**19,711**	19,712	**17,135**	17,136
Unlisted securities:				
– Equity securities – Singapore	**19,711**	19,712	**17,135**	17,136

The investments in unquoted equity shares represent an investment in companies that are engaged in developing, building and operating self-erecting tender rigs, investment holding and real estate. The Group does not intend to dispose of these investments in the foreseeable future.

As at the reporting date, the fair value of the unlisted equity investments cannot be measured reliably because the range of possible fair value estimates is wide and the probabilities of the various estimates within the range cannot be reasonably assessed. These, financial assets available-for-sale if not impaired, are stated at cost.

14 Goodwill

	Group	
	2016	**2015**
	S$'000	**S$'000**
Goodwill on consolidation:		
At cost:		
Balance at the beginning of the year	**26,450**	37,177
Derecognised on disposal of subsidiaries (Note 7)	**–**	(7,973)
Impairment losses recognised in the year	**–**	(2,754)
Balance at the end of the year	**26,450**	26,450

NOTES TO THE FINANCIAL STATEMENTS

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14 Goodwill (Cont'd)

Impairment testing for cash-generating units ("CGU") containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. A segment-level summary of the goodwill allocation is as follows:

	Corrosion prevention		Structural steel and facade engineering		Others		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Goodwill	**1,008**	1,008	**25,442**	25,442	**–**	–	**26,450**	26,450

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. The following are the key assumptions used for the value in use calculations:

	Corrosion prevention		Structural steel and facade engineering		Others	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Gross margin	**22%**	11%	**19%**	20%	–	43%
Growth rate						
Year 1	**-7%**	-16%	**17%**	18%	–	-4%
Year 2	**5%**	10%	**0%**	17%	–	–
Year 3-4	**5%**	0%	**0%**	0%	–	–
Year 5	**0%**	0%	**0%**	0%	–	–
Discount rate	**8%**	5%	**5%**	5%	–	5%
Perpetual growth rate	**0%**	0%	**0%**	0%	–	–

Management believes that the carrying amount of the CGU is not less than its recoverable amount which has been determined based on value in use using cash flow forecasts.

The calculation of value in use for the CGUs are most sensitive to the following assumptions:

(a) Growth rates – the forecasted growth rates are based on published industry research. The growth rate did not exceed the long-term average growth rate for the CGU in which it operates.

(b) Pre-tax discount rate – the discounted rate represents the current market assessment of the risk specific to each CGU.

Management has considered the possibility of greater than budgeted increase/(decrease) in estimated growth rates and the discount rate used. A 1% increase/(decrease) in the estimated growth rate and the discount rate used would not result in a recoverable amount lower than the carrying amount of the CGU.

In 2015, the Group recorded an impairment loss of S$2,754,000 in relation to goodwill attributable to the warehousing and storage handling services included in "others" segment. The goodwill was impaired mainly due to the cessation of chemical hub dealings with the RP segment as a result of the disposal (Note 7). The impairment loss had been included in "other operating expenses" line item in the consolidated statement of comprehensive income.

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15 Intangible Assets

	Capitalised development costs S$'000	Customer listing fee S$'000	Customer contractual backlog S$'000	Total S$'000
Group				
2016				
Cost				
Balance at the beginning and end of the year	**286**	**–**	**2,353**	**2,639**
Accumulated amortisation				
Balance at the beginning of the year	**(176)**	**–**	**(2,353)**	**(2,529)**
Amortisation expense	**(58)**	**–**	**–**	**(58)**
Balance at the end of the year	**(234)**	**–**	**(2,353)**	**(2,587)**
Net book value	**52**	**–**	**–**	**52**
2015				
Cost				
Balance at the beginning of the year	286	283	2,353	2,922
Derecognised on disposal of subsidiaries (Note 7)	–	(283)	–	(283)
Balance at the end of the year	286	–	2,353	2,639
Accumulated amortisation				
Balance at the beginning of the year	(119)	(283)	(1,898)	(2,300)
Amortisation expense	(57)	–	(455)	(512)
Derecognised on disposal of subsidiaries (Note 7)	–	283	–	283
Balance at the end of the year	(176)	–	(2,353)	(2,529)
Net book value	110	–	–	110

The amortisation expense has been included in the line item 'other operating expenses' in the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

16 Inventories

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Inventories, at cost				
Finished goods	**3,476**	3,855	**–**	–
Refined petroleum products (a)	**858**	–	**858**	–
Supplies and spare parts	**46**	55	**–**	–
	4,380	3,910	**858**	–
Work in progress, at cost (b)	**6,093**	289	**–**	–
	10,473	4,199	**858**	–
Allowance for stock obsolescence				
Balance at the beginning of the year	**(116)**	(685)	**–**	–
Derecognised on disposal of subsidiaries (Note 7)	**–**	1,397	**–**	–
Provision during the year	**(444)**	(1,776)	**(429)**	–
Reversal of impairment (c)	**27**	773	**–**	–
Write off during the year	**1**	175	**–**	–
Balance at the end of the year	**(532)**	(116)	**(429)**	–
Net	**9,941**	4,083	**429**	–

The total cost of inventories included in cost of sales amounts to S$6,119,000 (2015: S$298,140,000).

(a) In December 2016, the Company agreed to bear the loss of certain unsold stock of the Disposed Subsidiaries (TAT Group) as disclosed in Note 7 in the event those stock are not sold by TAT Group by 31 December 2017. The risk and reward of those stock have been transferred to the Company on 31 December 2016 and TAT Group will onward sell those stock to customers till 31 December 2017. Accordingly, the Company recognised the carrying amount of the unsold refined petroleum products of S$858,000 as inventories of the Group and the Company. The Company also recognised an allowance for stock obsolescence of S$429,000 being 50% of the carrying value of these stock to profit or loss (included in discontinued operations result) as disclosed in Note 7.

(b) Work in progress relates to construction contracts under structural steel and facade engineering projects.

(c) Reversal of impairment was due to these previously impaired inventories being sold above their carrying amounts during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

17 Trade Receivables

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Trade receivables – third parties	**16,432**	15,528	**418**	1,646
Unbilled receivables	**2,609**	2,483	**113**	344
Amounts due from customers under construction contracts (Note 23)	**2,121**	5,704	–	–
Retention sums on construction contracts	**3,227**	3,017	–	–
	24,389	26,732	**531**	1,990
Less: Allowance for impairment loss on trade receivables				
Balance at the beginning of the year	**(3,214)**	(1,382)	**(457)**	(344)
Allowance during the year	**(278)**	(3,489)	**(4)**	(113)
Derecognised on disposal of subsidiaries (Note 7)	–	1,028	–	–
Currency alignment	**1**	10	–	–
Write off against trade receivables	**223**	539	**104**	–
Reversal of impairment#	**26**	80	**27**	–
Balance at the end of the year	**(3,242)**	(3,214)	**(330)**	(457)
	21,147	23,518	**201**	1,533

Reversal of impairment was due to repayment received during the year from these previously impaired trade receivables.

The credit period for trade receivables ranges from 30 to 90 days (2015: 30 to 90 days). No interest is charged on the outstanding balances of the trade receivables.

18 Amounts due from/(to) Subsidiaries

	Company	
	2016	**2015**
	S$'000	**S$'000**
Amount due from subsidiaries		
– non-trade	**49,008**	22,181
Allowance for impairment loss	**(9,491)**	(9,491)
Current amounts due from subsidiaries	**39,517**	12,690
Amounts due to subsidiaries		
– trade	**(623)**	(1,078)
– non-trade	**(4,357)**	(5,622)
Current amounts due to subsidiaries	**(4,980)**	(6,700)

The non-trade receivables from and payables to subsidiaries are unsecured and repayable on demand and will be settled in cash. The credit period for trade payables ranges from 30 to 90 days (2015: 30 to 90 days). These trade and non-trade balances are interest-free except for an amount due from subsidiaries totalling S$10.3 million (2015: S$2.1 million) which incurred interest of 2% to 5% (2015: 5%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18 Amounts due from/(to) Subsidiaries (Cont'd)

The Group regularly purchases materials and pays expenses on behalf of related parties. The Group have an inter-company balances arrangement to settle the net amount due to or from each other on a quarterly term basis.

The following inter-company balances are subject to offsetting arrangements.

	Gross carrying amount (net impairment) S$'000	Gross amounts offset in the statement of financial position S$'000	Net amounts in the statement of financial position S$'000
2016			
Amounts due from subsidiaries			
– non-trade	**42,537**	**(3,020)**	**39,517**
Amounts due to subsidiaries			
– trade	**(691)**	**68**	**(623)**
– non-trade	**(6,628)**	**2,271**	**(4,357)**
	(7,319)	**2,339**	**(4,980)**
2015			
Amounts due from subsidiaries			
– non-trade	22,917	(10,227)	12,690
Amounts due to subsidiaries			
– trade	(4,299)	3,221	(1,078)
– non-trade	(12,176)	6,554	(5,622)
	(16,475)	9,775	(6,700)

19 Other Receivables and Prepayments

	Group		Company	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
Other receivables:				
– Interest receivable	**1,832**	1,720	**76**	2
– Sundry debtors[(a),(b)]	**12,195**	10,078	**10,000**	10,000
– Loan to a third party[(c)]	**7,556**	7,556	**7,556**	7,556
– Loan to an investee company[(d)]	**2,428**	–	–	–
– Retention monies	**224**	91	–	–
– Deposits[(e)]	**3,634**	732	**7**	22
	27,869	20,177	**17,639**	17,580
Advances to sub-contractors	**2,231**	288	**(1)**	(1)
Prepayments[(e)]	**1,537**	378	**89**	98
GST recoverable	**251**	89	–	37
	31,888	20,932	**17,727**	17,714

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

19 Other Receivables and Prepayments (Cont'd)

(a) Included in sundry debtors is an amount held in escrow of S$10,000,000 (2015: S$10,000,000) in relation to the disposal of subsidiaries (Note 7). The escrow account is maintained for a period commencing on the completion date until the later of:

(i) 12th month anniversary from the completion; and

(ii) Two months after the date on which written response is received from the acquirer of the subsidiaries.

The Group and the Company received this sum subsequent to the financial year end.

(b) Included in sundry debtors is an amount of S$2,093,000 (2015: S$Nil) in relation to the advance capital injection of AUD 2,000,000 to a company incorporated in Australia for a housing development project. This amount will be converted to investment or shareholders' loan once the capital call from other shareholders has been completed.

(c) Loan is extended to Global Fund Capital Pte. Ltd. ("GFC") pursuant to a shareholder agreement entered into for the purpose of GFC's proposed subscription of approximately 1,524,017 shares in Energy Drilling Pte. Ltd. ("ED") for a consideration of US$5,349,300 (equivalent to S$6,822,000), as part of a fundraising exercise by ED and having regard to the business prospects of ED and an additional loan of US$515,478 (equivalent to S$734,000) was advanced to GFC in year 2015. The loan is non-trade in nature, unsecured and repayable on demand.

(d) Loan is extended to an investee company, TLC Joint Stock ("TLC") for S$2,428,000 (2015: S$Nil) as part of advances for their working capital purposes. The loan is non-trade in nature, unsecured, interest free and repayable on demand. As disclosed in Note 40(d), the Group completed the acquisition of TLC subsequent to the financial year end.

(e) Included in deposits and prepayments are amounts of S$3,026,000 and S$1,355,000 (2015: S$Nil) respectively in relation to the advance payment for the progressive purchase of land and other prepaid development costs in relation to the solar project in Bangladesh.

20 Loan Receivable from an Associated Company

Loan to an associated company, Serangoon EC Pte. Ltd., is pursuant to an agreement entered into among the associate's shareholders. The loan is unsecured and repayable on demand. Interest is chargeable at 6.5% (2015: 6.5%) per annum.

21 Amount due from/Loan Receivables from Joint Ventures

	Group	
	2016	2015
	S$'000	S$'000
Amount due from a joint venture – trade (a)	328	–
Loan receivables from joint ventures:		
– Loan receivable 1: (b)		
Original amount as per loan agreement	2,681	–
Share of loss transfer from investment in joint ventures (Note 12)	(3)	–
Elimination of unrealised profit for inter-co transaction	(457)	–
	2,221	–
– Loan receivable 2 (c)	412	–
	2,633	–

(a) Amount due from a joint venture is trade in nature and interest-free. The credit period is 30 days.

(b) Loan receivable 1 was granted to Changi Mega Solar Pte. Ltd. ("CMS"), pursuant to the shareholders' loan agreement entered into between the two joint venture's shareholders for a total loan of S$5,044,108. This loan is to finance the construction of the solar power plant of the CMS. The Group's contribution of S$2,681,000 is unsecured, interest free and is repayable within one year. The loan may be renewed thereafter at the shareholders' sole discretion on terms and conditions as the shareholders may deem fit.

As at 31 December 2016, the carrying amount of the loan receivable is S$2,221,000 after elimination of the share of loss and unrealised profit of transactions with CMS.

(c) Loan receivable 2 was granted to Pacific Land Development Co., Ltd. ("PLDC") pursuant to an agreement entered into among the joint venture's shareholders. The loan receivable 2 of US$306,970 (equivalent to S$412,000) is unsecured, interest free and is repayable on demand in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22 Cash and Bank Balances

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Cash and bank balances:				
Cash at bank and on hand	**19,792**	102,224	**3,787**	90,691
Short-term bank deposits	**51,000**	1,531	**51,000**	1,531
	70,792	103,755	**54,787**	92,222

Short-term bank deposits of the Company and a subsidiary with a total amount of S$Nil (2015: S$1,200,000) are pledged to certain banks to secure the bank facilities (Notes 26 and 27). These deposits bear an average effective interest rate of 0.19% to 1.68% (2015: 0.32% to 0.98%) per annum and for a tenure of approximately 30 days to 92 days (2015: 180 days to 1 year).

For the purpose of presenting the consolidated cash flow statement, the consolidated cash and cash equivalents comprise the following:

	Group	
	2016	2015
	S$'000	S$'000
Cash and bank balances (as above)	**70,792**	103,755
Less: Bank deposits pledged	–	(1,200)
Cash and cash equivalents per consolidated statement of cash flows	**70,792**	102,555

The bank deposit of S$1.2 million was pledged for bank facilities of the disposed group of subsidiaries, TAT Group as disclosed in Note 7, which was discharged and released during the current financial year.

23 Construction Contracts

	Group	
	2016	2015
	S$'000	S$'000
Construction costs incurred plus recognised profits less losses to date	**32,610**	37,205
Less: Progress billings	**(30,489)**	(31,501)
Amounts due from customers under construction contracts (Note 17)	**2,121**	5,704

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

24 Trade Payables and Accruals

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Trade payables	**8,182**	7,411	**772**	91
Accruals	**4,129**	6,630	**950**	3,362
	12,311	14,041	**1,722**	3,453

The credit period for trade payables ranges from 30 to 90 days (2015: 30 to 90 days). No interest is charged on the trade payables for the outstanding balances.

25 Other Payables

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Other payables:				
– Deposits from customers	**145**	350	–	–
– Retention payables	**1,098**	1,057	–	–
– Sundry payables	**2,810**	537	**222**	236
	4,053	1,944	**222**	236
Foreign workers' tax withheld	**90**	102	90	102
GST clearing	**254**	337	**(49)**	–
	4,397	2,383	**263**	338

Included in sundry payables is an amount of S$2,172,000 (2015: S$Nil) which is due to a non-controlling interest of a subsidiary for the progressive acquisition of land in Bangladesh.

26 Term Loans

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Current:				
Term loan 1	–	150	–	–
Term loan 2	**18**	–	–	–
	18	150	–	–
Non-current				
Term loan 2	**3,840**	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26 Term Loans (Cont'd)

(a) Term loan 1 with a balance of S$150,000 as at 31 December 2015 was fully repaid in March 2016.

(b) Term loan 2 with a principal amount of S$3,998,625 was drawn down in November 2016 and is repayable in 42 months at a monthly instalment of S$28,077 (comprise principal and interest) for 1st to 41st and the remaining balance is to be fully settled together with all interest thereon. The instalment will commence 13 months from the date of draw down i.e. in December 2017. Interest is payable on a monthly basis from the date of draw down. This term loan is to finance the purchase of freehold industrial land in Malaysia by a subsidiary TLC Modular Sdn. Bhd. ("TLCM") as disclosed in Note 9. This term loan together with other credit facilities granted to TLCM are secured by its land and corporate guarantee executed by the Company which is included in (c) below.

(c) The credit facilities of the Group and the Company are secured by the following:

- First legal mortgage over 81 Tuas South Street 5, Singapore 637651;
- First legal mortgage over 19 Tuas Avenue 20, Singapore 638830;
- First legal mortgage over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu, Daerah Pontian, Johor, Malaysia;
- Corporate guarantee from the Company for a total of S$42.93 million (2015: S$136.3 million); and
- First deed of debenture duly executed, incorporating a fixed and floating charge over the present and future undertaking, assets, revenues and rights of a subsidiary.

(d) Interest rate

The average effective interest rates paid during the year were 2.73% to 2.77% (2015: 2.50% to 2.70%) per annum.

27 Other Amounts due to Bankers

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Current:				
Trust receipts				
[secured-see note 26(c)]	**5,314**	6,229	–	–

The trust receipts incur interest at a rate of 2.05% to 3.07% (2015: 1.80% to 1.96%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

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28 Finance Leases

The Group acquired certain plant and equipment under finance leasing facilities. The interest rates implicit in the leases are between 3.0% to 4.3% (2015: 3.0% to 3.3%) per annum. Future minimum lease payments under the finance lease arrangements together with the present value of the net minimum lease payments are as follows:

	Minimum payments 2016 S$'000	Present value of payments 2016 S$'000	Minimum payments 2015 S$'000	Present value of payments 2015 S$'000
Group				
Within one year	**120**	**103**	230	210
After one year but not more than five years	**295**	**278**	415	386
Total minimum lease payments	**415**	**381**	645	596
Amount representing finance charges	**(34)**	**–**	(49)	–
Present value of minimum lease payments	**381**	**381**	596	596

All assets acquired under finance lease are secured and the net book value of relevant assets acquired under the finance lease is disclosed under Note 9.

The finance lease arrangements do not contain any escalation clauses and do not provide for contingent rents. The terms of the finance lease do not contain any restrictions on the Group activities concerning dividends, additional debts or entering into other finance lease agreements.

29 Deferred Income Tax

	Group		Company	
	2016 S$'000	2015 S$'000	2016 S$'000	2015 S$'000
At the beginning of the year	**2,202**	3,503	**707**	1,084
Disposal-discontinued operation	**–**	(723)	**–**	–
Reduction				
– Recognised in profit or loss	**(187)**	(578)	**(74)**	(377)
At the end of the year	**2,015**	2,202	**633**	707
Deferred tax liabilities	**2,015**	2,202	**633**	707

The deferred tax liabilities relate to temporary differences arising from the excess of the net book value over the tax written down value of property, plant and equipment and revaluation to fair value of leasehold buildings.

NOTES TO THE FINANCIAL STATEMENTS

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29 Deferred Income Tax (Cont'd)

Unrecognised deferred tax assets

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. The Group has unrecognised tax losses of approximately S$2,019,000 (2015: S$3,393,000) and capital allowances of S$751,000 (2015: S$487,000) at the statement of financial position date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The deferred tax assets of approximately S$471,000 (2015: S$660,000) has not been recognised in accordance with the accounting policy of the Group as disclosed in Note 2(u). The tax losses have no expiry date.

30 Share Capital

	Group and Company	
	2016	**2015**
	S$'000	**S$'000**
Issued and fully paid, with no par value:		
At the beginning of the year		
626,087,386 (2015: 625,561,178) ordinary shares	**143,730**	143,625
Issuance of shares during the year		
84,530,775 (2015: 526,208) ordinary shares	**16,906**	105
At the end of the year		
710,618,161 (2015: 626,087,386) ordinary shares	**160,636**	143,730

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, except for treasury shares, at a general meeting of the Company and rank equally with regards to the Company's residual assets.

31 Treasury Shares

	Group and Company	
	2016	**2015**
	S$'000	**S$'000**
At the beginning of the year		
17,100,000 (2015: 17,100,000) treasury shares	**(3,226)**	(3,226)
Shares buy-back during the year		
8,390,900 (2015: Nil) treasury shares	**(1,777)**	–
At the end of the year		
25,490,900 (2015: 17,100,000) treasury shares	**(5,003)**	(3,226)

NOTES TO THE FINANCIAL STATEMENTS

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32 Reserves

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Made up of:				
– Retained earnings	**59,499**	75,450	**30,144**	50,794
– Asset revaluation reserve (a)	**1,748**	1,748	**2,874**	2,874
– Foreign currency translation reserve (b)	**897**	1,400	**–**	–
– Other reserve (c)	**–**	–	**3,297**	3,297
Total	**62,144**	78,598	**36,315**	56,965

(a) The asset revaluation reserve represents the revaluation surplus in respect of leasehold buildings of the Group and the Company as disclosed in Note 9.

(b) The foreign currency translation reserve represents exchange difference arising from investments in foreign subsidiaries.

(c) The other reserve of the Company arising from an internal restructuring carried out by the Company as disclosed in Note 10 (a). This represents the difference between the consideration shares of SHS CP and the carrying amount of net assets of the transferred group of entities in which the Company has an interest, to its wholly owned subsidiary SHS CP.

33 Commitments

(a) Operating Leases

The Group and the Company leases its lands, office and warehouse premises under non-cancellable operating lease agreements. There are no restrictions placed upon the Group and the Company by entering into the leases and the leases have varying terms, escalation clauses and renewal rights. The operating lease expenditure charged to profit or loss during the financial year is disclosed in Note 6.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for at the statement of financial position date but not recognised as liabilities, are analysed as follows:

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
Not later than one year	**934**	1,212	**278**	249
Later than one year but not later than five years	**2,248**	2,861	**1,044**	996
More than five years	**7,510**	13,351	**2,186**	2,333
	10,692	17,424	**3,508**	3,578

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33 Commitments (Cont'd)

(b) Other Commitments

(i) The Group and Company has uncalled capital commitments amounting to S$5.9 million (2015: S$7.6 million) in relation to uncalled capital of financial assets available-for-sale and an associated company as at 31 December 2016.

(ii) The Group has capital commitments in relation to purchase of machineries and land which are contracted but not accounted for as at 31 December 2016 totalling S$3.9 million (2015: S$Nil).

(iii) The Company has given an undertaking to continue to provide financial support to certain subsidiaries for the next 12 months from the date of authorisation of their financial statements.

(c) Corporate guarantees

The corporate guarantees executed by the Company to its subsidiaries and an associate for credit facilities as disclosed in Note 26 were not recorded at fair value, as in the opinion of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had those guarantees not been available, is not material.

34 Related Party Transactions

During the financial year, the Group entered into transactions with related parties, on terms agreed between the parties, as shown below:

		Group	
		2016	**2015**
		S$'000	**S$'000**
(a)	Key management personnel compensation		
	The remuneration of executive directors and key management is as follows:		
	Salaries and other short-term employee benefits	**2,438**	4,799
	Defined contribution plans	**122**	100
		2,560	4,899
	Directors' fees to non-executive directors	**564**	284
		3,124	5,183
	Comprise amounts paid to:		
	Directors of the Company	**1,863**	3,273
	Key management personnel	**1,261**	1,910
		3,124	5,183
(b)	Professional fees paid to a firm in which a director is a partner of the firm.	**22**	189
(c)	Sales to a joint venture	**2,533**	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

35 Directors' Remuneration

	Group	
	2016	**2015**
Number of Directors in remuneration bands of:		
S$1,250,000 to S$1,500,000	–	1
S$750,000 to S$999,999	–	1
S$500,000 to S$749,999	**1**	1
S$250,000 to S$499,999	**2**	–
Below S$250,000	**4**	6
	7	9

36 Dividends

	Group and Company	
	2016	**2015**
	S$'000	**S$'000**
Declared and paid:		
Final dividend of 0.93 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2014	–	5,659
Final dividend of 0.32 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2015	**2,219**	–
Special dividend of 3.68 cents (2015: Nil) per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2015	**25,522**	–
	27,741	5,659

37 Segment Information

Products and services from which reportable segments derive their revenues

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is also focused on the two principal reportable segments of the Group. The Group's reportable segments under FRS 108 are therefore as follows:

– Corrosion prevention
– Solar Energy
– Structural steel and facade engineering
– Others

The corrosion prevention segment provides coating services to marine, oil and gas, construction and infrastructure industries.

NOTES TO THE FINANCIAL STATEMENTS

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37 Segment Information (Cont'd)

The solar energy segment specialises in solar energy development and M&E works.

The structural steel and facade engineering is in the business of designing, engineering and construction of steel, aluminium and glass structures.

Others segment consists of property development business, warehousing, storage handling services, corporate head office and strategic investments.

(a) Segment Revenues and Results

Information regarding the Group's reportable segments is presented below.

The following is an analysis of the Group's revenue and results from operations by reportable segment:

	Corrosion prevention		Solar Energy		Structural steel and facade engineering		Others		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Segment revenue	**17,589**	23,020	**3,269**	–	**34,196**	38,827	**1,081**	880	**56,135**	62,727
Segment result	**2,356**	3,054	**129**	–	**7,529**	4,061	**233**	(119)	**10,247**	6,996
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	(2,754)	**–**	(2,754)
Impairment of property, plant and equipment	**–**	–	**–**	–	**–**	–	**(544)**	–	**(544)**	–
Finance cost	**–**	–	**–**	–	**(133)**	(90)	**(2)**	(10)	**(135)**	(100)
Share of profit of associated companies, net of tax									**257**	13,797
Share of loss of joint venture, net of tax									**(4)**	–
Central administration costs and directors' salaries									**(8,610)**	(9,536)
Other income									**2,853**	698
Profit before tax									**4,064**	9,101

Revenue reported above represents revenue generated from external customers. Inter-segment sales for the year 2016 is S$2,886,000 (2015: S$11,710,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2(x). Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates and other income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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37 Segment Information (Cont'd)

(b) Segment Assets and Liabilities

	Group 2016 S$'000	Group 2015 S$'000
Segment assets		
Corrosion prevention	**29,063**	32,593
Solar Energy	**14,764**	–
Structural steel and facade engineering	**86,732**	61,855
Others	**118,073**	151,962
Total segment assets	**248,632**	246,410
Consolidated assets	**248,632**	246,410
Segment liabilities		
Corrosion prevention	**5,137**	8,547
Solar Energy	**2,830**	–
Structural steel and facade engineering	**18,179**	11,710
Others	**115**	3,142
Total segment liabilities	**26,261**	23,399
Unallocated liabilities		
– Provision for taxation	**528**	858
– Deferred income tax	**2,015**	2,202
Consolidated liabilities	**28,804**	26,459

(c) Other Segment Information

	Group: Depreciation and amortisation		Group: Additions to non-current assets	
	Year ended 2016 S$'000	Year ended 2015 S$'000	Year ended 2016 S$'000	Year ended 2015 S$'000
Corrosion prevention	**1,760**	1,757	**389**	633
Solar Energy	**9**	–	**1,562**	–
Structural steel and facade engineering	**1,118**	1,740	**17,593**	2,585
Others	**143**	315	**2,048**	1,788
	3,030	3,812	**21,592**	5,006

In addition to depreciation and amortisation and additions to non-current assets reported above, impairment losses of S$544,000 (2015: S$Nil) and S$Nil (2015: S$2,754,000) were recognised in profit or loss in respect of property, plant and equipment and goodwill respectively and are attributable to "Others segment".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37 Segment Information (Cont'd)

(d) Geographical Information

The Group's continuing operation is primarily carried out in Singapore. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical location are detailed below:

	Group's revenue from external customers		Group's non-current assets[c]	
	Year ended 2016 S$'000	Year ended 2015 S$'000	As at 31/12/16 S$'000	As at 31/12/15 S$'000
Singapore	**53,444**	56,380	**85,249**	73,724
Rest of South East Asia[a]	**2,636**	6,199	**4,823**	73
People's Republic of China	**1**	39	**4**	12
Others[b]	**54**	109	**1,516**	1
	56,135	62,727	**91,592**	73,810

(a) Rest of South East Asia includes Malaysia, Vietnam, Thailand and Indonesia.
(b) Others include Mongolia, Korea, Bangladesh and others.
(c) Non-current assets exclude financial assets available for sale.

(e) There was no single individual customer, which contributed significantly to the Group's revenue.

38 Financial Instruments

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

(a) Financial Risk Management Objectives and Policies

(i) Interest rate risk

The Group and Company obtain accounts receivable financing, letters of credit, trust receipts and overdraft facilities and term loans from banks. The Group's and Company's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(i) Interest rate risk (Cont'd)

The tables below set out the Group's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed Rates		Variable Rates		Non-Interest bearing	Total
Group	**Less than 1 year S$'000**	**1 to 5 years S$'000**	**Less than 1 year S$'000**	**1 to 5 years S$'000**	**S$'000**	**S$'000**
At 31 December 2016						
Financial assets						
Cash and bank balances	51,000	–	–	–	19,792	70,792
Trade and other receivables*	–	–	–	–	49,016	49,016
Loan receivable from an associated company	600	–	–	–	–	600
Amount due from joint ventures	–	–	–	–	328	328
Loan receivable from joint ventures	–	–	–	–	2,633	2,633
Other financial assets	–	–	–	–	19,711	19,711
Total financial assets	51,600	–	–	–	91,480	143,080
Financial liabilities						
Trade and other payables*	–	–	–	–	16,364	16,364
Term loans	–	–	18	3,840	–	3,858
Other amounts due to bankers	–	–	5,314	–	–	5,314
Finance leases	103	278	–	–	–	381
Total financial liabilities	103	278	5,332	3,840	16,364	25,917

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(i) *Interest rate risk (Cont'd)*

	Fixed Rates		Variable Rates		Non-Interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
Group	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
At 31 December 2015						
Financial assets						
Cash and bank balances	1,531	–	–	–	102,224	103,755
Trade and other receivables*	–	–	–	–	43,695	43,695
Loan receivable from an associated company	600	–	–	–	–	600
Other financial assets	–	–	–	–	19,712	19,712
Total financial assets	2,131	–	–	–	165,631	167,762
Financial liabilities						
Trade and other payables*	–	–	–	–	15,985	15,985
Term loans	–	–	150	–	–	150
Other amounts due to bankers	–	–	6,229	–	–	6,229
Finance leases	210	386	–	–	–	596
Total financial liabilities	210	386	6,379	–	15,985	22,960

* Financial assets excluded prepayments, advances to sub-contractors and GST recoverable and financial liabilities excluded GST clearing and foreign workers' tax held.

A 100 basis point increase/decrease in the underlying borrowings at variable rates at the reporting date would decrease/increase profit or loss by the following amount:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Profit after tax	**76**	53

This analysis assumes that all other variables remain constant.

The Company does not have any significant interest bearing borrowings or interest-earning assets that exposes it to interest rate risk on variable rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(ii) Credit risk

Credit risk is limited to the risk arising from the inability of a debtor to make payments when due. It is the Group's policy to provide credit terms to creditworthy customers. These debts are continually monitored and therefore, the Group does not expect to incur material credit losses.

The carrying amount of trade and other receivables, loan receivable from an associated company, loan receivable and amount due from joint ventures and cash and bank balances and fixed deposits represent the Group's maximum exposure to credit risk. No other financial assets carry a significant exposure to credit risk.

In addition, the Group's exposure to credit risk in relation to financial guarantee given to banks provided by the Group. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of reporting period are as follows:

Corporate guarantees provided to financial institutions on borrowings of subsidiaries and associated companies:

	Company	
	2016	2015
	S$'000	S$'000
Total facilities	**42,932**	138,146
Total outstanding	**9,172**	6,379

The credit risk for financial assets (trade and other receivables including amount due from a joint venture and loan receivables) based on information provided by key management is as follows:

	Group		Company	
	2016	2015	2016	2015
	S$'000	S$'000	S$'000	S$'000
By geographical areas				
Singapore	**44,734**	41,761	**17,840**	19,113
Vietnam	**2,428**	–	**–**	–
People's Republic of China	**233**	232	**–**	–
Rest of South East Asia	**1,181**	2,149	**–**	–
Others	**4,001**	153	**–**	–
	52,577	44,295	**17,840**	19,113

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(ii) Credit risk (Cont'd)

a. Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are credit worthy companies with a good payment record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default. Trade and other receivables including loan receivables and amount due from a joint venture of the Group and the Company that are neither past due nor impaired amounted to S$42,359,000 (2015: S$27,453,000) and S$17,776,000 (2015: S$17,605,000) respectively.

b. The aged analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Past due within 30 days	**1,215**	8,398	–	44
Past due 31 to 60 days	**970**	1,885	–	105
Past due 61 to 90 days	**888**	860	**9**	266
Past due over 90 days	**7,145**	5,699	**55**	1,093
	10,218	16,842	**64**	1,508

The Group believes that the unimpaired amounts that are past due by more than 90 days are still collectible, based on historic payment behaviour and extensive analyses of customer credit risk, including underlying customers' credit ratings, when available.

The carrying amount of trade receivables individually determined to be impaired at the statement of financial position date is as follows:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Trade receivables-nominal amounts	**3,242**	3,214
Less: Allowance for impairment	**(3,242)**	(3,214)
	–	–

The impaired trade receivable arose from long outstanding amounts due from customers which remained unpaid at the statement of financial position date and accordingly there are significant uncertainties over the recovery of these amounts due from these customers. The movement of the impairment accounts is disclosed in Note 17.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(iii) Liquidity risk

The Group currently obtains funding mainly from accounts receivable financing, letters of credit, trust receipts and overdraft facilities and term loan facilities from banks.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flow:

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Group						
At 31 December 2016						
Financial liabilities						
Trade and other payables*	**16,364**	**16,364**	–	–	–	**16,364**
Term loans	**3,858**	**28**	**674**	**3,642**	–	**4,344**
Other amounts due to bankers	**5,314**	**5,314**	–	–	–	**5,314**
Finance leases	**381**	**120**	**295**	–	–	**415**
	25,917	**21,826**	**969**	**3,642**	–	**26,437**
At 31 December 2015						
Financial liabilities						
Trade and other payables*	15,985	15,985	–	–	–	15,985
Term loans	150	151	–	–	–	151
Other amounts due to bankers	6,229	6,229	–	–	–	6,229
Finance leases	596	230	415	–	–	645
	22,960	22,595	415	–	–	23,010

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(iii) Liquidity risk (Cont'd)

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Company						
At 31 December 2016						
Financial liabilities						
Trade and other payables*	**1,944**	**1,944**	**–**	**–**	**–**	**1,944**
Amounts due to subsidiaries	**4,980**	**4,980**	**–**	**–**	**–**	**4,980**
	6,924	**6,924**	**–**	**–**	**–**	**6,924**
At 31 December 2015						
Financial liabilities						
Trade and other payables*	3,689	3,689	–	–	–	3,689
Amounts due to subsidiaries	6,700	6,700	–	–	–	6,700
	10,389	10,389	–	–	–	10,389

* Financial liabilities excluded GST clearing and foreign workers' tax held.

In the management of its liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The Group relies on bank borrowings as a significant source of liquidity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(iii) *Liquidity risk (Cont'd)*

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Company						
At 31 December 2016						
Financial guarantees	**42,932**	**42,932**	**–**	**–**	**–**	**42,932**
At 31 December 2015						
Financial guarantees	138,146	138,146	–	–	–	138,146

(iv) Foreign currency risk

The Group operates internationally and is exposed to various currencies, mainly to US Dollars.

The Group uses forward foreign exchange contracts to hedge a portion of its future foreign exchange exposures. Such contracts provide for the Group to buy/sell United States dollar at predetermined forward rates, depending on forecast requirements, with settlement dates that are within the next one month. The Group uses forward contracts purely as a hedging tool. It does not take a position in currencies with a view to make speculative gains from currency movements.

The fair value of the forward foreign contracts are calculated based on current market rates. As at 31 December 2016, the Group has notional exchange value of the outstanding forward foreign exchange contracts was US$50,000 (equivalent to S$71,000) (2015: US$1.5 million equivalent to S$2.1 million) which have maturity date within 1 month (2015: 3 months) from the reporting date. Management has assessed that the fair value of the outstanding forward foreign exchange contracts to be insignificant as at the statement of financial position date.

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(iv) Foreign currency risk (Cont'd)

The Group's currency exposure based on the information provided to key management is as follows:

Group	USD S$'000	RMB S$'000	MYR S$'000	Others S$'000
At 31 December 2016				
Financial assets				
Cash and bank balances	1,706	128	1,271	1,303
Trade and other receivables*	12,059	233	682	4,001
	13,765	361	1,953	5,304
Financial liabilities				
Other amounts due to bankers	–	–	–	–
Trade payables and accruals	253	197	155	153
Other payables*	2,214	9	2	7
	2,467	206	157	160
Net financial assets	11,298	155	1,796	5,144
Less: Forward exchange contracts	(71)	–	–	–
Sub-total	11,227	155	1,796	5,144
Less: Net financial assets denominated in the respective entity's functional currency	–	(155)	(1,796)	(4,184)
Currency exposure	11,227	–	–	960

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(iv) Foreign currency risk (Cont'd)

Group	USD S$'000	RMB S$'000	MYR S$'000	Others S$'000
At 31 December 2015				
Financial assets				
Cash and bank balances	1,901	281	1,349	30
Trade and other receivables*	7,820	232	1,843	18
	9,721	513	3,192	48
Financial liabilities				
Other amounts due to bankers	3,603	–	–	–
Trade payables and accruals	497	9	272	282
Other payables*	–	–	3	3
	4,100	9	275	285
Net financial assets/(liabilities)	5,621	504	2,917	(237)
Less: Forward exchange contracts	(2,124)	–	–	–
Sub-total	3,497	504	2,917	(237)
Less: Net financial liabilities/(assets) denominated in the respective entity's functional currency	–	(504)	(2,917)	237
Currency exposure	3,497	–	–	–

* Financial assets excluded prepayments, advances to sub-contractors and GST recoverable and financial liabilities excluded GST clearing and foreign workers' tax held.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(iv) Foreign currency risk (Cont'd)

Sensitivity analysis

If the Singapore dollar strengthens by 5% against the United States Dollar, profit after tax of the Group will increase by:

	Group	
	2016	**2015**
	S$'000	**S$'000**
Group's profit after tax	**466**	145

For a 5% weakening of the S$ against the relevant currency, there would be a comparable impact on the profit after tax.

(v) Capital risk

The Group's and the Company's objectives when managing capital are: (a) to safeguard the Group's and the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Group and the Company set the amount of capital in proportion to risk. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group's and the Company's overall strategy remains unchanged from 2015.

The Group and the Company are not subject to any externally imposed capital requirements.

The Group and the Company monitor capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (excluding provision for tax and deferred income tax) less cash and bank balances. Equity comprises all components of equity (i.e. share capital, retained earnings, and reserves).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38 Financial Instruments (Cont'd)

(a) Financial Risk Management Objectives and Policies (Cont'd)

(v) Capital risk (Cont'd)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Net debt	**N.M.**	N.M.	**N.M.**	N.M.
Equity	**217,510**	219,102	**191,948**	197,469
Net debt-to-equity ratio	**–**	–	**–**	–

* N.M. – Not meaningful as the Group's and Company's cash and cash equivalents exceeded its total liabilities as at 31 December 2016.

39 Fair Value of Assets and Liabilities

The carrying amounts of the Group's and Company's current assets and current liabilities approximate their fair values due to their short-term maturity.

(a) Fair Value Hierarchy

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

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other that 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.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39 Fair Value of Assets and Liabilities (Cont'd)

(b) Assets measured at Fair Value

The following table presents the assets measured at fair value as at the statement of financial position date:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2016				
Leasehold properties	**–**	**18,975**	**–**	**18,975**
2015				
Leasehold properties	–	20,710	–	20,710
Company				
2016				
Leasehold properties	**–**	**8,136**	**–**	**8,136**
2015				
Leasehold properties	–	8,707	–	8,707

There was no transfer between Level 1 and Level 3 during the financial year ended 31 December 2016 and 31 December 2015.

(c) Level 2 Fair Value Measurements

Description of the valuation techniques and inputs used in the fair value measurement for assets that are categorised within Level 2 of the fair value hierarchy:

Leasehold properties

The valuation of leasehold properties is based on comparable market transactions that consider sales of similar properties that have been transacted in the open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39 Fair Value of Assets and Liabilities (Cont'd)

(d) Fair value of assets and liabilities that are not measured at fair value on recurring basis (but fair value disclosures are required)

The following table shows an analysis of the Group's and Company's financial assets and financial liabilities not measured at fair value at 31 December but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets Level 1 S$'000	**Significant observable inputs other than quoted price Level 2 S$'000**	**Significant unobservable inputs Level 3 S$'000**	**Total S$'000**	**Carrying amount S$'000**
Group					
At 31 December 2016					
Assets					
Available-for-sale financial assets					
– Unquoted securities	–	–	#	#	19,711
	–	–	#	#	19,711
Liabilities					
Term loans (non-current)	–	–	3,976	3,976	3,840
Finance leases (non-current)	–	–	295	295	278
At 31 December 2015					
Assets					
Available-for-sale financial assets					
– Unquoted securities	–	–	#	#	19,712
	–	–	#	#	19,712
Liabilities					
Finance leases (non-current)	–	–	415	415	386

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39 Fair Value of Assets and Liabilities (Cont'd)

(d) Fair value of assets and liabilities that are not measured at fair value on recurring basis (but fair value disclosures are required) (Cont'd)

	Fair value measurements at the end of the reporting period using				
	Quoted prices in active markets for identical assets Level 1 S$'000	**Significant observable inputs other than quoted price Level 2 S$'000**	**Significant unobservable inputs Level 3 S$'000**	**Total S$'000**	**Carrying amount S$'000**
Company					
At 31 December 2016					
Assets					
Available-for-sale financial assets					
– Unquoted securities	–	–	#	#	17,135
At 31 December 2015					
Assets					
Available-for-sale financial assets					
– Unquoted securities	–	–	#	#	17,136

Fair value information has not been disclosed for the Group's and Company's investments in unquoted securities that are carried at cost less impairment (if any) because fair value cannot be measured reliably. These equity securities represent investments in companies that are not quoted on any market and do not have any comparable industry peer that is listed.

Fair value of these financial assets included in Level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis at market incremental lending rates for similar types of lending or leasing arrangements at the end of the reporting period, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values. This framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs.

If third party information is used to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified. Significant valuation issues are reported to the Group Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

40 Subsequent Events after Statement of Financial Position Date

	Group and Company	
	2016	**2015**
	S$'000	**S$'000**
(a) After the statement of financial position date, the Directors proposed the following dividends:		
– Final dividend of 0.25 cents (2015: 0.32 cents) per ordinary share, tax-exempt one-tier	**1,713**	1,979
– Special dividend of Nil cents (2015: 3.68 cents) per ordinary share, tax-exempt one-tier	–	22,763

Subsequent to the year end, the proposed dividends are calculated based on total ordinary shares issued as at the reporting year end, excluding treasury shares. The proposed dividends in respect of the current financial year ended 31 December 2016 will be recorded as a liability on the statement of financial position of the Company and the Group in the financial year ending 31 December 2017, subject to approval of the shareholders at the next Annual General Meeting of the Company.

(b) On 9 January 2017, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd. ("Sinenergy Holdings") and Chua Kok Leong ("CKK"), entered into a Sale Purchase Agreement with Ditrolic (S) Pte. Ltd. ("Ditrolic") to acquire its entire 29% interest in Sinenergy Pte. Ltd. ("SPL") for an amount in cash equal to the audited net book value of shares as at 31 December 2016 or S$200,000 whichever is the higher. Following the completion of the Sale Purchase Agreement, the Group's effective interest in SPL increased by 25% from 60% to 85% and the balance 4% interest is acquired by CKK.

(c) On 3 February 2017, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd. ("Sinenergy Holdings"), incorporated a new subsidiary, Hua Sheng Energy Pte. Ltd. ("Hua Sheng") with an issued and paid up share capital of S$100,000 comprising 100,000 ordinary shares and is fully owned by Sinenergy Holdings.

(d) On 4 November 2016, the Company through its wholly owned subsidiary Hetat Holdings Pte. Ltd. ("Hetat") entered into a conditional Share Purchase Deed with Ms Duong Thi Thuy Mai ("Vendor"), in relation to the proposed acquisition of 60% of the total issued and paid up share capital of TLC Modular Construction Joint Stock Company, Vietnam ("TLC") with total consideration of US$4,215,000.

On completion of the acquisition, US$3,375,000 will be paid to the Vendor and the balance of the consideration shall be paid subject to the conditions set out in the Share Purchase Deed, which includes the achievement of certain targets.

The acquisition of TLC has been completed on 7 February 2017 and consequently TLC becomes a 60% owned subsidiary of the Group.

(e) On 30 March 2017, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd. ("Sinenergy Holdings"), setting up a new subsidiary in Vietnam, Sinenergy TL Energy Joint Stock Company ("Sinenergy Vietnam") with a paid up share capital of VND5,000,000,000 (equivalent to S$302,000) company 500,000 shares and is 65% owned by Sinenergy Holdings.

STATISTICS OF SHAREHOLDINGS

As at 24 March 2017

Number of Issued Shares (excluding Treasury Shares)	:	685,127,261
Number/Percentage of Treasury Shares against total number of Issued Shares (excluding Treasury Shares)	:	25,490,900 (3.72%)
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	400	12.98	4,501	0.00
100 – 1,000	151	4.90	105,625	0.02
1,001 – 10,000	837	27.16	6,300,766	0.92
10,001 – 1,000,000	1,651	53.57	132,449,892	19.33
1,000,001 AND ABOVE	43	1.39	546,266,477	79.73
TOTAL	**3,082**	**100.00**	**685,127,261**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CIMB SECURITIES (SINGAPORE) PTE. LTD.	191,572,704	27.96
2	CITIBANK NOMINEES SINGAPORE PTE LTD	63,995,875	9.34
3	PHILLIP SECURITIES PTE LTD	46,894,788	6.84
4	OCBC SECURITIES PRIVATE LIMITED	45,321,400	6.62
5	SBS NOMINEES PRIVATE LIMITED	38,042,526	5.55
6	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	37,359,527	5.45
7	ONG ENG LOKE	11,160,000	1.63
8	DBS NOMINEES (PRIVATE) LIMITED	10,565,422	1.54
9	STONE ROBERT ALEXANDER	9,750,000	1.42
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,742,301	1.42
11	KHOO THOMAS CLIVE	7,550,000	1.10
12	RICHILL INDUSTRIES PTE LTD	6,600,000	0.96
13	ELIZABETH OOI HEAN GIN	6,539,000	0.95
14	UOB KAY HIAN PRIVATE LIMITED	5,982,100	0.87
15	VICTOR ENTERPRISES PTE LTD	4,893,000	0.71
16	ENTRACO VENTURE CORPORATION PTE LTD	3,970,500	0.58
17	LIM CHEE SENG	3,400,000	0.50
18	SIAH SIEW GEOK	2,943,600	0.43
19	AW YONG WEE	2,282,000	0.33
20	LEE OON GIM	2,274,500	0.33
	TOTAL	**510,839,243**	**74.53**

STATISTICS OF SHAREHOLDINGS

As at 24 March 2017

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 24 March 2017)

	Direct Interest	%	Deemed Interest	%
Teng Choon Kiat[1]	1,250,000	0.18	193,688,100	28.27
Ng Han Kok[2]	–	–	119,446,053	17.43

Notes:

(1) Teng Choon Kiat's deemed interest arising from 3,970,500 shares held by a corporation wholly owned by him and 189,717,600 shares registered under CIMB Securities (Singapore) Pte Ltd.

(2) Ng Han Kok's deemed interest arising from 43,067,700 shares registered under Phillip Securities Pte Ltd, 38,042,526 shares registered under SBS Nominees Private Limited, 36,259,527 shares registered under Maybank Nominees (Singapore) Private Limited and 1,826,300 shares registered under OCBC Securities Private Limited and 250,000 shares held by his spouse, Mdm Ong Woo.

Note: The above percentage is calculated based on the Company's number of issued shares (excluding treasury shares) of 685,127,261.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately 48% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

STATISTICS OF WARRANT HOLDINGS

As at 24 March 2017

DISTRIBUTION OF WARRANTHOLDINGS

SIZE OF WARRANTHOLDINGS	NO. OF WARRANTHOLDERS	%	NO. OF WARRANTS	%
1 – 99	448	20.39	4,492	0.00
100 – 1,000	183	8.33	121,137	0.06
1,001 – 10,000	919	41.83	5,311,711	2.43
10,001 – 1,000,000	630	28.68	40,768,796	18.65
1,000,001 AND ABOVE	17	0.77	172,378,467	78.86
TOTAL	**2,197**	**100.00**	**218,584,603**	**100.00**

TWENTY LARGEST WARRANTHOLDERS

NO.	NAME	NO. OF WARRANTS	%
1	OCBC SECURITIES PRIVATE LIMITED	39,168,600	17.92
2	NG HAN KOK	37,151,026	17.00
3	PHILLIP SECURITIES PTE LTD	27,818,304	12.73
4	TAN CHWEE HONG CECILIA	22,025,500	10.08
5	CITIBANK NOMINEES SINGAPORE PTE LTD	12,053,287	5.51
6	LEE OON GIM	10,555,000	4.83
7	CHEW HOE SOON	7,322,000	3.35
8	KHOO THOMAS CLIVE	2,627,500	1.20
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,006,250	0.92
10	TAN SOON KEE	2,000,000	0.91
11	ELIZABETH OOI HEAN GIN	1,678,000	0.77
12	R VASWANI HARISH	1,541,000	0.70
13	RAFFLES NOMINEES (PTE) LIMITED	1,492,000	0.68
14	GOH LAI PENG	1,405,000	0.64
15	UOB KAY HIAN PRIVATE LIMITED	1,341,000	0.61
16	AW YONG WEE	1,141,000	0.52
17	TEO POH HUA AGNES	1,053,000	0.48
18	HONEY VASWANI	1,000,000	0.46
19	PENG YANAN	988,200	0.45
20	DBS NOMINEES (PRIVATE) LIMITED	858,911	0.39
	TOTAL	**175,225,578**	**80.15**

Exercise Price : S$0.20 in cash for each Converted Share on the exercise of a Warrant

Exercise Period : Commencing on and including the date of issue of the Warrants on 18 December 2014 and expiring at 5.00 p.m. on the date immediately preceding the fifth (5th) anniversary of the date of issue of the Warrants, unless such date is a date on which the Register of Members and/or the Warrant Register is closed or is not a Market Day, in which event the Warrant shall expire on the date prior to closure of the Register of Members or on the immediately preceding Market Day, as the case may be, but excluding such period(s) during which the Warrant Register may be closed pursuant to the Deed Poll.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SHS Holdings Ltd. (the "Company") will be held at 81 Tuas South Street 5, Singapore 637651 on Thursday, 27 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final (one-tier tax exempt) dividend of 0.25 Singapore cents per ordinary share for the year ended 31 December 2016. (2015: A final and a special (one-tier tax exempt) dividend totalling of 4.0 Singapore cents per ordinary share). **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 90 of the Constitution of the Company:

   Mr Ng Han Kok, Henry **(Resolution 3)**
   Mr Oh Eng Bin, Kenneth **(Resolution 4)**
   Mr Chew Hoe Soon **(Resolution 5)**

   Mr Ng Han Kok, Henry will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee.

   Mr Oh Eng Bin, Kenneth will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees, and will be considered independent.

4. To approve the payment of Directors' fees of up to S$284,000 for the year ending 31 December 2017 (2016: S$284,000). **(Resolution 6)**

5. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 8)**

8. **Authority to issue shares under the SHS Employees Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing SHS Employees Share Option Scheme (the "Scheme") and to 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 exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time 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 Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 9)**

9. **Proposed Renewal of the Share Buyback Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the "Companies Act"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

(i) market purchases (each a "Market Purchase") on the Singapore Exchange Securities Trading Limited (the "SGX-ST"); and/or

(ii) off-market purchases (each an "Off-Market Purchase") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "Share Buyback Mandate");

NOTICE OF ANNUAL GENERAL MEETING

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; and

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated;

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the ten per centum (10%) limit; and

"Relevant Period" means the period commencing from the date of the annual general meeting at which the renewal of the Share Buyback Mandate is approved and thereafter, expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier; and

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

(i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, one hundred and fifteen per centum (115%) of the Average Closing Price (as hereinafter defined),

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

NOTICE OF ANNUAL GENERAL MEETING

(d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)] **(Resolution 10)**

By Order of the Board

Lynn Wan Tiew Leng
Company Secretary

Singapore, 11 April 2017

Explanatory Notes:

(i) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 9 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) of up to ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the prices of up to but not exceeding the Maximum Price, being in accordance with the terms and subject to the conditions set out in the Appendix dated 11 April 2017 to the Company's Annual Report for its financial year ended 31 December 2016, the Companies Act and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (i) the date that the next Annual General Meeting of the Company is held or required by law to be held and (ii) the date on which the purchase or acquisition of Shares are carried out in full to the Prescribed Limit mandated.

NOTICE OF ANNUAL GENERAL MEETING

The Company intends to use internal sources of funds to finance the purchase or acquisition of its Shares pursuant to the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, whether the purchase or acquisition of Shares is made out of capital or profits, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

Purely for illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the proposed Share Buyback Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2016, based on certain assumptions, are set out in paragraph 2.8 of the Appendix dated 11 April 2017 to the Company's Annual Report for its financial year ended 31 December 2016. Please refer to the said Appendix for more details.

Notes:

1. (a) A Member who is not a relevant intermediary, is entitled to appoint not more than two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A Member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A proxy need not be a Member of the Company.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 81 Tuas South Street 5, Singapore 637651 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

SHS HOLDINGS LTD.
Company Registration No. 197502208Z
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy SHS Holdings Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)
______________________________ (NRIC/Passport No./Company Registration No.)
of ______________________________ (Address)
being a member/members of SHS HOLDINGS LTD. (the "Company") hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 81 Tuas South Street 5, Singapore 637651 on **Thursday, 27 April 2017 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:	Number of Votes For(1)	Number of Votes Against(1)
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Payment of a proposed final dividend		
3	Re-election of Mr Ng Han Kok, Henry as a Director		
4	Re-election of Mr Oh Eng Bin, Kenneth as a Director		
5	Re-election of Mr Chew Hoe Soon as Director		
6	Approval of Directors' fees of up to S$284,000 for the year ending 31 December 2017		
7	Re-appointment of Moore Stephens LLP as Auditors		
8	Authority to issue shares		
9	Authority to issue shares under the SHS Employees Share Option Scheme		
10	Proposed renewal of the Share Buyback Mandate		

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

Dated this ____________ day of ________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 81 Tuas South Street 5, Singapore 637651 not less than 48 hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2017.

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SHS HOLDINGS LTD.
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Singapore 637651
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