英順 ENG SOON

ES Group (Holdings) Limited

BROADENING CAPABILITIES

ANNUAL REPORT 2014

VISION

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

MISSION

To provide world-class services without compromising on safety.

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

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

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CORPORATE PROFILE

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

Listed on the Catalist board of the SGX-ST on 9 July 2010, ES Group has more than 30 years of experience in ship building and repair operations, working for prominent shipyard operators in Singapore. Upon its successful listing, it undertook a strategic shift to expand its revenue streams - the Group ventured into Engineering, Procurement and Construction ("EPC") projects and vessel owning and chartering which complement its core business. The EPC strategy will secure direct contracts to increase the Group's revenue and profitability. The vessel owning and chartering strategy will generate a stable stream of recurring revenue for the Group in the medium to long term.

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

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

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

CHAIRMAN'S MESSAGE

Dear Shareholders,

On behalf of the board of directors (the "Board" or "Directors"), I am pleased to present to you the annual report of ES Group (Holdings) Limited for the financial year ended 31 December 2014 ("FY2014").

The offshore, marine and shipping industry worldwide continues to remain under pressure with the fall in oil prices posing economic uncertainties. Compounding this, the industry in Singapore faces rising wages and levies as well as a shortage of foreign labour. Despite this challenging environment, the Group has recorded a healthy set of results for FY2014, underscoring the efficacy of our business strategy and operational efficiency.

FINANCIAL PERFORMANCE – GROWING PROFITS

The Group's net profit attributable to owners of the Company grew by 32.5% to $2.6 million in FY2014 from $2.0 million in the financial year ended 31 December 2013 ("FY2013") despite a 18.3% fall in revenue to $55.4 million in FY2014 from $67.8 million in FY2013. The Group's gross profit increased to $16.6 million in FY2014 from $11.8 million in FY2013. The gross profit margin increased to 29.9% from 17.4% over the comparative years, mainly due to the absence of the one-off sale and demise charter of two bunker vessels in FY2014, which had lower gross profit margin, as well as improved process efficiencies.

Correspondingly, the Group's profit after tax increased by $3.5 million or 170.7%, to $5.6 million in FY2014 from $2.1 million in FY2013.

The Group's cash and cash equivalents as at 31 December 2014 improved significantly to $11.5 million from $2.5 million a year earlier mainly due to net cash from operating activities of $18.2 million in FY2014. The Group's gearing ratio declined to 0.2 times as compared to 0.3 times a year earlier.

STAYING FOCUSED – BUILDING UPON OUR STRENGTHS

Amidst the slowdown in the sector that we operate in, the Group has focused on the workflow management between our two facilities in Singapore and Thailand, as well as improving internal efficiency. These enhanced processes have started to bear fruit as we increase the scale of projects handled.

We are concurrently evaluating best core practices across our business units to see how we can derive further benefits. As a result of the initiatives, we saw gross profit improved across our business segments – new building and conversion as well as repair.

SUSTAINING VALUE – GROWING OUR TRACK RECORD

During FY2014, we received repeat orders for jack-up drilling blocks from a major shipyard in Singapore. The orders for the blocks, that form part of a high-specification jack-up rig's main hull, are a testament to the Group's successful track record as well as our capability to deliver high-quality projects. We are proud to be one of the preferred partners in the marine and oil and gas industry and will continue to leverage on our strong customer relationships to grow our business.

CREATING VALUE – ENLARGING OFFERINGS

We entered into a three-party joint venture in May 2014 with a subsidiary of SGX Catalist-listed Heatec Jietong Holdings Ltd and Mr. Stuart Edmund Cox, a heat transfer expert, with respect to Karnot Technology Pte Ltd. The joint venture – for which the Group owns a 20% stake – is developing a heating and cooling system which can be used in marine and other industries, based on the unique properties of trans-critical carbon dioxide.

We believe that this area has much growth potential in view of the global emphasis on green technology and the partnership will grow our service offerings as we strive to help the various industries lower their operating costs.

STAYING LOYAL TO OUR SHAREHOLDERS

In appreciation of shareholders for your continued support in the Company, the Board has proposed a final one-tier tax exempt dividend of 0.25 cents per share for FY2014, in addition to the interim dividend of 0.20 cents per share paid on 4 September 2014. This brings the total proposed dividend payout to 0.45 cents per share for FY2014, representing 24.1% of the net profit attributable to owners of the Company, as compared to 0.25 cents per share in FY2013. This marks our fifth consecutive year of dividend payments, underscoring our commitment to our shareholders.

FY2015 GROUP OUTLOOK

Our efforts to build a solid foundation have helped us to weather the challenges from the current economic and industry environment. In FY2014, as compared to FY2013, we reduced our workforce in Singapore due to the lower volume of work. Instead, we have been channelling resources to increase our production capacity in our 50%-owned Thailand yard which is running at full capacity in FY2014 to deliver the repeat orders.

Although we are encouraged by the results in FY2014, we anticipate that the current financial year ending 31 December 2015 ("FY2015") will be a year of uncertainty due to the fall in global oil prices. We remain cautiously optimistic that our strategy to offer a combined value proposition via two facilities in Singapore and Thailand will help us ride out the labour issues in the former.

Our core strategy remains intact as we continue to look out for opportunities to strengthen our main capabilities while exploring possible mergers and acquisitions opportunities to diversify our revenue streams and enhance shareholders' value.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to our shareholders, business partners, suppliers and customers for your continued support and confidence in us. To the management and our staff, I would like to extend my gratitude for your commitment and contribution.

I also wish to express sincere thanks to my fellow Board members for their guidance, wise counsel and support. I look forward to the continued support from all our stakeholders as the Group enters into a challenging but promising year ahead.

Yours faithfully,

Wee Siew Kim
Chairman

CORPORATE MILESTONES

1975

Eng Soon Engineering Pte Ltd was first established by Low Chye Hin

1977

Registered as a resident sub-contractor of Sembawang Shipyard Pte Ltd

1992

Eng Soon Investment Pte Ltd was formed

1997

Wang Fatt Oil & Gas Construction Pte Ltd was established to serve the marine industry of Singapore Technologies Marine Ltd

1999

Eng Soon Engineering (1999) Pte Ltd was formed to provide Marine Piping work and Mechanical installation catering for all major shipyards in Singapore

2001

ISO 9001 was awarded to Eng Soon Investment Pte Ltd and Wang Fatt Oil & Gas Construction Pte Ltd for excellent commitment to quality

2003

ES Offshore Engineering Pte. Ltd. was formed to provide Oil Rigs and Semi Submersible new building and repair services for Keppel Fels Ltd

2006

ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in Thailand, Thapsakae covering 70,000 square-meters land space undertaking EPC projects and providing new building services such as offshore modules and oil rigs structures

2007

Built a 2-storey building at No. 10 Kwong Min Road having 4,700 square-feet office space and 43,000 square-feet workshop space. Therein also accommodate 383 of our marine skilled workers

2009

Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Engineering (1999) Pte Ltd each attained OHSAS 18001 in Workplace Safety and Health management and Bizsafe Star Certification

2010

July, IPO listing on the Catalist Board of the SGX-ST as ES Group (Holdings) Limited

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

October, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People's Republic of China ("PRC")

2011

Delivered an offshore barge to its first direct customer Subsea 7 S.A.

2012

Successfully launched two bunker vessels – Sea Tanker I and Sea Tanker II

2013

Successfully delivered the two bunker vessels

Incorporated a new subsidiary – ES Energy Pte. Ltd.

Set-up Loyang workshop which designs and fabricates a range of offshore structures, such as Geotechnical drilling rigs, as well as provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services

2014

Incorporated a new subsidiary – ES Oil & Gas Pte. Ltd.

Entered into a joint venture with Heatec Jietong Pte. Ltd. and Mr. Stuart Edmund Cox to form "Karnot Technology Pte. Ltd." – to develop a heating and cooling system for marine and other industries

BOARD OF DIRECTORS

WEE SIEW KIM

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

CHRISTOPHER LOW CHEE LENG

Christopher Low Chee Leng is our CEO and was appointed to our Board on 19 August 2004 and has overall responsibility for our Group's day-to-day operations. He started his career by joining our Group in 1998 as a commercial executive, where he was responsible for project tenders. In 2000, he became our CEO and under his management the scope of our Group's business eventually grew to include shipyard management and various offshore projects. Mr Low obtained a Bachelor of Commerce from Murdoch University, Perth, Western Australia in 1998.

LOW CHEE WEE

Low Chee Wee is our Executive Director and was appointed to our Board on 25 November 2009. His primary function is to formulate and oversee the corporate and strategic development of our Group. Mr Low first joined our Group as CFO from 2001 to 2009 and resumed the role of CFO from May 2014 to February 2015. He is also responsible for all finance-related aspects of our Group. He started his career in 1995 as an audit assistant at Deloitte & Touche (now known as "Deloitte & Touche LLP") and left in 1999 as an audit supervisor. From 1999 to 2001, he was the finance manager for Harringale International Pte Ltd, a project management company, where he was in charge of the finance and accounting matters of the company. Mr Low obtained a Bachelor of Accountancy from Nanyang Technological University of Singapore in 1994 and is a non-practising member of the Institute of Singapore Chartered Accountants.

EDDY NEO CHIANG SWEE

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

TAN SWEE LING

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

JENS RASMUSSEN

Jens Rasmussen is our Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been the project manager for new building projects of accommodation and drilling vessels at Keppel FELS yard in Singapore and Yiulian Dockyard in China. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 32 years of professional experience in the marine and offshore industry, having been involved in the management, engineering, certification and construction of various types of new building and conversion projects associated with offshore oil and gas exploration and development, as well as shipbuilding. From 1984 to 2006, he was a general manager at GVA Consultants AB, where he was responsible for sales, concept development of new oil and gas fields, deep-water drilling semisubmersibles, commercial and technical feasibility evaluation for floating offshore platforms. During the period between 2000 and 2004, he also held the position of Engineering Manager and Construction Manager (Korea) and Engineering Coordination Manager (Houston) at BP Exploration Company Inc. In 2006, he was a project manager at Frontier Drilling Inc., where he was responsible for overseeing the upgrade and refurbishment of a drillship in Keppel FELS. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.

MANAGEMENT PROFILE

KOAY SWEE HENG

Koay Swee Heng is our General Manager (Operations/ Commercial), reporting directly to our CEO, Christopher Low Chee Leng. Mr Koay is largely in charge of overseeing our projects with Sembmarine Integrated Yard (SIY) @ Tuas (Megayard), Sembawang Shipyard Pte Ltd and Singapore Technologies Marine Ltd, with overall responsibility for project tenders, reports and billings, project management, budget estimation, supervision of workers and manpower allocation. Mr Koay also oversees the quality assurance and safety assessment teams. Prior to joining us, Mr Koay was an accommodation design draughtsman at Keppel FELS Ltd from 1989 to 1995, before he went on to become the senior draughtsman/project coordinator at Ho & Associates Chartered Architects in Malaysia. Mr Koay joined our Group in 1998 as a commercial executive and was responsible for project coordination and tenders.

In 2004, he was promoted to commercial manager, in charge of project tendering, project management, budget planning and manpower planning. Mr Koay was subsequently appointed as our assistant general manager in 2007, a position he held until January 2010. Mr Koay obtained his Certificate for Architectural Course conducted by the Ministry of Education (Malaysia) in 1988, Certificate in Introduction to Prime Medusa 2D Basic Drafting conducted by Singapore Polytechnic in 1989, Certificate in Basic Shipbuilding from Ngee Ann Polytechnic in 1990, Certificate of Quality Work Group Training conducted by FELS (now known as Keppel FELS Ltd) in 1991 and Certificate in Shipyard Supervisors Safety Course conducted by the MOM in 1999.

TEOH HAN CHONG

Teoh Han Chong is our Assistant General Manager, reporting directly to our General Manager (Operations/Commercial), Koay Swee Heng. Mr Teoh is largely responsible for project management, budget planning and manpower allocation for our projects with Keppel FELS Ltd, as well as coordination between our Singapore operations and our shipyard in Thailand.

Prior to joining our Group in 2005, Mr Teoh was a manager at Symphony Engineering Pte. Ltd., a company in the business of steelworks repair and fabrication, where he was in charge of project tenders, reports and billings from 2000 to 2005. From 1997 to 2000, Mr Teoh was a project coordinator at Oakwell Engineering Limited, an engineering firm listed on catalist of the SGX-ST, and was responsible for project management, reports and billings. Mr Teoh obtained his National Trade Certificate Grade 3 in Marine Steelwork from the Vocational and Industrial Training Board, Singapore in 1992.

LOU TIN BOANG

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

CORPORATE STRUCTURE

- ES Group (Holdings) Limited
  - Eng Soon Investment Pte Ltd — 100% Subsidiary
  - Wang Fatt Oil & Gas Construction Pte Ltd — 100% Subsidiary
  - Eng Soon Engineering (1999) Pte Ltd — 100% Subsidiary
  - ES Offshore Engineering Pte. Ltd. — 100% Subsidiary
  - Eng Soon Marine Pte Ltd — 100% Subsidiary
  - ES Shipping Pte. Ltd. — 100% Subsidiary
  - ES Energy Pte. Ltd. — 100% Subsidiary
    - Karnot Technology Pte. Ltd. — 20% Associate
  - Dalian ES Marine & Offshore Engineering Co., Ltd. — 100% Subsidiary
  - ES Offshore and Marine Engineering (Thailand) Co., Ltd. — 50% Subsidiary
  - ES Oil & Gas Pte. Ltd. — 100% Subsidiary

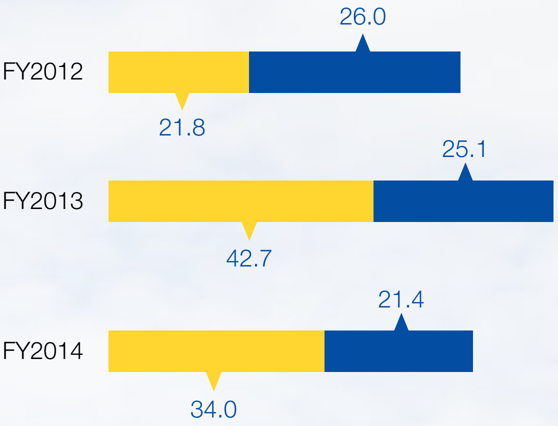
FINANCIAL HIGHLIGHTS

Financial Performance	FY2014 $´000	FY2013 $´000	FY2012 $´000
Revenue	**55,403**	**67,792**	**47,808**
Cost of services	(38,822)	(56,009)	(36,088)
Gross profit	**16,581**	**11,783**	**11,720**
Other operating income	1,870	2,038	2,063
Administrative expenses	(6,997)	(6,220)	(5,905)
Other operating expenses	(5,499)	(5,067)	(4,882)
Finance costs	(174)	(286)	(406)
Share of loss on associate	(55)	-	-
Profit before income tax	**5,726**	**2,248**	**2,590**
Income tax expense	(111)	(174)	(529)
Profit for the year	**5,615**	**2,074**	**2,061**

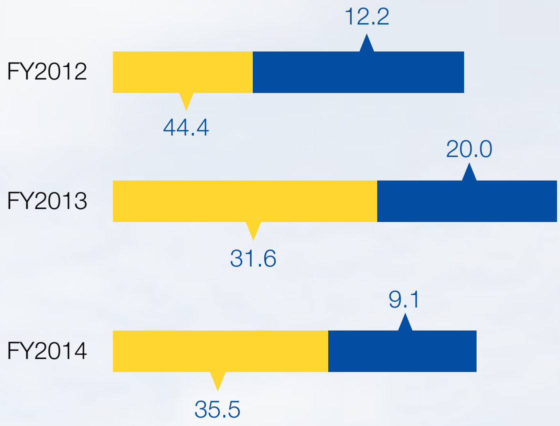
Financial Position	As at 31 December 2014 $´000	As at 31 December 2013 $´000	As at 31 December 2012 $´000
Shareholders' equity	36,202	33,898	32,506
Total assets	63,790	61,302	69,822
Total liabilities	21,403	23,375	33,265

Per Share Data (in cents)	FY2014	FY2013	FY2012
Net asset value	25.64	24.01	23.02
Basic and diluted earnings	1.87	1.41	2.33

REVENUE BY BUSINESS SEGMENT
($´million)

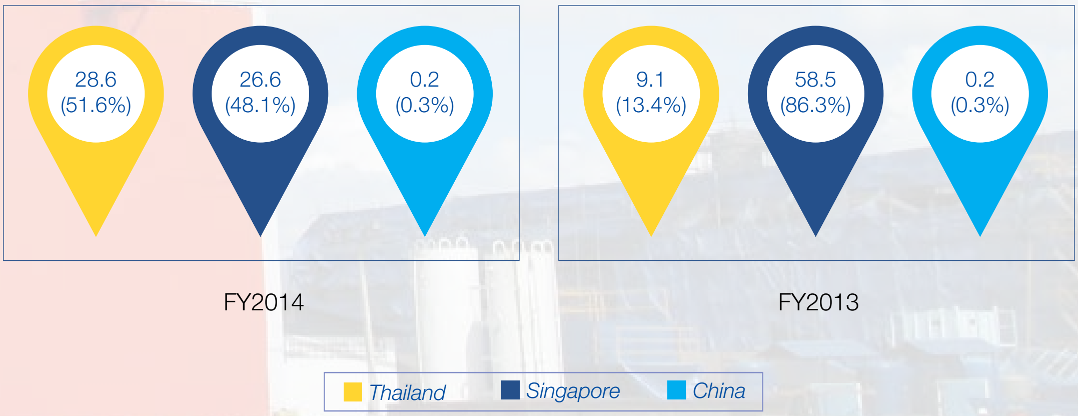


SEGMENT ASSETS
($´million)



New building and conversion *Repair*

REVENUE BY GEOGRAPHICAL SEGMENT
($´million)



FINANCIAL REVIEW

REVIEW OF FINANCIAL PERFORMANCE

The Group's revenue decreased by $12.4 million or 18.3% to $55.4 million in FY2014 from $67.8 million in FY2013 mainly due to the one-off sale and demise charter of two bunker vessels in FY2013 which did not recur in FY2014, partly offset by higher revenue contribution from its Thailand subsidiary.

Despite a decrease in revenue, gross profit increased by $4.8 million or 40.7% to $16.6 million in FY2014 from $11.8 million in FY2013. Correspondingly, gross profit margin increased to 29.9% from 17.4% over the comparative years mainly due to the absence of the one-off sale and demise charter of two bunker vessels in FY2014 which had lower gross profit margin.

Administrative expenses increased by $0.8 million or 12.5% to $7.0 million in FY2014 from $6.2 million in FY2013 due to higher payroll and training related expenses, as well as professional consultant fees.

Profit after tax increased to $5.6 million from $2.1 million over the comparative years. The Group's net profit attributable to owners of the Company increased 32.5% to $2.6 million in FY2014 from $2.0 million in FY2013.

REVIEW OF FINANCIAL POSITION

Earnings per share increased to 1.87 cents in FY2014 from 1.41 cents in FY2013.

The Group's net asset value per share increased to 25.64 cents as at 31 December 2014 from 24.01 cents as at 31 December 2013.

The Group's cash and cash equivalents improved by $8.9 million to $11.5 million as at 31 December 2014 from $2.5 million the year before. This was mainly due to net cash generated from operating activities of $18.2 million, partially offset by net cash used in investing activities and financing activities of $3.1 million and $6.1 million respectively.

REVIEW BY BUSINESS SEGMENTS

NEW BUILDING AND CONVERSION SEGMENT

The new building and conversion segment continued to be the Group's main revenue contributor accounting for 61.3% of the Group's total revenue in FY2014. This segment contributed $34.0 million in revenue in FY2014, as compared to $42.7 million recorded in FY2013 mainly due to the absence of the one-off sale and demise charter of two bunker vessels in FY2014.

Gross profit for the new building and conversion segment increased 76.1% to $10.3 million in FY2014 from $5.8 million in FY2013 while gross profit margin rose to 30.3% from 13.7%.

REPAIR SEGMENT

The Group's repair segment, which accounted for 38.7% of the Group's total revenue in FY2014, contributed $21.4 million in revenue in FY2014 which was 14.6% lower than the $25.1 million recorded in FY2013.

Gross profit for the repair segment increased 5.9% to $6.3 million in FY2014 from $5.9 million in FY2013 while gross profit margin increased to 29.4% from 23.7%.

REVIEW BY GEOGRAPHICAL SEGMENTS

Singapore

Singapore accounted for 48.1%, or $26.6 million, of the Group's total revenue in FY2014 as compared to $58.5 million in FY2013. The lower revenue was mainly due to the one-off sale and demise charter of two bunker vessels in FY2013 which did not recur in FY2014 and the lower business activities in FY2014.

Thailand

The Group's Thailand operations grew considerably and accounted for $28.6 million of the Group's total revenue in FY2014 as compared to $9.1 million in FY2013. The Group had channeled sufficient resources and manpower to adequately address the increased demand. Thailand operations accounted for 51.6% of the Group's revenue for FY2014.

Thailand operations started in 2006, where the Company owns a 70,000-square-metre shipyard with fabrication grounds through our 50%-owned subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd.. The facility allows the Group to leverage on competitive operating costs, skilled labour, as well as geographical proximity to Singapore.

The Group's Thailand yard has been operating at full capacity in FY2014 and the Group expects this to continue in the first half of FY2015.

People's Republic of China ("PRC")

The Group's PRC operations comprise that of its wholly-owned subsidiary, Dalian ES Marine & Offshore Engineering Co., Ltd., which was set up as a cost centre for engineering and procurement services for the Group. In FY2014, the PRC subsidiary contributed $184,000 in revenue, comparable to $198,000 in FY2013, which was mainly for local engineering and design projects.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wee Siew Kim
Non-Executive Chairman
and Independent Director

Christopher Low Chee Leng
CEO

Low Chee Wee
Executive Director

Eddy Neo Chiang Swee
Executive Director

Tan Swee Ling
Independent Director

Jens Rasmussen
Non-Executive Director

AUDIT AND RISK COMMITTEE

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

NOMINATING COMMITTEE

Wee Siew Kim
Chairman

Tan Swee Ling
Jens Rasmussen

REMUNERATION AND COMPENSATION COMMITTEE

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

COMPANY SECRETARY

Adrian Chan Pengee

REGISTERED OFFICE

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200410497Z

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6 Shenton Way OUE Downtown 2
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Partner-in-charge: Tan Hon Chye
Date of Appointment: 20 October 2011
(Public Accountants and Chartered Accountants)

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

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

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CORPORATE GOVERNANCE REPORT

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

This Report sets out the Group's corporate governance practices with specific reference to each of the principles and guidelines in the Code. The Board confirms that, for FY2014, the Group has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

The Board holds meetings at least twice annually to coincide with the announcement of the Group's half year and full year financial results and for the Management to update the Board on the significant business activities and overall business environment of the Group. Ad-hoc meetings will be held as and when warranted by particular circumstances and as deemed appropriate by the Board. The Directors are continually updated on the Group's affairs by the Management via e-mails. The Company's articles of association ("**Articles**") are sufficiently flexible and allow Board and Board Committee meetings to be conducted by way of telephone or video conference.

The Board has, without abdicating its responsibility, delegated the authority to the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee (collectively referred to as the "**Board Committees**") to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. Each Board Committee is regulated by a set of written terms of reference endorsed by the Board setting out their duties and responsibilities. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive to attend their meetings. The Board Committees report its activities regularly to the Board and minutes of the Board Committees are also regularly provided to the Board. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance. The composition and description of each Board Committee are set out in this Report.

During FY2014, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

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

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

- material acquisitions and disposals of assets;
- corporate or financial restructuring;
- corporate strategies;
- share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to the Shareholders;
- approval of annual audited financial statements for the Group and the Directors' Report thereto;
- any public reports or press releases reporting the results of operations; and
- matters involving a conflict or potential conflict of interest involving a substantial Shareholder or a Director.

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

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

Principle 2: Board Composition and Guidance

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

Directors[1]	**Board Membership**	**Date of First Appointment**	**Date of Last Re-Appointment**	**Audit and Risk Committee**[2]	**Nominating Committee**[2]	**Remuneration and Compensation Committee**[2]
Mr. Wee Siew Kim	Non-Executive Chairman and Independent Director	8 June 2010	25 April 2013	Member	Chairman	Member
Mr. Christopher Low Chee Leng	Chief Executive Officer (“**CEO**”)	19 August 2004	25 April 2013	-	-	-
Mr. Low Chee Wee	Executive Director	25 November 2009	29 April 2014	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director	25 November 2009	26 April 2012	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010	29 April 2014	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010	26 April 2012	Member	Member	Member

Notes:-

[1] Please refer to pages 5 to 7 of the annual report for key information regarding the Directors’ profiles, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments.

[2] Please refer to Principles 4, 7 and 12 on pages 21, 23 and 29 of the annual report respectively for key information regarding the composition of the Board Committees, names of chairmen and members and their primary responsibilities.

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

The chairmen of the Board Committees are Independent Directors and are considered by the Board to be well qualified to chair the Board Committees with their many years of relevant experience and expertise. The independence of each Independent Director is reviewed annually by the Nominating Committee based on the definition of independence as set out in the Code. The Independent Directors, who are members of the Nominating Committee, have abstained from voting on any resolutions and making any recommendations and/or participated in any deliberations of the Nominating Committee in respect of the evaluation of his or her independence. Taking into account the views of the Nominating Committee, the Board is satisfied as to the independence of Mr. Wee Siew Kim and Ms. Tan Swee Ling, both of whom do not have any relationship with the Company, its related corporations, its Shareholders who have an interest of at least 10% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. None of the Independent Directors has served on the Board beyond nine years from the date of his or her first appointment.

The Board has considered its current size appropriate for effective debate and decision-making, based on the Company's present circumstances and taking into account the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board has also considered that its Directors who as a group provide a wide spectrum of industry skills, experience in accounting, finance, business strategies, management executive and objective perspective and knowledge to lead and govern the Group effectively. All Directors have exercised due diligence and independent judgement and demonstrated objectivity in their deliberations in the interests of the Company.

Principle 3: Chairman and Chief Executive Officer

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

The responsibilities of the Chairman include:-

- assuming the formal role of an independent leader and chairing all Board meetings;
- leading the Board to ensure its effectiveness on all aspects of its role, in particular its oversight of the Management;
- in consultation with the CEO, approving meeting schedules of the Board, setting the agenda for Board and Board Committee meetings and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;

- ensuring effective communication by the Board and the Management with the Shareholders;
- encouraging constructive relations within the Board and between the Board and the Management and between the Executive Directors and the Non-Executive Directors;
- facilitating the effective contribution of the Non-Executive Directors in particular; and
- promoting high standards of corporate governance for the Group.

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

Principle 4: Board Membership

The Nominating Committee comprises three Non-Executive Directors, namely, Mr. Wee Siew Kim (chairman), Ms. Tan Swee Ling and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. In accordance with its terms of reference revised in 2013, the responsibilities of the Nominating Committee include:-

(a) developing and maintaining a formal and transparent process for the appointment and re-appointment of Directors to the Board and all things incidental including without limitation:-

    (i) to determine annually, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in guidelines 2.3 and 2.4 of the Code and any other salient factors;

    (ii) to make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors, in particular, the Chairman and the CEO; the development of a process for evaluation of the performance of the Board, its Board Committees and Directors; the review of training and professional development programmes for the Board; and the appointment and re-appointment of Directors (including alternate directors, if applicable); and

    (iii) where a Director has multiple board representations, to decide if such Director is able to and has been adequately carrying out his or her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments;

(b) assessing the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board; and

(c) deciding how the performance of the Board may be evaluated and to propose objective performance criteria.

The Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole as well as its individual members based on attributes of the existing Board and the requirements of the Group. The Nominating Committee also considers the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director as part of the process for selection, appointment and re-appointment of Directors. The search and nomination process for new Directors, if any, will be via contacts and recommendations that go through the normal selection process so as to cast its net as wide as possible for the right candidate. The Company is encouraged to engage executive recruitment agencies to assist in the search process where necessary. The Nominating Committee will arrange for interviews with the shortlisted candidates for its assessment before arriving at a decision. Upon the Nominating Committee's review and recommendation to the Board, the new Directors will be appointed by way of a board resolution.

In accordance with the Company's Articles, all Directors, including the CEO, are subject to re-nomination and re-appointment at regular intervals of at least once every three years. At each annual general meeting of the Company (the "**AGM**"), at least one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, are required to retire and to submit themselves for re-election. The Company's Articles also provide that a newly appointed Director must retire and submit himself or herself for re-election at the next AGM following his or her appointment. In addition, Directors who are above the age of 70 are required under the Companies Act of Singapore, Chapter 50 (the "**Companies Act**") to retire and offer themselves for re-appointment by the Shareholders at every AGM.

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

Principle 5: Board Performance

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

An annual evaluation of the Board's performance for FY2014 was conducted to assess and identify areas for continuous improvement to the Board's overall effectiveness. The evaluation is carried out by way of a board assessment checklist through which each Director is required to complete and assess individually the Board as a whole on several parameters namely, the board structure, conduct of meetings or affairs, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with Shareholders. Attendance at the meetings of the Board and Board Committee, effectiveness of discussions at such meetings and the discharge of the Board's duties in relation to the affairs of the Group are also evaluated. The consolidated findings are then reported and recommendations are made to the Board for consideration for further improvements to assist the Board in discharging its duties more effectively. The performance criteria, which allows for comparison with industry peers, are approved by the Board and they address how the Board has enhanced long-term Shareholders' value. The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. The Board, together with the Nominating Committee, has decided that, due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director and the Board Committee.

The Nominating Committee will have regard to whether each Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations. The Nominating Committee has provided in its revised terms of reference that the maximum number of listed company board representations which any Director may hold at any time shall be six (6) (the "**Cap**"). A Director who proposes to hold any additional appointment on the board of a listed company in excess of the Cap will have to submit an application in writing to the Nominating Committee which will make recommendation to the Board for its approval. Any Director who makes such application will not participate in deliberations of the Nominating Committee and the Board in considering such application. No Director of the Company has exceeded the maximum number of listed company board representations. Although some of the Directors have other board representations, the Nominating Committee is satisfied that all Directors are able to devote adequate time and attention to the affairs of the Company to fulfil his or her duties effectively as a Director of the Company.

Principle 6: Access to Information

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

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

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

(a) assisting the chairmen of the Board and Board Committees and the Management in the preparation of the agendas for the Board and Board Committee meetings;

(b) attending all Board and Board Committee meetings and preparing minutes of the meetings;

(c) ensuring that all meetings are properly convened and board procedures are followed;

(d) advising the Board and the Management on the Company's compliance with the requirements of the Companies Act, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Rules of Catalist**") and all other rules, regulations and governance matters which are applicable to the Group;

(e) under the direction of the Chairman, ensuring good information flows within the Board and its Board Committees and between the Management and the Non-Executive Directors; and

(f) facilitating the orientation of incoming Directors and assist with professional development as required.

The appointment and removal of the Company Secretary is a matter for consideration for the Board as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

(a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel and also reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;

(b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service to ensure that such contracts of service, if any, contain fair and reasonable termination clauses which are not overly generous;

(c) reviewing working environments and succession planning for the Management;

(d) reviewing the terms of the employment arrangements with the Management so as to develop consistent group-wide employment practices subject to regional differences;

(e) reviewing whether the Executive Directors and key management personnel should be eligible for benefits under long-term incentive schemes, including share schemes; and

(f) to have and exercise all the powers of the Board in respect of all matters relating to or in connection with the Eng Soon Employee Share Option Scheme ("**ESOS**") and the Eng Soon Performance Share Plan ("**PSP**") approved by Shareholders on 25 June 2010 and all things incidental thereto.

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

In the financial year ended 31 December 2013, the Company engaged an external management consultancy firm, Carrots Consulting Pte Ltd, to conduct a review on the current remuneration packages of the Executive Directors and key management personnel. Mr. Tin It San, a human resources consultant, was also appointed to work with the Remuneration and Compensation Committee and the Management to improve on the present compensation structure and performance management system of the Group. In line with the recommendation by the National Wages Council, the new system aims to be more flexible and appropriate for different levels of employees and looks at rewarding and motivating the employees competitively. An annual open evaluation system between the employers and the employees was also established. Both Carrots Consulting Pte Ltd and Mr. Tin It San have no existing relationship with the Company.

On the performance management system, a five-point Annual Open Performance Evaluation System was established and implemented. As for the remuneration package, the bonus payout is now aligned to (1) the performance of the company; (2) contribution of the individual's division to the Company's profits; and (3) the individual's performance.

Principle 8: Level and Mix of Remuneration

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

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

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

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

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

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. The Shareholders had approved the payment of the Non-Executive Directors' fees of $125,000 for FY2014. Executive Directors do not receive Directors' fees.

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual Director's remuneration for FY2014, is as follows:-

	Directors' Fees (%)	**Fixed Salary (%)**	**Bonus (%)**	**Benefits* (%)**	**Total (%)**
Executive Directors					
$250,000 to $500,000					
Mr. Christopher Low Chee Leng	-	74	19	7	100
Mr. Low Chee Wee	-	77	18	5	100
Below $250,000					
Mr. Eddy Neo Chiang Swee	-	54	24	22	100
Non-Executive Directors					
Below $250,000					
Mr. Wee Siew Kim	100	-	-	-	100
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100

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

A breakdown, showing the level and mix of the key management personnel* who are not Directors or CEO in remuneration bands of $250,000 for FY2014, is as follows:-

	Fixed Salary (%)	Bonus (%)	Benefits** (%)	Total (%)
Below $250,000				
Mr. Koay Swee Heng	62	23	15	100
Mr. Teoh Han Chong	70	18	12	100
Mr. Lou Tin Boang	64	26	10	100
Mr. Neo Chiang Yee Eric	57	28	15	100

* The Company has only four key management personnel who are not Directors or CEO in FY2014.

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

The total remuneration, in aggregate, paid to the above key management personnel for FY2014 is approximately $486,000.

Mr. Christopher Low Chee Leng and Mr. Low Chee Wee are brothers and Mr. Neo Chiang Yee Eric is the brother of Mr. Eddy Neo Chiang Swee. Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Christopher Low Chee Leng and Mr. Low Chee Wee. Please refer to page 33 of the annual report for key information regarding the provision of consultancy services.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded $50,000 during FY2014, was an immediate family[1] member of a Director or the CEO.

The Board has, on review, decided not to disclose the remuneration of the Directors to the nearest thousand and the remuneration of employees of the Company and its subsidiaries who are immediate family members of a Director or the CEO in incremental bands of $50,000 given the competitive pressure and disadvantages that this might bring.

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

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

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

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

The PSP contemplates the award of fully-paid shares, when and after predetermined performance or service conditions are accomplished. A participant's award under the PSP will be determined at the sole discretion of the Remuneration and Compensation Committee. In considering the grant of an award to a participant, the Remuneration and Compensation Committee may take into account, amongst others, the participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill set. Awards granted under the PSP will be performance-based, with performance targets to be set over a designated performance period (typically three years). Performance targets set are intended to be premised on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets will be stretched targets aimed at sustaining long-term growth. These targets will be tied in with the Board's as well as the Chairman and the CEO's corporate key performance indicators. Under the PSP, participants are encouraged to continue serving the Group beyond the deadline for the achievement of the pre-determined performance targets. The Remuneration and Compensation Committee has the discretion to impose a further vesting period after the performance period to encourage the participant to continue serving the Group.

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

The Company has adopted the ESOS for eligible employees, including all Directors of the Company and the Group. The ESOS complies with the relevant rules as set out in Chapter 8 of the Rules of Catalist and is administered by the Remuneration and Compensation Committee.

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

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

Since the commencement of the ESOS and the PSP to the end of FY2014, no options were granted and no shares were issued under the ESOS and the PSP respectively.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

Principle 11: Risk Management and Internal Controls

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

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

The Board monitors the Group's risks through the Audit and Risk Committee, external and internal auditors. The Audit and Risk Committee reviews the audit plans of the external and internal auditors at least once annually, including the results of the external and internal auditors' review and evaluation of the system of internal controls. During FY2014, the Company's external and internal auditors have conducted their annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls as well as risk management policy and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of internal controls in light of the key business and financial risks affecting its business. The Board received assurance from the CEO and the Chief Financial Officer ("**CFO**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Group's risk management and internal control systems. Commentaries are then provided to the Shareholders in the annual report to enable them to make an informed assessment of the Company's risk management framework and internal control systems.

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

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

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

Principle 12: Audit and Risk Committee

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

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

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;

(b) reviewing the half year and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:-

   (i) changes in accounting policies and practices;

   (ii) major risk areas;

   (iii) significant adjustments resulting from the audit;

   (iv) the going concern statement;

   (v) compliance with accounting standards; and

   (vi) compliance with stock exchange and statutory / regulatory / requirements;

(c) reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls;

(d) at least annually, reviewing the adequacy and effectiveness of the Company's internal audit function and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;

(e) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

(f) making recommendations to the Board on the proposals to the Shareholders of the Company on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

(g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(h) reviewing with the external auditors:-

  (i) the audit plan, including the nature and scope of the audit before the audit commences;

  (ii) their evaluation of the system of internal accounting controls;

  (iii) their audit report; and

  (iv) their management letter and Management's response;

(i) reviewing the assistance given by the Management to the auditors; and

(j) reviewing and discussing with the external auditors, any suspected fraud or irregularity, or suspected infringement of any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the Management's response.

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

The external auditors are responsible for performing an independent audit of the Group's financial statements in accordance with the financial reporting standards, and for issuing a report thereon. The Audit and Risk Committee's responsibility is to monitor these processes. In addition to reviewing the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors, the Audit and Risk Committee has also conducted an annual review of the independence of the external auditors and the total fees for non-audit services compared with audit services, and satisfied itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the external auditors. During FY2014, the remuneration paid to the external auditors, is set out below:-

Service Category	**Fees**
	($'000)
Audit services	164
Non-audit services	11
Total	175

At the forthcoming AGM, the Audit and Risk Committee has recommended the appointment of BDO LLP as external auditors of the Company in place of Deloitte & Touche LLP for the financial year ending 31 December 2015. The change of auditor is proposed as the Directors are of the opinion that as a matter of good corporate governance, it would be appropriate to periodically rotate the Company's auditors. The Board believes that a change of auditors may enable the Company to benefit from fresh perspectives and views of another professional audit firm and thus further enhance the value of the audit. In proposing to the Shareholders on the appointment of BDO LLP as the Company's external auditors and in line with Rule 712 of the Rules of Catalist, the Board and the Audit and Risk Committee have considered and are satisfied with the adequacy of the resources and experience of BDO LLP and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited, and the number and experience of supervisory and professional staff assigned to the audit.

BDO LLP has also confirmed that it is registered with the Accounting and Corporate Regulatory Authority. Further information on the proposed change of auditors from Deloitte & Touche LLP to BDO LLP is set out in the Addendum of the annual report.

In accordance with Rule 716 of the Rules of Catalist, the Board and the Audit and Risk Committee are satisfied that the appointment of different auditing firms for its subsidiaries or significant associated companies in FY2014 would not compromise the standard and effectiveness of the audit of the Company. The external auditors appointed for the Company's significant subsidiaries for FY2014 are set out in the notes to financial statements at pages 75 to 76 of the annual report. For FY2014, the Company is in compliance with Rules 712 and 716 of the Rules of Catalist in relation to the appointment of audit firms for the Group.

To achieve a high standard of corporate governance for the operations of the Group, the Group has put in place a whistle-blowing policy which encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. The objective of such policy is to ensure independent investigation of such matters and for appropriate follow-up action. The Audit and Risk Committee will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. No such whistle-blowing letter was received in FY2014.

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

Principle 13: Internal Audit

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

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

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

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

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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

Principle 15: Communication with Shareholders

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

The Company currently does not have a formal policy on payment of dividends. With reference to the Company's offer document dated 1 July 2010, the Company may declare dividends by way of an ordinary resolution of the Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of the Shareholders. The Directors may also declare an interim dividend without the approval of the Shareholders. As disclosed in the Chairman's message on page 3 of the annual report, the Board has proposed a final one-tier tax exempt dividend of 0.25 Singapore cents per share for FY2014, subject to Shareholders' approval at the forthcoming AGM.

Principle 16: Conduct of Shareholder Meetings

The Company's Articles allow the Shareholders to appoint proxies to attend and vote in their stead at general meetings. Pursuant to Article 77 of the Company's Articles, the Shareholders may appoint not more than two proxies to attend and vote at the same general meeting. When a Shareholder appoints more than one proxy, he or she shall specify the proportion of his or her shareholding to be represented by each proxy. If no such proportion or number is specified, the first proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named. The Company has not amended its Articles to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the Shareholders' identities through the web are not compromised.

General meetings of the Company represent the principal forum for dialogue and interaction with all Shareholders. Resolutions at general meetings of the Company are on each substantially separate issue. At each AGM, the Board presents the progress and performance of the Group's businesses and invites all Shareholders to participate in the questions and answers session. The Directors, chairmen of the Board Committees and the Company's external auditors are normally present to address the Shareholders' questions. All minutes of general meetings that include substantial and relevant comments or queries from the Shareholders and responses from the Board and the Management are made available to the Shareholders upon their request.

The Board noted that the SGX-ST had, on 31 July 2013, introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll with effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board noted that the new rule will enhance transparency of the voting process and encourage greater shareholders' participation. Taking into account of the effective date of the new ruling and subject to the Company's consideration of cost efficiency and effectiveness, the Company will from time to time review the need to conduct poll voting for all resolutions to be passed at the general meetings of the Company. At the forthcoming AGM, the Company will conduct its voting on a show of hands instead of poll voting.

CODE OF BUSINESS CONDUCT

The Company has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Company, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity with the law, regulations and Company's policies.

INTERESTED PERSON TRANSACTIONS

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

No general mandate has been obtained from the Shareholders in respect of interested person transactions for FY2014. The aggregate value of interested person transactions entered into during FY2014 is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Low Chye Hin		
Provision of consultancy services	$180,000	-
Total	$180,000	-

MATERIAL CONTRACTS

Save as disclosed above in the section entitled "**Interested Person Transactions**", there were no material contracts or loans entered into by or taken up by the Group involving the interest of any Director or controlling Shareholder of the Company, either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the financial year ended 31 December 2013.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees paid to the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd., for FY2014.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Rules of Catalist on dealings in the Company's securities. The Company has devised and adopted its own internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in its securities. The Company prohibits its officers from dealing in the Company's securities on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the results.

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1 DIRECTORS

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

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

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act") except as follows:

Name of directors and company in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
ES Group (Holdings) Limited (Ordinary shares)				
Christopher Low Chee Leng	15,905,000	15,905,000	54,200,000*	54,200,000*
Eddy Neo Chiang Swee	6,000,000	6,000,000	3,600,000	3,600,000
Low Chee Wee	30,140,000	30,235,000	40,080,000	40,080,000

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

By virtue of Section 7 of the Act, Christopher Low Chee Leng and Low Chee Wee are deemed to have an interest in all ordinary shares of the Company's subsidiaries.

The directors' interests in the shares of the Company at 21 January 2015 were the same at 31 December 2014.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

6 AUDIT AND RISK COMMITTEE

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

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

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

(a) the audit plans and results of the external auditors' examination of the financial statements;

(b) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(c) the Group's financial and operating results and accounting policies;

(d) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(e) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(f) the co-operation and assistance given by the management to the Group's external auditors; and

6 AUDIT AND RISK COMMITTEE (cont'd)

(g) the re-appointment of the external auditors of the Company.

The Audit and Risk Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its functions properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit and Risk Committee.

7 ADDITIONAL DISCLOSURE REQUIREMENTS OF THE LISTING MANUAL OF THE SGX-ST

The auditors of the subsidiaries of the Company are disclosed in Note 13 to the financial statements. In the opinion of the Board of Directors and Audit and Risk Committee, Rule 716 of the Listing Manual of SGX-ST has been complied with.

8 SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the Group's preliminary financial statements, as announced on 27 February 2015, which would materially affect the Group's and the Company's operating and financial performance as at the date of this report.

9 AUDITORS

The auditors, Deloitte & Touche LLP, will not be seeking re-appointment.

The Audit and Risk Committee has recommended to the Board of Directors the nomination of Messrs BDO LLP for appointment as auditors of the Company at the forthcoming Annual General Meeting.

ON BEHALF OF THE DIRECTORS

....
Christopher Low Chee Leng

....
Eddy Neo Chiang Swee

31 March 2015

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 40 to 91 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

....
Christopher Low Chee Leng

....
Eddy Neo Chiang Swee

31 March 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of ES Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 40 to 91.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

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.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2015

STATEMENTS OF FINANCIAL POSITION

31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	7	11,476,378	2,495,471	246,006	35,615
Trade receivables	8	16,403,099	25,136,035	1,771,070	100,000
Finance lease receivable	9	1,953,258	1,782,257	-	-
Work-in-progress	10	8,233,957	6,764,354	-	-
Other receivables	11	2,079,571	1,211,507	2,717,860	2,755,656
Inventories	12	1,340,346	1,361,669	-	-
Total current assets		41,486,609	38,751,293	4,734,936	2,891,271
Non-current assets					
Finance lease receivable	9	7,699,057	9,652,315	-	-
Deposits	11	23,425	21,255	-	-
Subsidiaries	13	-	-	21,181,670	21,181,669
Associate	14	144,840	-	-	-
Club membership	15	49,500	49,500	-	-
Property, plant and equipment	16	14,386,450	12,827,377	-	-
Total non-current assets		22,303,272	22,550,447	21,181,670	21,181,669
Total assets		63,789,881	61,301,740	25,916,606	24,072,940
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	17	2,546,957	4,751,959	-	-
Trade payables	18	5,889,447	2,827,170	165,834	31,344
Other payables	19	6,064,902	7,299,863	1,512,290	186,813
Finance leases	20	415,886	320,202	-	-
Income tax payable		24,828	196,149	-	14,060
Total current liabilities		14,942,020	15,395,343	1,678,124	232,217

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$	$	$	$
Non-current liabilities					
Bank loans	17	5,931,598	7,308,955	-	-
Finance leases	20	454,430	594,814	-	-
Deferred tax liabilities	21	75,739	75,739	-	-
Total non-current liabilities		6,461,767	7,979,508	-	-
Capital, reserves and non-controlling interests					
Share capital	22	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	23	224,000	-	-	-
Retained earnings		31,091,117	29,169,991	540,134	142,375
Currency translation reserve		(241,035)	(399,699)	-	-
Merger reserve	24	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		36,201,962	33,898,172	24,238,482	23,840,723
Non-controlling interests		6,184,132	4,028,717	-	-
Total equity		42,386,094	37,926,889	24,238,482	23,840,723
Total liabilities and equity		63,789,881	61,301,740	25,916,606	24,072,940

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2014

		Group	
	Note	**2014**	**2013**
		$	**$**
Revenue	25	55,402,897	67,792,492
Cost of services		(38,822,222)	(56,009,129)
Gross profit		16,580,675	11,783,363
Other operating income	26	1,870,777	2,037,889
Administrative expenses		(6,996,975)	(6,220,665)
Other operating expenses	27	(5,499,051)	(5,067,194)
Finance costs	28	(173,871)	(285,555)
Share of loss of associate	14	(55,160)	-
Profit before income tax		5,726,395	2,247,838
Income tax expense	29	(111,257)	(174,290)
Profit for the year	30	5,615,138	2,073,548
Other comprehensive income (loss):			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, representing other comprehensive income (loss) for the year, net of tax		313,267	(209,198)
Total comprehensive income for the year		5,928,405	1,864,350
Profit attributable to:			
Owners of the Company		2,639,326	1,990,676
Non-controlling interests		2,975,812	82,872
		5,615,138	2,073,548
Total comprehensive income attributable to:			
Owners of the Company		2,797,990	1,886,305
Non-controlling interests		3,130,415	(21,955)
		5,928,405	1,864,350
Basic and diluted earnings per share (cents)	31	1.9	1.4

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital	Currency translation reserve	Merger reserve	Statutory surplus reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	$	$	$	$	$	$	$	$
Group								
Balance at 1 January 2013	23,698,348	(295,328)	(18,570,468)	-	27,673,515	32,506,067	4,050,672	36,556,739
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	1,990,676	1,990,676	82,872	2,073,548
Other comprehensive loss for the year	-	(104,371)	-	-	-	(104,371)	(104,827)	(209,198)
Total	-	(104,371)	-	-	1,990,676	1,886,305	(21,955)	1,864,350
Transactions with owners, recognised directly in equity:								
Dividends (Note 32)	-	-	-	-	(494,200)	(494,200)	-	(494,200)
Balance at 31 December 2013	23,698,348	(399,699)	(18,570,468)	-	29,169,991	33,898,172	4,028,717	37,926,889
Total comprehensive income for the year:								
Profit for the year	-	-	-	-	2,639,326	2,639,326	2,975,812	5,615,138
Other comprehensive income for the year	-	158,664	-	-	-	158,664	154,603	313,267
Total	-	158,664	-	-	2,639,326	2,797,990	3,130,415	5,928,405
Transactions with owners, recognised directly in equity:								
Appropriations (Note 23)	-	-	-	224,000	(224,000)	-	-	-
Dividends (Note 32)	-	-	-	-	(494,200)	(494,200)	(975,000)	(1,469,200)
Total	-	-	-	224,000	(718,200)	(494,200)	(975,000)	(1,469,200)
Balance at 31 December 2014	23,698,348	(241,035)	(18,570,468)	224,000	31,091,117	36,201,962	6,184,132	42,386,094

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital	Retained earnings	Total
	$	$	$
Company			
Balance at 1 January 2013	23,698,348	642,791	24,341,139
Loss for the year, representing total comprehensive loss for the year	-	(6,216)	(6,216)
Dividends (Note 32)	-	(494,200)	(494,200)
Balance at 31 December 2013	23,698,348	142,375	23,840,723
Profit for the year, representing total comprehensive income for the year	-	891,959	891,959
Dividends (Note 32)	-	(494,200)	(494,200)
Balance at 31 December 2014	23,698,348	540,134	24,238,482

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Group	
	2014	**2013**
	$	**$**
Operating activities		
Profit before income tax	5,726,395	2,247,838
Adjustments for:		
Interest income	(4,473)	(10,901)
Interest expense	173,871	285,555
Property, plant and equipment written off	27,818	-
Inventory written off	-	94,931
Share of loss of associate	55,160	-
Depreciation of property, plant and equipment	1,851,304	1,551,409
Gain on disposal of property, plant and equipment	(13,325)	(408)
Operating cash flows before movements in working capital	7,816,750	4,168,424
Trade receivables	8,817,157	(8,859,904)
Work-in-progress	(1,228,588)	1,586,890
Other receivables	(847,043)	21,747
Inventories	40,932	11,569,495
Trade payables	2,941,926	(35,042)
Other payables	(882,151)	(3,036,173)
Finance lease receivable	1,782,257	1,365,428
Cash generated from operations	18,441,240	6,780,865
Interest received	4,473	10,901
Income tax paid	(282,578)	(570,141)
Net cash from operating activities	18,163,135	6,221,625
Investing activities		
Acquisition of investment in an associate	(200,000)	-
Proceeds on disposal of property, plant and equipment	37,122	24,285
Purchases of property, plant and equipment (Note A)	(2,977,847)	(2,131,551)
Net cash used in investing activities	(3,140,725)	(2,107,266)
Financing activities		
Dividends paid	(1,469,200)	(494,200)
Interest paid	(173,871)	(383,570)
Restricted cash	-	105,870
Proceeds from:		
Term loans	1,300,000	5,100,000
Factoring loans	-	6,832,467
Factoring creditor	492,189	928,979
Repayments of:		
Term loans	(4,291,356)	(11,553,460)
Factoring loans	(616,003)	(6,216,464)
Factoring creditor	(973,072)	(872,946)
Obligations under finance leases	(349,107)	(315,160)
Net cash used in financing activities	(6,080,420)	(6,868,484)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Group	
	2014	**2013**
	$	**$**
Net increase (decrease) in cash and cash equivalents	8,941,990	(2,754,125)
Cash and cash equivalents at beginning of the year	2,495,471	5,298,427
Effects of exchange rate changes on the balance of cash held in foreign currencies	38,917	(48,831)
Cash and cash equivalents at end of the year (Note 7)	11,476,378	2,495,471

Notes to consolidated statement of cash flows:

(A) Cash payments on purchase of plant and equipment

	2014	**2013**
	$	**$**
Purchase of plant and equipment	3,264,202	2,257,466
Less: Finance cost capitalised as construction-in-progress (Note 16)	-	(98,015)
Less: Plant and equipment acquired under finance arrangements	(286,355)	(27,900)
Net cash payments	2,977,847	2,131,551

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200410497Z) is incorporated in Singapore on 19 August 2004 with its principal place of business and registered office at 8 Ubi Road 2 #06-26 Zervex Singapore 408538. The Company is listed on the Singapore Exchange. The consolidated financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries and associate are disclosed in Notes 13 and 14 respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2014 were authorised for issue by the Board on 31 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements are prepared in accordance with the historical cost basis except as disclosed in accounting policies below, and are drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value adjustments are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value adjustments are observable and the significance of the inputs to the fair value measurement in its entirety which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2014, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in significant changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these Standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

The impact of the application of these Standards is set out below.

Impact of the application of FRS 110

FRS 110 replaces the parts of FRS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and INT FRS 12 *Consolidation – Special Purpose Entities*. FRS 110 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in FRS 110 to explain when an investor has control over an investee. Some guidance included in FRS 110 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as at the date of initial application of FRS 110 (i.e. 1 January 2014) as to whether or not the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd. in accordance with the new definition of control and the related guidance set out in FRS 110. Specifically, the Group owns 50% equity shares of ES Offshore and Marine Engineering (Thailand) Co., Ltd.. However, based on the contractual arrangements between the Group and other investors, the Group holds 51% of voting power that gives it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. Therefore, the directors of the Group determined that the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd. and accordingly ES Offshore and Marine Engineering (Thailand) Co., Ltd. is consolidated in these financial statements.

There has been no change to the Group's ownership and voting power in ES Offshore and Marine Engineering (Thailand) Co., Ltd. since its acquisition in December 2009. Previously, ES Offshore and Marine Engineering (Thailand) Co., Ltd. was also accounted for as a subsidiary of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impact of the application of FRS 112

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 13 and 14 for details).

At the date of authorisation of these financial statements, the following FRSs and Improvements to FRSs that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*
- FRS 115 *Revenue from Contracts with Customers*
- Improvements to Financial Reporting Standards (January 2014)
- Improvements to Financial Reporting Standards (February 2014)

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

The management anticipates that the adoption of the above FRSs and Improvements to FRSs in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements for FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

FRS 109 will take effect from financial years beginning on or after 1 January 2018. The Group is currently evaluating the potential impact of the changes in the period of initial adoption.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial years beginning on or after 1 January 2017. The Group is currently evaluating the potential impact of the changes in the period of initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 103 *Business Combinations*	Accounting for contingent consideration in a business combination	Clarified that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of FRS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. Amendments are effective for business combinations for which the acquisition date is on or after 1 July 2014.
FRS 108 *Operating Segments*	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
FRS 24 *Related Party Disclosures*	Key Management Personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

The Group is currently evaluating the potential impact of the above Improvements to Financial Reporting Standards (January 2014).

Improvements to Financial Reporting Standards (February 2014)

Standards included in this cycle of improvement project comprised of the following. Amendments apply for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 113 *Fair Value Measurement*	Scope of portfolio exception	The scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, FRS 39, even if those contracts do not meet the definitions of financial assets or financial liabilities within FRS 32. Consistent with the prospective initial application of FRS 113, the amendment must be applied prospectively from the beginning of the annual period in which FRS 113 was initially applied.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group is currently evaluating the potential impact of the above Improvements to Financial Reporting Standards (February 2014).

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 it power, including:

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

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries, associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non- current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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

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

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

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

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

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

Financial assets

Financial assets are classified as "loans and receivables". This classification is determined based on the nature and purpose of financial assets at the time of initial recognition. The Group does not have any financial assets classified as "held-to-maturity investments", "financial assets at fair value through profit or loss" and "available-for-sale financial assets".

Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents comprise cash on hand and demand deposits (excluding restricted cash).

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivable". Loans and receivables are initially recognised at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of the interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the financial statements when there is objective evidence that the asset is impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method, except for short-term payables when the recognition of interest would be immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Borrowings

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

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the company and the group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

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

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

The Group as lessee

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

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Inventories comprise mainly raw materials, consumables and work-in-process. Work-in-process includes cost of materials, direct labour and overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated based on first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost, less accumulated depreciation and any accumulated impairment losses.

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

CLUB MEMBERSHIP - Club membership with indefinite useful life is not amortised and is stated at cost less any accumulated impairment loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

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

Recoverable amount is the higher of fair value less costs to sell 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. An impairment loss is recognised immediately in profit or loss.

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 only to the extent 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

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

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

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

GOVERNMENT GRANTS - Government grants are not recognised until there is a reasonable certainty that the Group will comply with the conditions attaching to them and the grants will be received. The benefits associated with these grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Rendering of services

Revenue from contract to provide services is recognised by reference to the stage of completion of the contract at the end of the reporting period.

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

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

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

Sale of vessel and scrap income

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

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

Interest income

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

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

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation, the accumulated exchange differences relating to that foreign operation attributable to the Group are reclassified from equity to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in currency translation reserve.

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(i) Critical judgements in applying the Group's accounting policies

The following are critical judgements, apart from those involving estimations (see below) that the management has made in the process of applying the accounting policies for the amounts recognised in the consolidated financial statements.

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

Note 13 describes that ES Offshore and Marine Engineering (Thailand) Co., Ltd. is a subsidiary of the Group although the Group only owns 50% ownership interest in ES Offshore and Marine Engineering (Thailand) Co., Ltd. Based on the contractual arrangements between the Group and other investors, the Group holds 51% of voting power that give it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. Hence, the directors of the Company assessed and determined that the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd..

(ii) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the financial statements within the next financial year, are discussed below:

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

Revenue and costs of contracts

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

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

Where the outcome of the project revenue and costs are different from the original estimates, such differences will impact revenue, costs and work-in-progress in the period in which such estimate has been changed. The carrying amount of work-in-progress is disclosed in Note 10.

Allowance for bad and doubtful debts

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

The carrying amounts of trade and other receivables at the end of the reporting period as disclosed in Notes 8 and 11 respectively, approximate their recoverable amounts.

Useful lives of property, plant and equipment

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial period, the management is satisfied that there is no significant change in the estimated useful lives of the property, plant and equipment from prior period. Changes in the expected level of usage and technological developments may impact the economic useful lives and the residual of these assets, therefore future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 16.

Impairment of investment in subsidiaries

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

Management has estimated the recoverable amount based on the higher of value in use and fair value less cost of disposal. The fair value less cost of disposal is determined by reference to the estimated realisable values of the net tangible assets of the subsidiaries. The assessment has led to the recognition of impairment loss of $250,262 (2013: $198,896) during the year.

The carrying amounts of the investment in subsidiaries disclosed in Note 13.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Financial assets				
Loans and receivables (including cash and bank balances)	39,154,054	39,745,868	4,679,413	2,842,190
Financial liabilities				
Amortised cost	21,303,220	23,102,963	1,678,124	218,157

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and Company do not have any financial instruments which are subjected to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) *Financial risk management policies and objectives*

The Group's and Company's overall financial risk management policies and objectives seek to minimise potential adverse effects on the financial performance of the Group and Company. Risk management is carried out by the Board and periodic reviews are undertaken to ensure that the Group's and Company's policy guidelines are complied with. There has been no significant change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risk.

(i) Foreign exchange risk management

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

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Liabilities		Assets	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Group				
Singapore dollars	14,918	-	2,600,209	5,653,885
Thai baht	-	-	2,480,000	1,638,000
United States dollars	12,432	-	82,533	235,393
Company				
Thai baht	-	-	2,480,000	1,638,000

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

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

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

	2014	2013
	$	$
Group		
Singapore dollars	129,265	282,694
Thai baht	124,000	81,900
United States dollars	3,505	11,770
Company		
Thai baht	124,000	81,900

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

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management

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

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

The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Notes 17, 19 and 20.

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

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit or loss for the year ended 31 December 2014 would decrease/increase by $41,509 (2013: $51,475). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iii) Credit risk management

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

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

As at the end of the reporting period, the Group has 3 (2013: 3) major customers which accounted for 88.36% (2013: 96.78%) of the net trade receivable balances.

The Company has no concentration of credit risk other than the amount due from subsidiaries as disclosed in Note 11.

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

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 11 respectively.

(iv) Liquidity risk management

As at the end of the reporting period, the Group's cash and cash equivalents amounted to $11,476,378 (2013: $2,495,471). Management is of the view that there is sufficient cash and bank balances and internally generated cash flows to finance the Group's activities. If required, financing can be obtained from its existing lines of banking facilities. At 31 December 2014, the Group had available $19,745,000 (2013: $15,068,114) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

In addition, the Company enters into financial guarantee contracts on behalf of its subsidiaries as disclosed in Note 35.

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Group						
2014						
Non-interest bearing	-	11,954,349	-	-	-	11,954,349
Fixed interest rate instruments	4.77	179,550	-	-	(2,800)	176,750
Finance leases (fixed rate)	5.70	471,435	456,288	-	(57,407)	870,316
Variable interest rate instruments	3.78	2,637,614	5,266,509	1,054,408	(656,726)	8,301,805
		15,242,948	5,722,797	1,054,408	(716,933)	21,303,220
2013						
Non-interest bearing	-	9,646,150	-	-	-	9,646,150
Fixed interest rate instruments	4.76	2,301,563	-	-	(54,852)	2,246,711
Finance leases (fixed rate)	5.51	362,116	628,875	-	(75,975)	915,016
Variable interest rate instruments	3.50	3,290,209	6,816,224	1,326,820	(1,138,167)	10,295,086
		15,600,038	7,445,099	1,326,820	(1,268,994)	23,102,963

Company

All financial liabilities of the Company in 2014 and 2013 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

Non-derivative financial assets

All financial assets of the Group and Company in 2014 and 2013 are repayable on demand or due within 1 year from the end of the reporting period, except for certain finance lease receivable and deposits as disclosed in Notes 9 and 11 respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(c) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities

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

(d) Capital risk management policies and objectives

The Group and Company manage their capital to ensure that entities in the Group and Company will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance. The Group and Company currently do not adopt any formal dividend policy.

The capital structure of the Group consists of debts, which include bank loans (Note 17), factoring creditor (Note 19) and finance leases (Note 20), and equity comprising issued capital, reserves and retained earnings as disclosed in the notes to the financial statements.

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

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. At the end of the reporting period, the Group's gearing ratio is 0.22 (2013: 0.35).

Management regularly monitors compliance with the financial covenants imposed by financial institutions for the facilities granted to the Group. As at the end of the reporting period, the Group is in compliance with externally imposed financial covenants requirements.

The Group's and Company's overall strategy on capital risk management remains unchanged from prior year.

5 RELATED COMPANY TRANSACTIONS

Related companies in these financial statements refer to members of the Company's group of companies.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed in this note. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

6 OTHER RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Details of transactions between the Group and related parties are disclosed below:

	2014	2013
	$	**$**
Professional fee paid to immediate family member of directors/shareholders	180,000	180,000
Subcontractor fee paid to an entity controlled by a common significant shareholder of a subsidiary	4,595,145	1,791,221

Compensation of directors and key management personnel

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

	2014	2013
	$	**$**
Short-term benefits	1,671,802	1,674,089
Post-employment benefits	110,505	113,481
Total	1,782,307	1,787,570

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

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Cash at bank and on hand	11,322,516	2,342,414	246,006	35,615
Fixed deposits	153,862	153,057	-	-
Total	11,476,378	2,495,471	246,006	35,615

Fixed deposit bore an effective interest rate of 0.10% (2013: 0.50%) per annum and was for a tenure of approximately 30 to 60 days (2013: 30 to 60 days).

8 TRADE RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Third parties	16,403,099	25,136,035	-	-
Subsidiaries (Note 5)	-	-	1,771,070	100,000
	16,403,099	25,136,035	1,771,070	100,000

The average credit period granted to customers is 30 days (2013: 30 days). No interest is charged on the outstanding balances.

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

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

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Unbilled receivables	4,170,660	3,891,353	272,000	-
Not past due and not impaired	4,461,857	4,517,409	-	100,000
Past due but not impaired	7,770,582	16,727,273	1,499,070	-
	16,403,099	25,136,035	1,771,070	100,000

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

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
< 3 months	4,464,696	8,170,617	869,910	-
3 months to 6 months	2,435,433	2,917,405	369,150	-
> 6 months to 12 months	183,605	4,224,348	-	-
> 12 months	686,848	1,414,903	260,010	-
	7,770,582	16,727,273	1,499,070	-

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

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

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

In 2013, the Group has factored trade receivables with carrying amount of $646,964 to the factoring creditor (Note 19) in exchange for cash. The transaction has been accounted for as a collaterised borrowing as the factoring creditor has the full recourse in the event of default by those debtors.

9 FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	$	$	$	$
Group				
Amounts receivable under finance leases:				
Within one year	2,760,000	2,760,000	1,953,258	1,782,257
In the second to fifth years inclusive	8,780,000	11,540,000	7,699,057	9,652,315
	11,540,000	14,300,000	9,652,315	11,434,572
Less: Unearned finance income	(1,887,685)	(2,865,428)	NA	NA
Present value of minimum lease payments receivable	9,652,315	11,434,572	9,652,315	11,434,572

Analysed as:

	2014	2013
	$	$
Current finance lease receivable (recoverable within 12 months)	1,953,258	1,782,257
Non-current finance lease receivable (recoverable after 12 months)	7,699,057	9,652,315
	9,652,315	11,434,572

The Group enters into finance leasing arrangement for its vessel. The lease is denominated in Singapore dollars. The term of finance lease entered into is 5 years (2013: 5 years).

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 9.2% (2013: 9.2%) per annum.

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

The leased vessel has been pledged with a bank for banking facilities (Note 17).

10 WORK-IN-PROGRESS

	Group	
	2014	2013
	$	$
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits	21,418,030	17,696,637
Less: Progress billings	(13,184,073)	(10,932,283)
	8,233,957	6,764,354

11 OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Third parties	1,196,254	231,136	-	-
Subsidiaries (Notes 5 and 13)	-	-	2,662,337	2,706,575
Prepayments	479,413	435,398	55,523	49,081
Deposits	426,008	448,654	-	-
Value-added tax receivables	1,321	117,574	-	-
Total	2,102,996	1,232,762	2,717,860	2,755,656
Less: Deposits (shown under non-current assets)	(23,425)	(21,255)	-	-
	2,079,571	1,211,507	2,717,860	2,755,656

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

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

12 INVENTORIES

	Group	
	2014	2013
	$	$
Raw materials, at cost	92,444	509,662
Consumables, at cost	1,002,096	852,007
Work-in-process, at cost	245,806	-
Total	1,340,346	1,361,669

13 SUBSIDIARIES

	Company	
	2014	2013
	$	$
Unquoted equity shares, at cost	21,630,828	21,380,565
Less: Provision of impairment loss	(449,158)	(198,896)
Net	21,181,670	21,181,669

13 SUBSIDIARIES (cont'd)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activity / Country of incorporation and operation	Cost of investment		Proportion of ownership interest		Proportion of voting power held	
		2014	2013	2014	2013	2014	2013
		$	$	%	%	%	%
Eng Soon Investment Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	5,275,859	5,275,859	100	100	100	100
Wang Fatt Oil & Gas Construction Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	10,400,088	10,400,088	100	100	100	100
Eng Soon Marine Pte Ltd (3)	Sale of consumables / Singapore	782,272	782,272	100	100	100	100
ES Offshore Engineering Pte. Ltd. (1)	Repair of vessel and related engineering services / Singapore	1,073,517	1,073,517	100	100	100	100
Eng Soon Engineering (1999) Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	1,401,732	1,401,732	100	100	100	100
ES Shipping Pte. Ltd. (3)	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew / Singapore	100,000	100,000	100	100	100	100
ES Energy Pte. Ltd. (3)	Offshore support services and investment holding / Singapore	1	1	100	100	100	100
ES Oil & Gas Pte. Ltd. (3) (6)	Repair of vessels and related engineering services / Singapore	1	-	100	-	100	-

13 SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activity / Country of incorporation and operation	Cost of investment		Proportion of ownership interest		Proportion of voting power held	
		2014	2013	2014	2013	2014	2013
		$	$	%	%	%	%
Dalian ES Marine & Offshore Engineering Co., Ltd. (7)	Technical development, design, and consultancy service for ship and offshore project / People's Republic of China ("PRC")	449,158	198,896	100	100	100	100
ES Offshore and Marine Engineering (Thailand) Co., Ltd. (2) (4) (5)	Vessel building and repair and steel construction / Thailand	2,148,200	2,148,200	50	50	51	51
		21,630,828	21,380,565				

Notes:

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd, Thailand.

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

(4) The Group owns 50% equity shares of ES Offshore and Marine Engineering (Thailand) Co., Ltd.. However, based on the contractual arrangements between the Group and other investors, the Group holds 51% of voting power that gives it the ability to direct the relevant activities of ES Offshore and Marine Engineering (Thailand) Co., Ltd. based on simple majority votes. The non-controlling interests own 50% equity shares and 49% of voting power of ES Offshore and Marine Engineering (Thailand) Co., Ltd.. Therefore, the directors of the Group determined that the Group has control over ES Offshore and Marine Engineering (Thailand) Co., Ltd. and accordingly ES Offshore and Marine Engineering (Thailand) Co., Ltd. is consolidated in these financial statements.

(5) The Group has not presented the summarised financial information about the assets, liabilities, profit or loss and cash flows of the non-wholly owned subsidiary, ES Offshore and Marine Engineering (Thailand) Co., Ltd., that has material non-controlling interests due to confidentiality of such information for commercial reasons.

(6) The subsidiary was incorporated during the year.

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

14 ASSOCIATE

	Group 2014	Group 2013
	$	$
Cost of investment in associate	200,000	-
Share of post-acquisition loss, net of dividend received	(55,160)	-
	144,840	-

Details of the Group's associate at 31 December 2014 are as follows:

Name of associate	Principal activity / Country of incorporation and operation	Cost of investment		Proportion of ownership interest		Proportion of voting power held	
		2014	2013	2014	2013	2014	2013
		$	$	%	%	%	%
Karnot Technology Pte. Ltd. [(1)]	Provide engineering services / Singapore	200,000	-	20	-	20	-

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

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

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

	2014
	$
Current assets	309,421
Non-current assets	191,798
Current liabilities	(365,013)
Revenue	227,727
Loss for the period, representing total comprehensive loss for the period	(275,800)

14 ASSOCIATE (cont'd)

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

	2014
	$
Net assets of the associate	136,206
Proportion of the Group's ownership interest in Karnot Technology Pte. Ltd.	20%
Goodwill	117,599
Carrying amount of the Group's interest in Karnot Technology Pte. Ltd.	144,840

15 CLUB MEMBERSHIP

	Group	
	2014	2013
	$	$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Carrying amount	49,500	49,500

16 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction -in- progress	Other assets	Total
	$	$	$	$	$	$	$	$	$
Cost:									
At 1 January 2013	5,332,117	3,485,592	827,273	665,182	8,847,340	1,437,226	24,066,386	1,526,984	46,188,100
Exchange translation	-	(87,140)	(20,681)	(16,629)	(171,058)	(445)	(5,535)	(4,277)	(305,765)
Additions	266,640	-	-	-	626,576	40,008	1,144,744	179,498	2,257,466
Reclassification	-	-	348,703	145,912	(1,320)	-	(584,474)	91,179	-
Disposals	-	-	-	-	(108,341)	-	(19,096)	(2,800)	(130,237)
Transfer to inventory	-	-	-	-	-	-	(24,503,013)	-	(24,503,013)
Write-off	-	-	-	-	-	-	-	(300)	(300)
At 31 December 2013	5,598,757	3,398,452	1,155,295	794,465	9,193,197	1,476,789	99,012	1,790,284	23,506,251
Exchange translation	-	87,140	29,623	20,371	179,858	2,778	2,537	10,851	333,158
Additions	-	-	53,300	-	2,182,404	190,666	448,312	389,520	3,264,202
Reclassification	-	114,153	62,472	-	336,220	-	(518,491)	5,646	-
Disposals	-	-	-	-	(145,134)	-	-	(25,725)	(170,859)
Write-off	-	-	-	-	-	-	-	(63,370)	(63,370)
At 31 December 2014	5,598,757	3,599,745	1,300,690	814,836	11,746,545	1,670,233	31,370	2,107,206	26,869,382
Accumulated depreciation:									
At 1 January 2013	1,126,767	-	239,664	300,540	5,771,937	982,126	-	925,955	9,346,989
Exchange translation	-	-	(5,992)	(7,513)	(95,629)	(563)	-	(3,167)	(112,864)
Charge for the year	215,529	-	71,227	72,473	701,043	159,473	-	331,664	1,551,409
Disposals	-	-	-	-	(104,104)	-	-	(2,256)	(106,360)
Write-off	-	-	-	-	-	-	-	(300)	(300)
At 31 December 2013	1,342,296	-	304,899	365,500	6,273,247	1,141,036	-	1,251,896	10,678,874
Exchange translation	-	-	7,818	9,371	110,368	1,362	-	6,449	135,368
Charge for the year	225,321	-	92,695	81,439	931,621	172,791	-	347,437	1,851,304
Disposals	-	-	-	-	(125,442)	-	-	(21,620)	(147,062)
Write-off	-	-	-	-	-	-	-	(35,552)	(35,552)
At 31 December 2014	1,567,617	-	405,412	456,310	7,189,794	1,315,189	-	1,548,610	12,482,932
Carrying amount:									
At 31 December 2014	4,031,140	3,599,745	895,278	358,526	4,556,751	355,044	31,370	558,596	14,386,450
At 31 December 2013	4,256,461	3,398,452	850,396	428,965	2,919,950	335,753	99,012	538,388	12,827,377

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

In 2013, interest expense of $98,015 was capitalised under construction-in-progress.

Leasehold land and property comprises of:

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

16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of $4,031,140 (2013: $4,256,461) have been pledged with a bank for banking facilities (Note 17).

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

As at the end of the reporting period, the Group has plant, machinery and equipment and motor vehicles held under finance leases (Note 20) with carrying amount of $1,288,205 (2013: $1,051,173) and $124,191 (2013: $213,380) respectively.

17 BANK LOANS

	Group	
	2014	**2013**
	$	**$**
Bank loans		
- Term loan 1 [a]	157,223	246,060
- Term loan 2 [a]	353,442	471,518
- Term loan 3 [a]	1,351,140	1,420,122
- Term loan 4 [a]	5,440,000	6,520,000
- Short-term loan 1[b]	-	1,021,383
- Short-term loan 2 [c]	176,750	1,765,828
- Short-term loan 3 [e]	1,000,000	-
- Factoring loan [d]	-	616,003
Total	8,478,555	12,060,914
Less: Amount due for settlement within 12 months (shown under current liabilities)	(2,546,957)	(4,751,959)
Amount due for settlement after 12 months	5,931,598	7,308,955

Notes:

[a] The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 3.28% to 4.50% (2013: 1.50% to 3.78%) per annum.

[b] In 2013, the short-term loan was arranged at floating interest rate, thus exposing the Group to cash flow risk. The short-term loan has an average effective interest rate ranging from 2.30% to 4.60% per annum.

[c] The short-term loan was arranged at fixed interest rate of 4.77% (2013: 4.50% and 5.30%) per annum and thus exposing the Group to fair value interest rate risk.

[d] In 2013, the factoring loan was arranged at floating interest rate ranging from 2.35% to 2.50% per annum and thus exposing the Group to fair value interest rate risk.

[e] The short-term loan was arranged at floating interest rate, thus exposing the Group to cash flow risk. The short-term loan has an average effective interest rate of 5.90% per annum.

17 BANK LOANS (cont'd)

The maturity analysis of the above bank loans are disclosed in Note 4.

At the end of the reporting period, the Group's bank facilities are secured by:

(i) legal mortgage over the Group's leasehold land and property (Note 16);

(ii) a pledge over a leased vessel (Note 9); and

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

As at the end of the reporting period, the Group had available $19,745,000 (2013: $15,068,114) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at the end of the reporting period, the fair value of the Group's bank borrowings is approximately $6,893,000 (2013: $10,007,000).

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

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

18 TRADE PAYABLES

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Entities under common directors/shareholders (Note 6)	599,894	230,848	-	-
Subsidiaries (Notes 5 and 13)	-	-	153,010	-
Third parties	5,289,553	2,596,322	12,824	31,344
	5,889,447	2,827,170	165,834	31,344

The average credit period of trade payables is 30 days (2013: 30 days).

No interest is charged on the outstanding balances.

19 OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Director of subsidiary (Note 6) [(a)]	2,480,865	1,638,865	865	865
Subsidiaries (Notes 5 and 13)	-	-	1,286,341	-
Accruals [(b)]	2,176,522	2,388,946	190,571	-
Workers' guarantee payables	552,890	1,361,720	-	184,798
Other payables	814,625	1,389,449	34,513	1,150
Deposit received	40,000	40,000	-	-
Factoring creditor [(c)]	-	480,883	-	-
	6,064,902	7,299,863	1,512,290	186,813

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

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

(c) In 2013, the Group's factoring creditor bore a fixed interest rate of 5.25% per annum and was repayable within the next 12 months. It was secured by certain trade receivables amounted to $646,964 (Note 8).

20 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	$	$	$	$
Group				
Amounts payable under finance leases:				
Within one year	471,435	362,116	415,886	320,202
In the second to fifth years inclusive	456,288	628,875	454,430	594,814
	927,723	990,991	870,316	915,016
Less: Future finance charges	(57,407)	(75,975)	NA	NA
Present value of lease obligations	870,316	915,016	870,316	915,016
Less: Amount due for settlement within 12 months (shown under current liabilities)			(415,886)	(320,202)
Amount due for settlement after 12 months			454,430	594,814

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease terms ranged from 3 to 7 years (2013: 3 to 7 years). The average effective borrowing rate was 5.70% (2013: 5.51%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 16) and joint and several personal guarantees of a director and related parties (immediate family members of directors/shareholders).

21 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the year:

	Group	
	2014	**2013**
	$	**$**
Accelerated tax depreciation		
At beginning of year	75,739	45,739
Charged to profit or loss (Note 29)	-	30,000
At end of year	75,739	75,739

22 SHARE CAPITAL

	Group and Company			
	2014	**2013**	**2014**	**2013**
	Number of ordinary shares		**$**	**$**
Issued and paid up:				
At beginning and at end of year	141,200,000	141,200,000	23,698,348	23,698,348

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

23 STATUTORY SURPLUS RESERVE

In accordance with the relevant provisions of the Civil and Commercial Code in Thailand, the Company is required to set aside a statutory surplus reserve of at least 5% of its net income at each dividend distribution until the reserve reaches 10% of the authorised capital. The statutory surplus reserve is not available for dividend distribution.

24 MERGER RESERVE

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

25 REVENUE

	Group	
	2014	2013
	$	$
Service revenue and sale of vessels [(a)]	54,425,154	66,857,920
Finance lease income	977,743	934,572
	55,402,897	67,792,492

(a) In 2013, due to the confidentiality of pricing and competitive information relating to the sale of vessels, the revenue from the sale of vessels was not presented separately.

26 OTHER OPERATING INCOME

	Group	
	2014	2013
	$	$
Reimbursement of expenses from foreign workers	693,886	1,134,801
Rental income	340,095	243,500
Interest income	4,473	10,901
Foreign exchange gain - net	-	89,341
Gain on disposal of property, plant and equipment	13,325	408
Scrap income	403,170	358,240
Government grant	180,569	-
Others	235,259	200,698
	1,870,777	2,037,889

27 OTHER OPERATING EXPENSES

	Group	
	2014	2013
	$	$
Rental expense:		
- Land lease (Note 34)	95,939	91,442
- Workshop lease (Note 34)	271,082	74,261
- Others	1,386,721	2,235,146
Repair and maintenance	1,477,012	1,080,306
Travelling expense	411,403	25,035
Staff training and welfare	266,157	322,151
Food and refreshment	180,935	240,571
Foreign exchange loss - net	302,888	-
Water and electricity	309,161	286,728
Transportation	137,945	109,277
Depreciation on property, plant and equipment	187,173	159,761
Property, plant and equipment written off	27,818	-
Inventory written off	-	94,931
Staff uniform	24,516	46,903
Others	420,301	300,682
	5,499,051	5,067,194

28 FINANCE COSTS

	Group	
	2014	2013
	$	$
Interest on bank borrowings	99,555	249,495
Interest on bank overdrafts	429	3,332
Interest on factoring creditor	19,863	69,638
Interest on obligations under finance leases	54,024	61,105
Total borrowing costs	173,871	383,570
Less: Finance cost capitalised as construction-in-progress	-	(98,015)
	173,871	285,555

29 INCOME TAX EXPENSE

	Group	
	2014	2013
	$	$
Income tax:		
- Current tax	24,948	164,500
- Under (Over) provision in prior years	86,309	(20,210)
Deferred tax (Note 21)		
- Current	-	30,000
	111,257	174,290

Domestic income tax is calculated at 17% (2013: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the financial year can be reconciled to the accounting profit as follows:

	Group	
	2014	2013
	$	$
Profit before income tax	5,726,395	2,247,838
Income tax expense at statutory rate of 17% (2013: 17%)	973,488	382,132
Effect of income that is exempt from taxation	(1,034,860)	(27,963)
Effect of expenses that are not deductible in determining taxable profit	208,268	150,816
Effect of different tax rates of subsidiaries operating in other jurisdictions	-	(28,176)
Tax exemption	(32,150)	(133,132)
Tax incentives	(90,377)	(169,049)
Under (Over) provision in prior years	86,309	(20,210)
Others	579	19,872
Total income tax expense	111,257	174,290

29 INCOME TAX EXPENSE (cont'd)

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $3,011,210 (2013: $3,057,516) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

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

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

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

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

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

30 PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	Group	
	2014	2013
	$	$
Depreciation of property, plant and equipment:		
- cost of services	1,305,144	1,107,825
- administrative expenses	358,987	283,823
- other operating expenses (Note 27)	187,173	159,761
	1,851,304	1,551,409
Directors' remuneration:		
- of the Company	915,000	942,200
- of the subsidiaries	121,520	107,489
Employee benefits expense (including directors' remuneration)	5,066,708	4,153,275
Costs of defined contribution plans (included in employee benefits expense)	528,219	496,906
Audit fee:		
- paid to auditors of the Company	120,000	122,000
- paid to other auditors	43,892	50,396
Non-audit fee:		
- paid to other auditors	10,640	7,450
Cost of inventories recognised as expense	8,634,405	3,265,564

31 EARNINGS PER SHARE

Basic earnings per share for the financial year ended 31 December 2014 is calculated based on the net profit attributable to owners of the Company for the year of $2,639,326 (2013: $1,990,676) divided by the weighted average number of shares issued of 141,200,000 (2013: 141,200,000).

32 DIVIDENDS

On 22 May 2013, the Company declared and paid a final one-tier tax exempt dividend of 0.25 cents per share amounting to $353,000 in respect of the year ended 31 December 2012, to its shareholders.

On 3 September 2013, the Company declared and paid an interim one-tier tax exempt dividend of 0.10 cents per share amounting to $141,200 in respect of the year ended 31 December 2013, to its shareholders.

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

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

On 27 February 2015, the directors proposed that a final one-tier tax exempt dividend of 0.25 cents per share amounting to $353,000 be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

33 SEGMENT INFORMATION

Services from which reportable segments derive their revenues

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

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

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

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

The accounting policies of the reportable segments are described in Note 2. Segment revenue represents revenue generated from external customers. Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

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

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

33 SEGMENT INFORMATION (cont'd)

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

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

33 SEGMENT INFORMATION (cont'd)

	New building and conversion	Repair	Total
	$	$	$
2013			
Revenue			
Segment revenue	42,682,813	25,109,679	67,792,492
Results			
Segment results	5,841,582	5,941,781	11,783,363
Other operating income			2,037,889
Administrative expenses			(6,220,665)
Other operating expenses			(5,067,194)
Finance costs			(285,555)
Profit before income tax			2,247,838
Income tax expense			(174,290)
Profit for the year			2,073,548
Other information			
Capital expenditure			2,257,466
Property, plant and equipment written off			-
Gain on disposal of property, plant and equipment			(408)
Depreciation of property, plant and equipment			1,551,409
Assets and Liabilities			
Segment assets	31,583,677	20,005,848	51,589,525
Unallocated corporate assets			9,712,215
Total assets			61,301,740
Segment liabilities	8,730,754	-	8,730,754
Unallocated corporate liabilities			14,644,097
Total liabilities			23,374,851

Geographical information

The Group operates in three principal geographical areas – Singapore (country of domicile), Thailand and PRC.

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

	Revenue		Non-current assets#	
Geographical segments	**2014**	**2013**	**2014**	**2013**
	$	$	$	$
Singapore	26,629,612	58,531,434	4,930,377	5,159,682
Thailand	28,589,768	9,062,689	9,642,481	7,704,196
PRC	183,517	198,369	7,932	12,999

Non-current assets other than financial instruments.

33 SEGMENT INFORMATION (cont'd)

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

Information about major customers

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

	2014	2013
	$	$
Top 1st customer	30,470,181	26,600,636
Top 2nd customer	12,669,399	21,697,006
Top 3rd customer	6,356,671	9,527,793
Top 4th customer	1,119,343	7,557,888

Each customer above contributes revenue to both reportable segments.

34 OPERATING LEASE ARRANGEMENTS

	Group	
	2014	2013
	$	$
Minimum lease payments under non-cancellable operating leases recognised as an expense during the year	367,021	165,703

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2014	2013
	$	$
Within one year	241,959	346,964
In the second to fifth year inclusive	382,524	530,792
After five years	868,649	969,170
	1,493,132	1,846,926

Leases comprise of:

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

(b) Workshop lease which is negotiated for a term of 3 years and rentals are fixed over the term of the lease.

35 CONTINGENT LIABILITIES

	Company	
	2014	2013
	$	$
Guarantees given to banks in respect of credit facilities and finance lease obligations of subsidiaries	36,966,923	35,768,700

The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is $36,966,923 (2013: $35,768,700). The earliest period that the guarantee could be called is within 1 year (2013: 1 year) from the end of the reporting period.

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

STATISTICS OF SHAREHOLDINGS

As at 12 March 2015

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	0	0.00	0	0.00
100 - 1,000	5	2.66	5,000	0.00
1,001 - 10,000	52	27.66	411,000	0.29
10,001 - 1,000,000	121	64.36	15,881,000	11.25
1,000,001 AND ABOVE	10	5.32	124,903,000	88.46
TOTAL	**188**	**100.00**	**141,200,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

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

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	40,080,000	28.39
2.	LOW CHEE WEE	30,235,000	21.41
3.	CHRISTOPHER LOW CHEE LENG	15,905,000	11.26
4.	HONG LEONG FINANCE NOMINEES PTE LTD	14,916,000	10.56
5.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
6.	LOW YIN YIN	6,000,000	4.25
7.	UOB KAY HIAN PRIVATE LIMITED	3,842,000	2.72
8.	LEOW MEI LEE	3,600,000	2.55
9.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
10.	ONG BENG CHYE	1,925,000	1.36
11.	MAYBANK KIM ENG SECURITIES PTE. LTD.	939,000	0.67
12.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	856,000	0.61
13.	SERM TANTASATIEN	835,000	0.59
14.	OCBC SECURITIES PRIVATE LIMITED	739,000	0.52
15.	PHILLIP SECURITIES PTE LTD	704,000	0.50
16.	KOK SIP CHON	663,000	0.47
17.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	520,000	0.37
18.	LIM SEET HUAT (LIN SHIFA)	454,000	0.32
19.	LOH WING WAH	430,000	0.30
20.	LIN YAN	375,000	0.27
	TOTAL	**131,418,000**	**93.07**

STATISTICS OF SHAREHOLDINGS

As at 12 March 2015

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Total Interest	
NAME	**No. of shares**	**%**	**No. of shares**	**%**	**No. of shares**	**%**
LOW CHEE WEE [(1)]	30,235,000	21.41	40,080,000	28.39	70,315,000	49.80
CHRISTOPHER LOW CHEE LENG [(1) (3)]	15,905,000	11.26	54,200,000	38.39	70,105,000	49.65
LOW YIN YIN [(1)]	6,000,000	4.25	40,080,000	28.39	46,080,000	32.63
NEO PECK KEOW @ NG SIANG KENG [(1)]	40,080,000	28.39	-	-	40,080,000	28.39
EDDY NEO CHIANG SWEE (EDDY LIANG JIANG SHUI) [(2)]	6,000,000	4.25	3,600,000	2.55	9,600,000	6.80

Notes:

(1) Low Chee Wee, Christopher Low Chee Leng and Low Yin Yin are siblings. Their mother is Neo Peck Keow @ Ng Siang Keng. Each of Low Chee Wee, Christopher Low Chee Leng and Low Yin Yin are deemed interested in all the Shares held by their mother, Neo Peck Keow @ Ng Siang Keng, by virtue of Section 7 of the Companies Act.

(2) Eddy Neo Chiang Swee is deemed interested in the 3,600,000 Shares held by his mother, Leow Mei Lee, by virtue of Section 7 of the Companies Act.

(3) Christopher Low Chee Leng is deemed interested in the Shares held by Hong Leong Finance Nominees Pte Ltd. Christopher Low Chee Leng pledged 14,120,000 Shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

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

Based on the information available to the Company as at 12 March 2015, approximately 15.60% of the issued ordinary shares of the Company are held by the public, and therefore, Rule 723 of the Rules of Catalist which requires that at least 10% of the ordinary shares of the Company be at all times held by the public, is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the fifth annual general meeting ("**AGM**") of ES Group (Holdings) Limited will be held at 10 Kwong Min Road Singapore 628712 on Tuesday, 28 April 2015 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements, the Directors' Report and the Auditors' Report for the financial year ended 31 December 2014. **Resolution 1**

2. To approve a final one-tier tax exempt dividend of 0.25 Singapore cents per ordinary share for the financial year ended 31 December 2014. **Resolution 2**

3. To approve the payment of Directors' fees of $137,500 for the financial year ending 31 December 2015, to be paid quarterly in arrears. (For the financial year ended 31 December 2014: $125,000) **Resolution 3**

4. To re-elect Mr. Eddy Neo Chiang Swee, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 4**
   (See Explanatory Notes)

5. To re-elect Mr. Jens Rasmussen, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 5**
   (See Explanatory Notes)

6. To appoint Messrs BDO LLP as Auditors of the Company in place of the retiring Auditors, Messrs Deloitte & Touche LLP, to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**
   (See Explanatory Notes)

AS SPECIAL BUSINESS

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

7. That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the directors of the Company ("**Directors**") to:

   (A) (i) issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures, convertible securities or other instruments convertible into Shares; and/or

   (iii) notwithstanding that such authority may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues,

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

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

(i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed one hundred per cent. (100%) of the total number of issued Shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed fifty per cent. (50%) of the total number of issued Shares in the capital of the Company excluding treasury shares (as calculated in accordance with sub-paragraph (ii) below);

(ii) the total number of issued Shares in the capital of the Company excluding treasury shares shall be based on the Company's total number of issued Shares excluding treasury shares, after adjusting for any subsequent bonus issue, consolidation or subdivision of Shares;

(iii) in exercising such authority, the Company shall comply with any or all of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting by an ordinary resolution, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act and every other legislation for the time being in force concerning companies and affecting the Company (whichever is the earliest).

(See Explanatory Notes) **Resolution 7**

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

(a) grant awards in accordance with the provisions of the Eng Soon Performance Share Plan (the "**PSP**"); and

(b) offer and grant options under the Eng Soon Employee Share Option Scheme (the "**ESOS**"),

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 vesting of awards under the PSP and/or exercise of options under the ESOS, whether granted during the subsistence of this authority or otherwise provided always that:

the aggregate number of Shares to be issued pursuant to the PSP and the ESOS shall not exceed fifteen per cent. (15%) of the issued share capital of the Company (excluding treasury shares) for the time being and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever earlier. **Resolution 8**

(See Explanatory Notes)

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

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 10 April 2015

Notes:

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. Where a member appoints two (2) proxies, he shall specify the percentage of shares to be represented by each proxy.

3. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or under the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Ubi Road 2 #06-26 Zervex Singapore 408538, not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal Data Privacy:

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

Explanatory Notes on Ordinary Business to be Transacted:

Resolution 4

The key information of Mr. Eddy Neo Chiang Swee can be found in the annual report.

Mr. Eddy Neo Chiang Swee, if re-appointed as Director of the Company, will remain as an Executive Director of the Company. Mr. Eddy Neo Chiang Swee has a total interest (direct and deemed) of 6.8% in the capital of the Company.

Resolution 5

The key information of Mr. Jens Rasmussen can be found in the annual report.

Mr. Jens Rasmussen, if re-appointed as Director of the Company, will remain as a member of the Audit and Risk Committee, Nominating Committee as well as Remuneration and Compensation Committee. The Board considers him to be non-independent for the purpose of Rule 704(7) of the Rules of Catalist.

Resolution 6

In accordance with the requirements of Rule 712(3) of the Rules of Catalist:

i) Deloitte & Touche LLP, the Company's current auditors for the financial year ended 31 December 2014, has confirmed to BDO LLP, via its letter dated 31 March 2015, that it is not aware of any professional reasons why BDO LLP should not accept appointment as the new auditors of the Company;

ii) the Company confirms that there were no disagreements with Deloitte & Touche LLP on accounting treatments within the last twelve (12) months from the date of the addendum to shareholders relating to the proposed change of Auditors ("**Addendum**");

iii) the Company confirms that it is not aware of any circumstances connected with the proposed change of auditors that should be brought to the attention of shareholders of the Company which has not been disclosed in the Addendum;

iv) the reasons for the proposed change of auditors are to enable the Company to benefit from fresh perspectives through periodic rotation of auditors and to ensure good corporate governance; and

v) the Company confirms that it complies with Rules 712 and 716 of the Rules of Catalist in relation to the proposed appointment of BDO LLP as its new auditors.

For further information in relation to the proposed change of auditors, please refer to the Addendum which is appended to the annual report.

Explanatory Notes on Special Business to be Transacted:

Resolution 7

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

The one hundred per cent. (100%) limit and the fifty per cent. (50%) limit will be calculated based on the Company's issued share capital at the time of the passing of this resolution, after adjusting for:

(i) new Shares arising from the conversion or exercise of convertible securities; and

(ii) any subsequent bonus issue, consolidation or subdivision of Shares.

Resolution 8

The Ordinary Resolution 8 proposed above, if passed, will authorise and empower the Directors of the Company to grant awards and options in accordance with the provisions of the PSP and the ESOS respectively and allot and issue Shares pursuant to the vesting of awards under the PSP and/or exercise of options under the ESOS, provided that the aggregate number of Shares to be issued pursuant to the PSP and the ESOS shall not exceed fifteen per cent. (15%) of the issued Share capital of the Company for the time being.

As at the date of this notice, no awards have been granted under the PSP and no options have been granted under the ESOS. The PSP and the ESOS were adopted at the extraordinary general meeting of the Company held on 25 June 2010.

Proxy Form
ES Group (Holdings) Limited

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

Annual General Meeting to be held on Tuesday, 28 April 2015

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

of ____ (Address)

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

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

and/or (delete as appropriate)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the fifth annual general meeting ("AGM") of the Company to be held at 10 Kwong Min Road Singapore 628712 on Tuesday, 28 April 2015 at 2.00 p.m. and at any adjournment thereof.

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

No.	Resolution	For	Against
	Ordinary Business		
1	Audited Financial Statements, Directors' Report & Auditors' Report for the financial year ended 31 December 2014		
2	Final dividend of 0.25 Singapore cents per ordinary share for the financial year ended 31 December 2014		
3	Directors' fees for the financial year ending 31 December 2015, to be paid quarterly in arrears		
4	Re-election of Director (Mr. Eddy Neo Chiang Swee)		
5	Re-election of Director (Mr. Jens Rasmussen)		
6	Appointment of Messrs BDO LLP as Auditors of the Company in place of retiring Auditors, Messrs Deloitte & Touche LLP		
	Special Business		
7	Authority to allot and issue shares		
8	Authority to grant awards and options pursuant to the Eng Soon Performance Share Plan and the Eng Soon Employee Share Option Scheme respectively and to allot and issue shares pursuant to the Eng Soon Performance Share Plan and the Eng Soon Employee Share Option Scheme		

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

Signed this ______ day of __________ 2015

Total Number of Shares Held

____

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

*delete as appropriate

Notes to the Proxy Form:

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 Singapore Companies Act, Chapter 50), 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.

2. A member entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote on his behalf.

3. Where a member appoints more than one (1) proxy, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent one hundred per cent. (100%) of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

4. A proxy need not be a member of the Company.

5. The instrument appointing a proxy or proxies together with the letter or power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 8 Ubi Road 2 #06-26 Zervex Singapore 408538 at least forty-eight (48) hours before the time appointed for holding the AGM.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised. An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.

7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Singapore Companies Act, Chapter 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies.

9. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at forty-eight (48) hours before the time appointed for holding the AGM 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 10 April 2015.

英順 ENG SOON ™

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