ANNUAL REPORT 2017

ES Group (Holdings) Limited

VISION

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

MISSION

To provide world-class services without compromising on safety.

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

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

TABLE OF CONTENTS

CORPORATE **PROFILE**

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

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

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

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

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

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

CHAIRMAN'S **MESSAGE**

Dear Shareholders

On behalf of the board of directors (the "**Board**" or "**Directors**"), I am pleased to present to you the annual report of ES Group for the financial year ended 31 December 2017 ("**FY 2017**").

Since the collapse of crude oil prices, the marine and offshore industry had experienced a deep and prolonged slowdown. 2017 was very challenging for the Group. FY 2017 financial performance improved over the previous financial year but continued to suffer losses.

FINANCIAL PERFORMANCE

The Group's revenue for FY 2017 increased by S$0.8 million or 3.2% to S$23.5 million as compared to S$22.7 million in the financial year ended 31 December 2016 ("**FY 2016**"). The Group's segmental revenue performance are as follows:

- Revenue from new building and conversion segment decreased by S$4.9 million or 25.5% to S$14.2 million in FY 2017; revenue from repair segment increased by S$1.1 million or 30.1% to S$4.7 million in FY 2017; and revenue from the new shipping segment was S$4.5 million in FY 2017.
- Revenue from Singapore operations increased by S$3.3 million or 16.6% to S$22.8 million in FY 2017; and revenue from Thailand operations decreased by S$2.5 million or 83.8% to S$0.5 million in FY 2017.

Gross profit increased to S$4.2 million in FY 2017 from S$3.4 million in FY 2016. Gross profit margin improved by 2.8 percentage points to 17.8% in FY 2017 from 15.0% in FY 2016. This is mainly due to improved economies of scale, partly offset by depreciation of vessels in the shipping segment.

The Group brought total expenses down to S$8.9 million in FY 2017 from S$10.4 million in FY 2016 due mainly to cost control initiatives. The savings were from the following areas :

- Administrative expenses decreased to S$6.1 million in FY 2017 from S$7.2 million in FY 2016. The savings are from reduction in allowance of impairment on third party receivables and backend support related expenses.

- Other operating expenses decreased to S$2.5 million in FY 2017 from S$3.1 million in FY 2016 mainly from lower rental costs (for dormitory and workshop purposes) and reduced staff related expenses.

The above savings were offset by increased finance costs to S$0.3 million in FY 2017 from S$0.1 million in FY 2016 due to additional borrowings.

As a result, the Group's loss after tax was S$3.7 million for FY 2017 as compared to a loss after tax of S$5.5 million in FY 2016. The Group's net loss attributable to shareholders was S$2.6 million in FY 2017 versus the loss of S$4.8 million in FY 2016.

The Group's total assets as at 31 December 2017 increased by S$1.0 million or 2.1% to S$48.4 million from S$47.4 million as at 31 December 2016, mainly due to increase in cash and cash equivalents and trade receivables, partly offset by depreciation for the year.

The Group's total liabilities as at 31 December 2017 increased by S$4.7 million or 28.8% to S$20.8 million from S$16.2 million as at 31 December 2016. This was mainly due to drawdown of additional borrowings offset by the repayment of loan from a director of a subsidiary.

Cash and cash equivalents increased to S$8.4 million as at 31 December 2017 from S$4.4 million as at 31 December 2016. This was mainly contributed by net cash inflow from operating activities, net additional borrowings for working capital and offset by cash outflow from investing activities.

Loss per share of the Group for FY 2017 amounted to 1.83 cents, compared to 3.42 cents for FY 2016. Net asset value per share of the Group was 18.69 cents at 31 December 2017 compared to net asset value per share of 20.49 cents at 31 December 2016.

OPERATIONS

The new building and conversion segment continues to be the Group's main revenue contributor, accounting to S$14.2 million (60.5% of the Group's total revenue) in FY 2017, as compared to S$19.1 million (84.0% of the Group's total revenue) in FY 2016.

The repair segment recorded an increase to S$4.7 million (or 20.2% of the Group's total revenue) in FY 2017 from S$3.6 million (16.0% of the Group's total revenue) in FY 2016, mainly due to more projects secured in FY 2017.

2018

While there is some recovery in the offshore, marine and shipping industry, operating conditions remain challenging.

In FY 2017, the Group saw additional revenue from the new shipping segment which comprised mainly of the Group's chartering business. In time, we believe it will complement the Group's two core segments through extending of the Group's customer base.

The Group will continue to focus on improving its revenue base and streamlining its operation costs. On the revenue front, the Group will continue to strengthen relationships and explore new projects with clients and business partners. On the operation front, we will continue to invest on improving the skills set of our employees and derive project management efficiencies.

ACKNOWLEDGEMENTS AND APPRECIATION

On behalf of the directors, I would like to extend my sincere appreciation to our shareholders, business partners, suppliers and customers for your continued loyalty and support. To all our management and staff, I thank you for your commitment and hard work in a very trying environment.

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

In 2018, the Group looks forward to the continued support from all our stakeholders.

Yours faithfully,

Wee Siew Kim
Chairman

BOARD OF **DIRECTORS**

WEE SIEW KIM
Non-Executive Chairman
and Independent Director

LOW CHEE WEE
Chief Executive Officer
and Chief Operating Officer

EDDY NEO CHIANG SWEE
Executive Director
(Development)

TAN SWEE LING
Independent Director

JENS RASMUSSEN
Non-Executive Director

WEE SIEW KIM

Non-Executive Chairman
and Independent Director

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

He started his career as an engineer in 1984, joining the aerospace arm ("**ST Aero**") of Singapore Technologies Engineering Ltd ("**ST Engineering**"). He subsequently held appointments of President of ST Aero, President of ST Engineering's European operations, President of ST Engineering's defence business and Deputy CEO of ST Engineering.

Mr Wee graduated with a Bachelor of Science Honours (Aeronautical Engineering) from the Imperial College of Science and Technology, University of London in 1984 and holds a Master of Business Administration from Graduate School of Business, Stanford University. He is a Fellow of the City & Guilds of London Institute.

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

LOW CHEE WEE

Chief Executive Officer
and Chief Operating Officer

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

EDDY NEO CHIANG SWEE

Executive Director (Development)

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

BOARD OF **DIRECTORS**

TAN SWEE LING

Independent Director

JENS RASMUSSEN

Non-Executive Director

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

Jens Rasmussen is our Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been Project Manager for new building projects of accommodation and drilling vessels at Keppel FELS Ltd yard in Singapore and Yiulian Dockyard in China. He was previously involved, on a personal profession basis, in certain projects that the Group was involved. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 35 years of professional experience in the marine and offshore industry, having been involved in the management, engineering, certification and construction of various types of new building and conversion projects associated with offshore oil and gas exploration and development, as well as shipbuilding. From 1984 to 2006, he was a General Manager with GVA Consultants AB, where he was responsible for sales, concept development of new oil and gas fields, deep-water drilling semisubmersibles, commercial and technical feasibility evaluation for floating offshore platforms. During the period between 2000 and 2004, he also held the position of Engineering Manager and Construction Manager (Korea) and Engineering Coordination Manager (Houston) at BP Exploration Company Inc. In 2006, he was a Project Manager with Frontier Drilling Inc., where he was responsible for overseeing the upgrade and refurbishment of a drillship in Keppel FELS Ltd. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.

MANAGEMENT **PROFILE**

Koay Swee Heng

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

Teoh Han Chong

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

Lou Tin Boang

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

Lim Fei Yen

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

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

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

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

CORPORATE **MILESTONES**

1975
Eng Soon Engineering Pte Ltd was first established by Low Chye Hin

1977
Registered as a resident sub-contractor of Sembawang Shipyard Pte Ltd

1992
Eng Soon Investment Pte Ltd was formed

1997
Wang Fatt Oil & Gas Construction Pte Ltd was established to serve the marine industry of Singapore Technologies Marine Ltd

1999
Eng Soon Engineering (1999) Pte Ltd was formed to provide marine piping work and mechanical installation catering for all major shipyards in Singapore

2001
ISO 9001 was awarded to Eng Soon Investment Pte Ltd and Wang Fatt Oil & Gas Construction Pte Ltd for excellent commitment to quality

2003
ES Offshore Engineering Pte. Ltd. was formed to provide oil rigs and semi submersible new building and repair services for Keppel FELS Ltd

2006
ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in Thapsakae, Thailand covering 70,000 square-meters of land space to undertake EPC projects and provide new building services such as offshore modules and oil rigs structures

2007
Built a 2-storey building at No. 10 Kwong Min Road having 4,700 square-feet of office space and 43,000 square-feet of workshop space. Therein also accommodates 383 of our marine skilled workers

2009
Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Engineering (1999) Pte Ltd each attained OHSAS 18001 in Workplace Safety and Health management and Bizsafe Star Certification

2010
July, IPO listing on the Catalist board of the SGX-ST as ES Group (Holdings) Limited

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

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

2011
Delivered an offshore barge to its first direct customer Subsea 7 S.A.

2012
Successfully launched two bunker vessels – Sea Tanker I and Sea Tanker II

2013
Successfully delivered the two bunker vessels

Incorporated a new subsidiary – ES Energy Pte. Ltd.

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

2014
Incorporated a new subsidiary – ES Oil & Gas Pte. Ltd.

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

2015
Entered into a joint venture with Mr. Tang Wei to establish ESW Automation Pte. Ltd. – to provide marine and offshore electrical installation and automation services

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

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

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

CORPORATE **INFORMATION**

Board of Directors
Wee Siew Kim
Non-Executive Chairman
and Independent Director

Low Chee Wee
Chief Executive Officer & Chief Operating Officer

Eddy Neo Chiang Swee
Executive Director (Development)

Tan Swee Ling
Independent Director

Jens Rasmussen
Non-Executive Director

Audit and Risk Committee
Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Nominating Committee
Wee Siew Kim
Chairman

Tan Swee Ling
Jens Rasmussen

Remuneration and Compensation Committee
Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Company Secretary
Adrian Chan Pengee

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

Company Registration Number
200410497Z

Share Registrar and Share Transfer Office
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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

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

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

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

FINANCIAL **HIGHLIGHTS**

Financial Performance	**FY 2017 $´000**	**FY 2016 $´000**	**FY 2015 $´000**
Revenue	**23,455**	**22,717**	**38,510**
Cost of services	(19,279)	(19,308)	(29,539)
Gross profit	**4,176**	**3,409**	**8,971**
Other operating income	981	1,513	1,381
Administrative expenses	(6,143)	(7,200)	(7,191)
Other operating expenses	(2,471)	(3,120)	(4,612)
Finance costs	(261)	(64)	(99)
Share of loss of associate	-	-	(77)
Loss before income tax	**(3,718)**	**(5,462)**	**(1,627)**
Income tax credit (expense)	(14)	-	77
Loss for the year	**(3,732)**	**(5,462)**	**(1,550)**

Financial Position	**As at 31 December 2017 $´000**	**As at 31 December 2016 $´000**	**As at 31 December 2015 $´000**
Shareholders' equity (excluding non-controlling interest)	26,392	28,932	33,809
Total assets	48,352	47,352	54,306
Total liabilities	20,807	16,154	17,806

Financial Ratios (per share)	**FY 2017**	**FY 2016**	**FY 2015**
Net asset value (cents)	18.69	20.49	23.94
Basic and diluted (loss) earnings (cents)	(1.83)	(3.42)	(1.35)

FINANCIAL **CONTENTS**

CORPORATE **GOVERNANCE REPORT**

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

This report sets out the Group's corporate governance practices with specific reference to each of the principles and guidelines in the Code. The Board confirms that, for the financial year ended 31 December ("**FY**") 2017, the Group has generally adhered as closely as possible to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

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

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

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

CORPORATE **GOVERNANCE REPORT**

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

During FY 2017, 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	5	3	1	1
Name of Director				
Mr. Wee Siew Kim	5	3	1	1
Mr. Low Chee Wee	5	3*	1*	1*
Mr. Eddy Neo Chiang Swee	3	2*	1*	1*
Ms. Tan Swee Ling	5	3	1	1
Mr. Jens Rasmussen	5	3	1	1

* Attendance by invitation

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

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

CORPORATE **GOVERNANCE REPORT**

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

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

Principle 2: Board Composition and Guidance

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

Directors[1]	Board Membership	Date of First Appointment	Date of Last Re-Appointment	Audit and Risk Committee[2]	Nominating Committee[2]	Remuneration and Compensation Committee[2]
Mr. Wee Siew Kim	Non-Executive Chairman and Independent Director	8 June 2010	26 April 2016	Member	Chairman	Member
Mr. Low Chee Wee	Chief Executive Officer ("**CEO**") and Chief Operating Officer ("**COO**")	25 November 2009	20 April 2017	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director (Development)	25 November 2009	28 April 2015	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010	20 April 2017	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010	28 April 2015	Member	Member	Member

Notes:

(1) Please refer to pages 5 to 6 of the annual report for key information regarding the Directors' profiles, directorships or chairmanships both present and those held over the preceding 3 years in other listed companies and other principal commitments. Please refer to pages 33, 106 to 107 for details on the Director's shareholdings in the Company and its related corporations.

(2) Please refer to Principles 4, 7 and 12 on pages 16, 20 and 26 respectively of the annual report for key information regarding the composition of the Board Committees, names of the respective Board Committee chairman and members and their primary responsibilities.

CORPORATE **GOVERNANCE REPORT**

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

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

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

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

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

Principle 3: Chairman and Chief Executive Officer

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

CORPORATE **GOVERNANCE REPORT**

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

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

Principle 4: Board Membership

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

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

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

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

    (ii) 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;

CORPORATE **GOVERNANCE REPORT**

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

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

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

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

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

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

CORPORATE **GOVERNANCE REPORT**

Pursuant to the one-third rotation rule, Mr. Eddy Neo Chiang Swee and Mr. Jens Rasmussen shall retire at the forthcoming AGM and shall be eligible for re-election. The Nominating Committee has recommended to the Board that Mr. Eddy Neo Chiang Swee and Mr. Jens Rasmussen be nominated for re-election at the forthcoming AGM. The Board has accepted the Nominating Committee's recommendation. Mr. Eddy Neo Chiang Swee will, upon re-election as a Director, remain as the Executive Director (Development). Mr. Jens Rasmussen will, upon re-election as a Director, remain as a Non-Executive Director, a member of the Audit and Risk Committee, the Remuneration and Compensation Committee, and the Nominating Committee. Please refer to pages 5 to 6 for the key information regarding the Directors' profile, as well as page 106 to 107 respectively for any relationships, including relationships between Mr. Eddy Neo Chiang Swee and Mr. Jens Rasmussen respectively and the other Directors, the Company or its 10% Shareholders.

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

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

Principle 5: Board Performance

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

An annual evaluation of the Board's performance for FY 2017 was conducted to assess and identify areas for continuous improvement to the Board's overall effectiveness. The evaluation was carried out by way of a Board assessment checklist through which each Director was required to complete and assess individually the Board as a whole on several parameters namely, the board structure, conduct of meetings or affairs, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with Shareholders. Attendance at the meetings of the Board and Board Committees, effectiveness of discussions at such meetings and the discharge of the Board's duties in relation to the affairs of the Group were also evaluated. The consolidated findings were then reported and recommendations were made to the Board for consideration for further improvements to assist the Board in discharging its duties more effectively. The performance criteria, which allows for comparison with industry peers, are approved by the Board and they address how the Board has enhanced long-term Shareholders' value by allowing the Board to further improve on discharging their duties more effectively. The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. The Code recommends that individual evaluation should be conducted to assess the effectiveness of the Board Committees and whether each Director continues to contribute effectively and demonstrate commitment to the role. The Board, together with the Nominating Committee, have taken cognizance of the recommendations under the Code, but is of the view that due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director and the Board Committees.

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

CORPORATE **GOVERNANCE REPORT**

Principle 6: Access to Information

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

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

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

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

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

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

(d) advising the Board and the Management on the Company's compliance with the requirements of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**Rules of Catalist**") and all other rules, regulations and governance matters which are applicable to the Group;

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

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

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

CORPORATE **GOVERNANCE REPORT**

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

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

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

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

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

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

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

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

The Remuneration and Compensation Committee will, from time to time, and where necessary, seek advice from external remuneration consultant in structuring the remuneration policy and determine the level and mix of remuneration for Directors and key Management. No external remuneration consultant has been engaged for FY 2017.

CORPORATE **GOVERNANCE REPORT**

Principle 8: Level and Mix of Remuneration

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

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

For FY 2017, the Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key Management in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company. However, the Remuneration and Compensation Committee has adopted such contractual provisions from financial year ending 2018.

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 a 3-year service agreement with Mr. Low Chee Wee on 1 February 2010, as well as a letter of appointment with Mr. Eddy Neo Chiang Swee on 25 November 2009, governing the terms and conditions of their employment by the Company. The service agreement with Mr. Low Chee Wee is renewable on annual basis after the first 3 years. His service agreement has been updated with the latest corporate governance requirements as and when required. The remuneration packages for Executive Directors are based on terms stipulated in their respective service agreement or letter of appointment. The remuneration package of Mr. Low Chee Wee include a profit sharing scheme that is performance-related to align his interests with those of Shareholders.

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

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. The Shareholders had approved the payment of the Non-Executive Directors' fees of S$137,500 for FY 2017. Executive Directors do not receive Directors fees.

CORPORATE **GOVERNANCE REPORT**

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual Director's remuneration for FY 2017, is as follows:-

	Directors' Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits[1] (%)	Total (%)
Executive Directors					
S$250,000 to S$500,000					
Mr. Low Chee Wee	-	86	7	7	100
Below S$250,000					
Mr. Eddy Neo Chiang Swee	-	75	6	19	100
Non-Executive Directors					
Below S$250,000					
Mr. Wee Siew Kim	100	-	-	-	100
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100

Note:

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

A breakdown, showing the level and mix of the top 5 key Management who are not Directors or CEO in remuneration bands of S$250,000 for FY 2017, is as follows:-

	Fixed Salary (%)	Bonus (%)	Benefits[1] (%)	Total (%)
S$250,000 to S$500,000				
Christopher Low Chee Leng	83	7	10	100
Below S$250,000				
Lim Fei Yen	82	7	11	100
Koay Swee Heng	74	9	17	100
Teoh Han Chong	79	6	15	100
Lou Tin Boang	82	6	12	100

Note:

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

The total remuneration, in aggregate, paid to the above top 5 key Management (who are not Directors or the CEO) for FY 2017 was approximately S$740,000.

CORPORATE **GOVERNANCE REPORT**

Mr. Low Chee Wee and Mr. Christopher Low Chee Leng (who retired as a Director at the conclusion of the AGM held on 26 April 2016) are brothers. The remuneration paid to Mr. Christopher Low Chee Leng for FY 2017 was between S$300,000 and S$350,000.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded S$50,000 during FY 2017, was an immediate family member of a Director or the CEO.

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

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

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

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

The PSP contemplates the award of fully-paid shares, when and after predetermined performance or service conditions are accomplished. A participant's award under the PSP will be determined at the sole discretion of the Remuneration and Compensation Committee. In considering the grant of an award to a participant, the Remuneration and Compensation Committee may take into account, amongst others, the participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill set. Awards granted under the PSP will be performance-based, with performance targets to be set over a designated performance period (typically 3 years). Performance targets set are intended to be premised on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets will be stretched targets aimed at sustaining long-term growth. These targets will be tied in with the Board's as well as the Chairman and the CEO's corporate key performance indicators. Under the PSP, participants are encouraged to continue serving the Group beyond the deadline for the achievement of the pre-determined performance targets. The Remuneration and Compensation Committee has the discretion to impose a further vesting period after the performance period to encourage the participant to continue serving the Group.

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

CORPORATE **GOVERNANCE REPORT**

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

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

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

Since the commencement of the ESOS and the PSP to the end of FY 2017, 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. In presenting the half year and full year financial results to Shareholders, the Board aims to provide Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. The responsibility to provide a balanced and understandable assessment extends to interim and other price sensitive public reports, and reports to regulators (if required). The Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Rules of Catalist.

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

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.

CORPORATE **GOVERNANCE REPORT**

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

The Board monitors the Group's risks through the Audit and Risk Committee, external and internal auditors. The Audit and Risk Committee reviews the audit plans of the external and internal auditors at least once annually, including the results of the external and internal auditors' review and evaluation of the system of internal controls. During FY 2017, the Company's external and internal auditors have conducted their annual and biannual review respectively on the effectiveness of the Company's material internal controls procedures, including financial, operational, compliance and information technology controls as well as risk management policy and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of internal controls in light of the key business and financial risks affecting its business. The Board received assurance from the CEO and the Financial Controller ("**FC**") that (i) 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 (ii) regarding the effectiveness of the Group's risk management and internal control systems. Commentaries are provided to Shareholders in the annual report to enable them to make an informed assessment of the Company's risk management framework and internal control systems.

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

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

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.

CORPORATE **GOVERNANCE REPORT**

Principle 12: Audit and Risk Committee

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

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

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

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

  (i) changes in accounting policies and practices;

  (ii) major risk areas;

  (iii) significant adjustments resulting from the audit;

  (iv) going concern statement;

  (v) compliance with accounting standards; and

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

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

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

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

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

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

(h) reviewing and advising the Board on any interested person transactions;

CORPORATE **GOVERNANCE REPORT**

(i) reviewing with the external auditors:-

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

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

 (iii) their audit report; and

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

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

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

The Audit and Risk Committee's primary role is to investigate any matter within its terms of reference. It has full access to, and the co-operation of, the Management and full discretion to invite any Director or executive to attend its meetings. The Audit and Risk Committee has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. In performing its functions, the Audit and Risk Committee and the Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audit. The Audit and Risk Committee also meets regularly with the Management, the FC and external auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the Audit and Risk Committee meets with the external and internal auditors without the presence of the Management, to review any matters that might be raised privately. For FY 2017, the Audit and Risk Committee met up once with the external and internal auditors without the presence of the Management.

The external auditors are responsible for performing an independent audit of the Group's financial statements in accordance with the financial reporting standards, and for issuing a report thereon. The Audit and Risk Committee's responsibility is to monitor these processes, as well as to review the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors. In relation to the key audit matters raised in the Independent Auditor's Report, the Audit and Risk Committee noted the external auditor's independent opinion on the Management's accounting, treatment and estimates and concluded that they are appropriate and the Audit and Risk Committee is satisfied that the key audit matters, after taking into consideration *inter alia*, the approach and methodology used, have been properly dealt with. The Audit and Risk Committee will continue to closely monitor the process and methodology adopted by Management and makes timely adjustment as may be required by changing circumstances.

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 FY 2017, the remuneration paid to the external auditors, is set out below:-

Service Category	**Fees**
	S$'000
Audit services	99
Non-audit services	-
Total	99

CORPORATE **GOVERNANCE REPORT**

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

The Board and the Audit and Risk Committee are satisfied that the Company is in compliance with Rule 715 of the Rules of Catalist. The external auditors appointed for the Company's significant subsidiaries for FY 2017 are set out in the notes to financial statements at pages 77 to 78 of the annual report. For FY 2017, the Company is in compliance with Rules 712 and 715 of the Rules of Catalist in relation to the appointment of auditing firms for the Group.

To achieve a high standard of corporate governance for the operations of the Group, the Group has put in place a whistle-blowing policy which encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. The objective of such policy is to provide for procedures to validate concerns and to ensure independent investigation of such matters and for appropriate follow-up action. The Audit and Risk Committee will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. The whistle-blowing policy has been circulated to all employees. No whistle-blowing reports were received in FY 2017.

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

Principle 13: Internal Audit

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

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

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

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

CORPORATE **GOVERNANCE REPORT**

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

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

Principle 15: Communication with Shareholders

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

The Company currently does not have a formal policy on payment of dividends. With reference to the Company's offer document dated 1 July 2010, the Company may declare dividends by way of an ordinary resolution of Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may also declare an interim dividend without the approval of Shareholders. The Board has proposed that no dividend will be declared for FY 2017, as the Group recorded a loss during the period.

Principle 16: Conduct of Shareholder Meetings

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

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

CORPORATE **GOVERNANCE REPORT**

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

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

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

INTERESTED PERSON TRANSACTIONS

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

No general mandate has been obtained from Shareholders in respect of interested person transactions for FY 2017. The aggregate value of interested person transactions entered into during FY 2017 as required for disclosure pursuant to Rule 1204(17) of the Rules of Catalist is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Mr. Low Chye Hin[(1)] - Provision of consultancy services	S$204,180	-
Mr Eric Neo Chiang Yee[(2)] - Insurance broker services	S$122,385	-
Total	S$326,565	-

Notes:

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

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

CORPORATE **GOVERNANCE REPORT**

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

MATERIAL CONTRACTS

Save as disclosed above in the section entitled "**Interested Person Transactions**", there were no material contracts or loans entered into by or taken up by the Group involving the interests of the CEO or any Director or controlling Shareholder either still subsisting at the end of FY 2017 or if not then subsisting, entered into since the end of FY 2016.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees paid to the Company's sponsor, SAC Capital Private Limited, for FY 2017.

DEALINGS IN SECURITIES

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

DIRECTORS' **STATEMENT**

The Directors of ES Group (Holdings) Limited (the "**Company**") present their statement to the members together with the audited financial statement of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2017 and the statement of financial position as at 31 December 2017 and statement of changes in equity of the Company for the financial year ended 31 December 2017.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company and the statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

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

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares or debentures

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

Name of directors and companies in which interest are held	Shareholdings registered in name of Director or nominee			Shareholdings in which Director is deemed to have an interest		
	At beginning of year	At end of year	At 21/1/2018	At beginning of year	At end of year	At 21/1/2018
ES Group (Holdings) Limited						
(Ordinary shares)						
Low Chee Wee	30,235,000	32,135,000	32,655,000	53,540,000	53,540,000	53,540,000
Eddy Neo Chiang Swee	6,000,000	6,000,000	6,000,000	3,600,000	3,600,000	3,600,000

By virtue of Section 7 of the Act, Low Chee Wee is deemed to have an interest in all ordinary shares of the Company's related corporations. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2018 in the shares or debentures of the Company is listed above.

5. Share options

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

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

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

DIRECTORS' **STATEMENT**

6. Audit and risk committee

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

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

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

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

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

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

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

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

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

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

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

7. Subsequent developments

There are no significant developments subsequent to the release of the Group's preliminary financial statements, as announced on 28 February 2018, which would materially affect the Group's and the Company's operating and financial performance as at the date of this report.

DIRECTORS' **STATEMENT**

8. Independent auditor

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

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

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

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

On behalf of the Board of Directors

Low Chee Wee	**Eddy Neo Chiang Swee**
Director	Director

Singapore
2 April 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Audit of the Financial Statements

Opinion

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

- the consolidated statement of financial position of the Group and the statements of financial position of the Company as at 31 December 2017;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Financial Reporting Standards in Singapore ("**FRSs**") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

KEY AUDIT MATTER	AUDIT RESPONSE
1 Recognition of contract revenue and contract cost	
The Group's revenue streams are mainly from repair and new building and conversion of vessels which accounts for 81% of the Group's total revenue. It involves long-term contracts for which revenue and costs are recognised by reference to the stage of completion of the contract at the end of the reporting period. The stage of completion is measured by reference to the surveys of work performed to-date using engineers' estimates to derive an estimated margin for each contract. Significant management judgements and estimation are required in determining the estimated margins which are made by management taking into account various factors, including the recoverability of variation works. We focused on this area as a key audit matter due to the significant judgements and estimation involved. Refer to notes 2.11, 3.2 and 21 of the accompanying financial statements.	Our audit procedures include, amongst others, the following: ▪ Tested the operating effectiveness of the key controls identified for the revenue and receipt cycle and the direct wages and payment cycle. ▪ On selected samples, evaluated the reasonableness of management's estimated margins, by checking against costing sheets, payroll information, engineers' certified documents and historical margin of similar contracts. ▪ Evaluated the reasonableness of the total contract revenue recognised by checking to contracts with customers and customer acknowledged documents.
2 Impairment assessment for third party trade receivables	
As at 31 December 2017, there were unbilled trade receivables and trade receivables that are past due and not impaired of $5,955,708 and $9,772,959 respectively. The Group's customers have been operating in a challenging economic climate and these customers are taking longer time to settle the amounts owing to the Group. Furthermore, the Group's trade receivables are concentrated on a few major customers. The collectability of the Group's unbilled trade receivables and trade receivables is a key audit matter due to the judgement involved in considering factors such as the creditworthiness of its customers and historical payment trend. Refer to notes 3.2, 5 and 34(b) of the accompanying financial statements.	In responding to this area of focus, our audit approach included evaluating and sample testing the Group's processes for unbilled trade receivables and trade receivables. Our audit procedures included, amongst others: ▪ Checked for subsequent receipts of selected samples of unbilled trade receivables and trade receivables. ▪ Assessed the aging of trade receivables. ▪ Assessed the adequacy of the allowance for impairment loss on third party trade receivables which has shown objective evidence of impairment by considering factors including past payment trend, financial position, correspondence with customers and the ongoing business relationship with the customers involved. ▪ Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
2 April 2018

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

	Note	Group 2017 $	Group 2016 $	Company 2017 $	Company 2016 $
ASSETS					
Current assets					
Cash and cash equivalents	4	8,506,125	4,979,452	42,367	125,978
Trade receivables	5	17,680,026	10,356,155	-	-
Finance lease receivable	6	-	2,346,056	-	-
Work-in-progress	7	1,410,353	8,691,210	-	-
Other receivables	8	832,496	1,140,370	17,760,741	19,353,223
Inventories	9	618,311	585,245	-	-
Total current assets		29,047,311	28,098,488	17,803,108	19,479,201
Non-current assets					
Finance lease receivable	6	-	3,212,334	-	-
Deposits	8	6,666	3,956	-	-
Investments in subsidiaries	10	-	-	20,158,153	17,341,354
Investment in an associate	11	-	-	-	-
Club membership	12	49,500	49,500	-	-
Property, plant and equipment	13	19,248,817	15,988,086	-	-
Total non-current assets		19,304,983	19,253,876	20,158,153	17,341,354
Total assets		48,352,294	47,352,364	37,961,261	36,820,555
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	14	4,271,694	5,490,677	-	-
Trade payables	15	1,753,976	1,432,130	-	86
Other payables	16	6,167,536	7,949,893	10,641,511	12,635,403
Finance lease payables	17	37,772	91,158	-	-
Income tax payable		357	-	-	-
Total current liabilities		12,231,335	14,963,858	10,641,511	12,635,489

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

STATEMENTS OF **FINANCIAL POSITION**
AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017	2016	2017	2016
		$	$	$	$
Non-current liabilities					
Bank loans	14	8,362,235	1,132,881	-	-
Finance lease payables	17	213,635	57,340	-	-
Total non-current liabilities		8,575,870	1,190,221	-	-
Capital, reserves and non-controlling interests					
Share capital	18	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	19	408,980	403,660	-	-
Retained earnings		21,107,728	23,693,340	3,621,402	486,718
Currency translation reserve		(253,064)	(292,578)	-	-
Merger reserve	20	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		26,391,524	28,932,302	27,319,750	24,185,066
Non-controlling interests		1,153,565	2,265,983	-	-
Total equity		27,545,089	31,198,285	27,319,750	24,185,066
Total liabilities and equity		48,352,294	47,352,364	37,961,261	36,820,555

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 $	Group 2016 $
Revenue	21	23,455,359	22,717,396
Cost of services	22	(19,278,898)	(19,308,242)
Gross profit		4,176,461	3,409,154
Other operating income	23	981,222	1,512,479
Administrative expenses		(6,142,945)	(7,200,350)
Other operating expenses	24	(2,471,484)	(3,119,577)
Finance costs	25	(261,417)	(64,211)
Loss before income tax		(3,718,163)	(5,462,505)
Income tax (expense)/credit	26	(13,937)	298
Loss for the year	27	(3,732,100)	(5,462,207)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		78,904	160,744
Total comprehensive income for the year		(3,653,196)	(5,301,463)
Loss attributable to:			
Owners of the parent		(2,580,292)	(4,834,180)
Non-controlling interests		(1,151,808)	(628,027)
		(3,732,100)	(5,462,207)
Total comprehensive income attributable to:			
Owners of the parent		(2,540,778)	(4,751,935)
Non-controlling interests		(1,112,418)	(549,528)
		(3,653,196)	(5,301,463)
Basic and diluted loss per share (cents)	28	(1.83)	(3.42)

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital $	Statutory surplus reserve $	Retained earnings $	Currency translation reserve $	Merger reserve $	Equity attributable to owners of the Company $	Non-controlling interests $	Total $
Group								
Balance at 1 January 2017	23,698,348	403,660	23,693,340	(292,578)	(18,570,468)	28,932,302	2,265,983	31,198,285
Total comprehensive income for the year:								
Loss for the year	-	-	(2,580,292)	-	-	(2,580,292)	(1,151,808)	(3,732,100)
Other comprehensive income for the year	-	-	-	39,514	-	39,514	39,390	78,904
Total	-	-	(2,580,292)	39,514	-	(2,540,778)	(1,112,418)	(3,653,196)
Transactions with owners, recognised directly in equity								
Appropriations	-	5,320	(5,320)	-	-	-	-	-
Total	-	5,320	(5,320)	-	-	-	-	-
Balance at 31 December 2017	23,698,348	408,980	21,107,728	(253,064)	(18,570,468)	26,391,524	1,153,565	27,545,089
Balance at 1 January 2016	23,698,348	391,660	28,663,833	(374,823)	(18,570,468)	33,808,550	2,691,238	36,499,788
Total comprehensive income for the year:								
Loss for the year	-	-	(4,834,180)	-	-	(4,834,180)	(628,027)	(5,462,207)
Other comprehensive income for the year	-	-	-	82,245	-	82,245	78,499	160,744
Total	-	-	(4,834,180)	82,245	-	(4,751,935)	(549,528)	(5,301,463)
Transactions with owners, recognised directly in equity								
Appropriations	-	12,000	(12,000)	-	-	-	-	-
Acquisition of non-controlling interests without a change in control (Note 10)	-	-	(124,313)	-	-	(124,313)	124,273	(40)
Total	-	12,000	(136,313)	-	-	(124,313)	124,273	(40)
Balance at 31 December 2016	23,698,348	403,660	23,693,340	(292,578)	(18,570,468)	28,932,302	2,265,983	31,198,285

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

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Share capital $	Retained earnings $	Total $
Company			
Balance at 1 January 2017	23,698,348	486,718	24,185,066
Profit for the year, representing total comprehensive income for the year	-	3,134,684	3,134,684
Balance at 31 December 2017	23,698,348	3,621,402	27,319,750
Balance at 1 January 2016	23,698,348	3,970,474	27,668,822
Loss for the year, representing total comprehensive income for the year	-	(3,483,756)	(3,483,756)
Balance at 31 December 2016	23,698,348	486,718	24,185,066

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	**2016**
	$	**$**
Operating activities		
Loss before income tax	(3,718,163)	(5,462,505)
Adjustments for:		
Interest income	(35,760)	(59,276)
Interest expense	261,417	64,211
Property, plant and equipment written off	15,593	4,618
Impairment of property, plant and equipment	405,516	444,079
Allowance for impairment of amount due from an associate	-	5,874
Allowance for impairment of third parties trade receivables	72,212	466,070
Allowance for impairment of third parties other receivables	-	328,706
Depreciation of property, plant and equipment	2,364,906	1,810,957
Loss/(Gain) on disposal of property, plant and equipment	859	(42,641)
Operating cash flows before movements in working capital	(633,420)	(2,439,907)
Trade receivables	(7,412,059)	5,924,907
Work-in-progress	7,268,478	(2,399,077)
Other receivables	311,232	(339,729)
Inventories	(35,212)	337,836
Trade payables	712,646	(1,497,947)
Other payables	634,408	(942,921)
Finance lease receivable	1,540,037	2,140,667
Cash generated from operations	2,386,110	783,829
Interest received	35,760	59,276
Income tax paid	(13,580)	(5,943)
Net cash from operating activities	2,408,290	837,162
Investing activities		
Proceeds on disposal of property, plant and equipment	5,875	53,621
Purchases of property, plant and equipment (Note 13)	(1,723,332)	(5,161,971)
Net cash used in investing activities	(1,717,457)	(5,108,350)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group	
	2017	2016
	$	$
Financing activities (Note A)		
Acquisition of non-controlling interests	-	(40)
Fixed deposit pledged	(252)	(251)
Interest paid	(261,417)	(64,211)
Proceeds from:		
Term loans	3,000,000	-
Short term loans	9,000,000	1,600,000
Repayments of:		
Term loans	(5,556,098)	(1,343,209)
Obligations under finance leases	(107,637)	(371,233)
Loan from a director of subsidiary	(2,784,686)	-
Net cash from/(used in) financing activities	3,289,910	(178,944)
Net change in cash and cash equivalents	3,980,743	(4,450,132)
Cash and cash equivalents at beginning of the year	4,445,670	8,845,317
Effects of exchange rate changes on the balance of cash held in foreign currencies	(20,791)	50,485
Cash and cash equivalents at end of the year (Note 4)	8,405,622	4,445,670

Note A: Reconciliation of liabilities arising from financing activities

			Non-cash changes		
	2016	Cash flows	Additions of property, plant and equipment under finance leases	Foreign exchange differences	2017
	$	$	$	$	$
Bank loans (excluding bank overdraft) (Note 14)	6,190,027	6,443,902	-	-	12,633,929
Finance lease payables (Note 17)	148,498	(107,637)	208,877	1,669	251,407
Loan from a director of subsidiary (Note 16)	5,934,667	(2,784,686)	-	30	3,150,011
	12,273,192	3,551,579	208,877	1,699	16,035,347

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

1. General

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

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

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

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

The consolidated financial statements of the Company and its subsidiaries (the "**Group**") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 2 April 2018.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar ("**$**") which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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

The Group incurred a net loss of $3,732,100 for the financial year ended 31 December 2017. While there is some recovery in the offshore, marine and shipping industry, operating conditions remain challenging.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.1 **Basis of preparation** (Continued)

The Directors of the Company are of the opinion that no material uncertainty exists and the going concern basis is appropriate in the preparation of the financial statements based on the Directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the 12 months ending 31 December 2018. Based on such forecast, the Directors of the Company have estimated that adequate liquidity exists to finance the working capital requirements of the Group for the next twelve months. The Directors of the Company are also confident that continuous support and sufficient credit facilities will be available from the Group's existing bankers to fund its operation.

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

FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 January 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

Full IFRS convergence

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("**IFRS**") for annual periods beginning on or after 1 January 2018. The new framework is referred to as 'Singapore Financial Reporting Standards (International) **(SFRS(I))**'. The Group will adopt the new framework on 1 January 2018 and will apply SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) to the transition. This will involve restating the comparatives for the financial year ended 31 December 2017 and the opening statements of financial position as at 1 January 2017 in accordance with the new framework.

The Group has completed its assessment of the impact of transition and anticipates that the adoption of the new framework on 1 January 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 December 2018, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which are expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below. The Group is currently finalising the transitional adjustments that are required or elected under SFRS(I) 1.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Full IFRS convergence (Continued)

Optional exemption - Cumulative translation differences

IAS 21 The Effects of Changes in Foreign Exchange Rates requires an entity to recognise translation differences arising from the translation of foreign operations' results and financial position to the Group's presentation currency in other comprehensive income and accumulate these in a separate component of equity; and on disposal of a foreign operation, to reclassify the cumulative translation difference for that foreign operation (including, if applicable, gains and losses on related hedges) from equity to profit or loss as part of the gain or loss on disposal. However, SFRS(I) 1 allows the Group (on initial adoption of the new framework on 1 January 2018) to be exempted from these requirements for cumulative translation differences that existed at the date of transition to IFRSs (i.e. 1 January 2017).

FRS and INT FRS issued but not yet effective

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

			Effective date (annual periods beginning on or after)
FRS 28 (Amendments)	:	Long-term Interests in Associates and Joint Ventures	1 January 2019
FRS 40 (Amendments)	:	Transfers of Investment Property	1 January 2018
FRS 102 (Amendments)	:	Classification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 104 (Amendments)	:	Applying FRS 109 *Financial Instruments* with FRS 104 *Insurance Contracts*	1 January 2018
FRS 109	:	Financial Instruments	1 January 2018
FRS 109 (Amendments)	:	Prepayment Features with Negative Compensation	1 January 2019
FRS 110 and FRS 28 (Amendments)	:	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	:	Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	:	Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	:	: Leases	1 January 2019
Improvements to FRSs (December 2016)			
- FRS 28 (Amendments)	:	Investments in Associates and Joint Ventures	1 January 2018
- FRS 101 (Amendments)	:	First – time Adoption of Financial Reporting Standards	1 January 2018

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.1 **Basis of preparation** (Continued)

FRS and INT FRS issued but not yet effective (Continued)

			Effective date (annual periods beginning on or after)
Improvements to FRSs (December 2016)			
INT FRS 122	:	Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	:	Uncertainty over Income Tax Treatments	1 January 2019
Improvements to FRSs (March 2018)			
- FRS 103 (Amendments)	:	Business Combinations	1 January 2019
- FRS 111 (Amendments)	:	Joint Arrangements	1 January 2019
- FRS 12 (Amendments)	:	Income Taxes	1 January 2019
- FRS 23 (Amendments)	:	Borrowing Costs	1 January 2019

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

Except as disclosed below, management anticipates that the adoption of the above FRS and INT FRS, where relevant, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 109 *Financial Instruments*

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

Classification and measurement

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.1 **Basis of preparation** (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

Classification and measurement (Continued)

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under FRS 109.

Impairment

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

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from subsidiaries, the Company will initially provide for 12 months expected losses under the three-stage model.

Under the new impairment model, the Group estimate that the impairment loss allowances on trade receivables will increase as at 1 January 2018. The Group and the Company are currently finalising the policies and procedures in determining how to estimate expected credit losses and the sources of forward-looking data, and evaluating the tax implications arising from the above change in impairment model.

Transition

The Group plans to adopt FRS 109 in the financial year beginning on 1 January 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year. The Group will disclose additional financial statements disclosures in the financial year when FRS 109 is adopted.

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 115 *Revenue from Contracts with Customers*

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

The Group is still in the process of assessing whether revenue from construction contracts can continue to be recognised over time. The Group's main revenue streams are from repair and conversion of vessels which involve long-term contracts for which revenue and margins are accounted for using the percentage of completion method. On initial adoption of this standard, there may be changes to the measurement and recognition of revenue progress towards construction completion. The new standard permits either the output or input methods to be used to calculate the amount of revenue to be recognised.

Currently, the stage of completion is measured by reference to the surveys of work performed to-date for each contract and this will qualify as an input method. Both contract revenue and contract costs are recognised with reference to the stage of completion. The Group is in the process of determining whether it will continue using the input method when FRS 115 is effective.

The Group plans to adopt FRS 115 in the financial year beginning on 1 January 2018 using the full retrospective method in accordance with the transitional provisions and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statements of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.1 **Basis of preparation** (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 116 *Leases* (Continued)

On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its rented office premises and other operating facilities on the statements of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. The Group plans to adopt the standard in the financial year beginning on 1 January 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on balance sheet as at 1 January 2019. The Group will include and will include the required additional disclosures in its financial statements for that financial year.

2.2 **Basis of consolidation**

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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

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

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

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

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

2.3 Business combinations

Business combinations from 1 January 2010

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

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

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

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

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

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.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.4 Merger reserve

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

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

Leasehold land and property	over the terms of lease which are from 2% to 5%
Freehold property	over the terms of lease which are from 5% to 10%
Land improvement	10%
Plant, machinery and equipment	10% to 33%
Motor vehicles	20%
Vessel	4% to 5%
Dry dock	20% to 40%
Other assets	20% to 33%

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

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the financial year.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

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

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

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

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

2.6 Intangible assets

Club membership

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

2.7 Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

2.7 **Associates** (Continued)

Associates are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is accounted as goodwill and included in the carrying amount of the investment in associate.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate.

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

2.8 **Impairment of non-financial assets**

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

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

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.9 Financial instruments

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

Effective interest method

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

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables

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

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

Derecognition of financial assets

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

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Borrowings

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

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Derecognition of financial liabilities

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

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.10 Inventories

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

2.11 Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, using engineers' estimates to ensure those costs will be recoverable, as measured by the surveys of 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.

2. Summary of significant accounting policies (Continued)

2.11 Construction contracts (Continued)

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

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statements of financial position as "Work-in-progress".

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

2.12 Cash and cash equivalents

Cash and cash equivalents in the statements of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes bank overdraft and excludes pledged deposits. In the statements of financial position, bank overdrafts are presented within bank loans under current liabilities.

2.13 Leases

Finance leases

When the Group is lessee

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

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

Where the Group is lessor

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised on the balance sheet and included in "finance lease receivables". The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.13 Leases (Continued)

Finance leases (Continued)

Where the Group is lessor (Continued)

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Operating leases

When the Group is lessee

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.

Where the Group is lessor

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

2.14 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

2. Summary of significant accounting policies (Continued)

2.15 Government grants

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

2.16 Revenue recognition

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

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract provided the amount of revenue, stage of completion and associated cost can be measured reliably and it is probable that the consideration will be received. Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see 2.11).

Marine supplies income

Revenue from rendering of marine supplies services are recognised during the financial year in which the services are rendered.

Charter income

Income from charter, which comprise short term operating leases, are recognised on a straight-line basis over the period of the charter and the leases are cancellable.

Rental income

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

Interest income

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

2. Summary of significant accounting policies (Continued)

2.17 Borrowing costs

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

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

2.18 Retirement benefit costs

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

2.19 Employee leave entitlements

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

2.20 Taxes

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

Current income tax

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

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

Deferred tax

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

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

2.20 **Taxes** (Continued)

Deferred tax (Continued)

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination.

Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

2.21 **Dividends**

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.22 Foreign currency transactions and translation

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

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

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.23 Segment reporting

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have a significant effect on the amounts recognised in the financial statements.

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

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

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets are determined by the management based on fair value less costs of disposal. In determining the fair value less costs of disposal, the management exercised judgement in estimating the amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal. The carrying amount of property, plant and equipment of the Group as at 31 December 2017 were $19,248,817 (2016: $15,988,086), and an impairment loss of $405,516 (2016: $444,079) was recognised during the financial year. Further information is disclosed in Note 13 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

3.2 **Key sources of estimation uncertainty** (Continued)

Revenue and costs of contracts

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

In deriving an estimated margin for each contract, management has performed the cost studies, taking into account the surveys of work performed to date for each contract, the actual margins for similar contracts and recoverability of variation works.

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

Allowance for impairment of trade and other receivables

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

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

Impairment of investments in subsidiaries

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

Management has estimated the recoverable amount based on fair value less cost of disposal. The fair value less cost of disposal is determined by reference to the fair value of the subsidiaries. The assessment has led to the recognition of impairment loss of $35,769 (2016: $3,840,316) and reversal of impairment loss of $2,802,568 (2016: Nil) during the year.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Cash at banks and on hand	6,900,225	1,435,241	42,367	125,978
Fixed deposits	1,605,900	3,544,211	-	-
Cash and cash equivalents on statements of financial position	8,506,125	4,979,452	42,367	125,978
Bank overdraft (Note 14)	-	(433,531)		
Fixed deposit pledged	(100,503)	(100,251)		
Cash and cash equivalents on consolidated statement of cash flows	8,405,622	4,445,670		

Fixed deposits bore an effective interest rate from a range of 0.10% to 1.50% (2016: 0.10% to 1.50%) per annum and was for a tenure of approximately 30 to 365 days (2016: 30 to 365 days).

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

Fixed deposit of the Group amounting to $100,503 (2016: $100,251) was pledged to bank to secure credit facilities granted to a certain subsidiary.

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	5,477,948	1,160,242	42,367	125,978
Thai baht	1,294,742	3,806,448	-	-
United states dollar	1,683,064	-	-	-
Others	50,371	12,762	-	-
	8,506,125	4,979,452	42,367	125,978

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. Trade receivables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Third parties	18,218,308	10,822,225	-	-
Less: Allowance for impairment of third parties trade receivables	(538,282)	(466,070)	-	-
Total trade receivables	17,680,026	10,356,155	-	-
Add: Cash and cash equivalents (Note 4)	8,506,125	4,979,452	42,367	125,978
Add: Finance lease receivable (Note 6)	-	5,558,390	-	-
Add: Amounts due from contract customers (Note 7)	1,410,353	8,691,210	-	-
Add: Other receivables (Note 8)	839,162	1,144,326	17,760,741	19,353,223
Less: Prepayment (Note 8)	(221,880)	(362,404)	(87,557)	(61,324)
Less: Value-added tax receivables (Note 8)	(24,433)	(20,399)	-	-
Total loans and receivables	28,189,353	30,346,730	17,715,551	19,417,877

The average credit period granted to customers is 30 days (2016: 30 days). No interest is charged on the outstanding balances.

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

	Group	
	2017	2016
	$	$
At 1 January	466,070	-
Impairment for the financial year	72,212	466,070
At 31 December	538,282	466,070

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to end of the reporting period. Accordingly, management has recognised allowance for impairment loss on third parties trade receivables of $72,212 (2016: $466,070) in profit or loss for the financial year ended 31 December 2017.

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Unbilled receivables	5,955,708	5,114,256	-	-
Not past due and not impaired	1,951,359	1,042,347	-	-
Past due but not impaired	9,772,959	4,199,552	-	-
	17,680,026	10,356,155	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. Trade receivables (Continued)

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Singapore dollar	17,526,062	10,219,448	-	-
Thai baht	27,658	136,707	-	-
United states dollar	108,801	-	-	-
Others	17,505	-	-	-
	17,680,026	10,356,155	-	-

6. Finance lease receivable

	Minimum lease payments		Present value of minimum lease payments	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Group				
Amounts receivable under finance lease:				
Within one year	-	2,760,000	-	2,346,056
In the second to fifth years inclusive	-	3,260,000	-	3,212,334
Total finance lease receivable	-	6,020,000	-	5,558,390
Less: Unearned finance income	-	(461,610)	-	-
Present value of minimum lease payments receivable	-	5,558,390	-	5,558,390

Analysed as:

	2017	**2016**
	$	**$**
Current finance lease receivable (recoverable within 12 months)	-	2,346,056
Non-current finance lease receivable (recoverable after 12 months)	-	3,212,334
	-	5,558,390

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

During the financial year, the charter contract had been terminated and as a result, the vessel was repossessed by the Group, upon which the related net finance lease receivable amount of $4,018,353 (2016: $5,558,390) was derecognised and reclassified to property, plant and equipment. The net amount of finance lease receivable was recognised as the cost of vessel at the date of contract cancellation (Note 13).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. **Finance lease receivable** (Continued)

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

The interest rate inherent in the leases was fixed at the contract date for all of the lease term. In 2016, the average effective interest rate contracted was approximately 9.6% per annum.

In 2016, finance lease receivable balances were secured over the leased vessel. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee.

7. **Work-in-progress**

	Group	
	2017	**2016**
	$	**$**
Contracts in progress as at 31 December:		
Amounts due from contract customers	1,410,353	8,691,210
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits	6,714,196	22,553,694
Less: Progress billings	(5,303,843)	(13,862,484)
	1,410,353	8,691,210

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

8. Other receivables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Third parties	658,006	678,332	330,102	328,706
Less: Allowance for impairment of third parties other receivables	(328,706)	(328,706)	(328,706)	(328,706)
Subsidiaries	-	-	17,671,788	19,291,899
Associate	306,491	308,738	-	-
Less: Allowance for impairment of amount due from an associate	(306,491)	(308,738)	-	-
Prepayments	221,880	362,404	87,557	61,324
Deposits	263,549	411,897	-	-
Value-added tax receivables	24,433	20,399	-	-
Total other receivables	839,162	1,144,326	17,760,741	19,353,223
Less: Deposits (shown under non-current assets)	(6,666)	(3,956)	-	-
	832,496	1,140,370	17,760,741	19,353,223

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

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

	Group and Company	
	2017	2016
	$	$
At 1 January	328,706	-
Impairment for the financial year	-	328,706
At 31 December	328,706	328,706

In determining the recoverability of receivables from third parties, the Group and the Company considers any changes in the credit quality of the third parties from the date credit were initially granted up to end of the reporting period. Accordingly, management had recognised allowance for impairment loss on third parties other receivables of Nil (2016: $328,706) in profit or loss for the financial year ended 31 December 2017.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. **Other receivables** (Continued)

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

	Group	
	2017	**2016**
	$	**$**
At 1 January	308,738	302,864
Impairment for the financial year	-	5,874
Reversal for the financial year	(2,247)	-
At 31 December	306,491	308,738

In determining the recoverability of receivable from an associate, the Company considers the financial strength and performance of the associate. Accordingly, management has reversed (2016: recognised) an allowance for impairment loss on amount due from an associate of $2,247 (2016: $5,874) in profit or loss for the financial year ended 31 December 2017.

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Singapore dollar	828,396	1,069,462	14,611,628	13,419,453
Thai baht	6,666	69,661	3,149,113	5,933,770
Others	4,100	5,203	-	-
	839,162	1,144,326	17,760,741	19,353,223

9. **Inventories**

	Group	
	2017	**2016**
	$	**$**
Raw materials, at cost	169,512	92,531
Consumables, at cost	448,799	492,714
Total	618,311	585,245

The cost of inventories recognised as expense are included in "Cost of services" line item in the Group's profit or loss for the financial year ended 31 December 2017 amounted to $1,853,593 (2016: $1,789,601).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Investments in subsidiaries

	Company	
	2017	2016
	$	$
Unquoted equity shares, at cost	21,680,828	21,630,828
Less: Allowance for impairment loss	(1,522,675)	(4,289,474)
Total	20,158,153	17,341,354

Movements in the allowance for impairment loss are as follows:

	Company	
	2017	2016
	$	$
At 1 January	4,289,474	449,158
Allowance made during the financial year	35,769	3,840,316
Reversal made during the financial year	(2,802,568)	-
At 31 December	1,522,675	4,289,474

As at 31 December 2017, the Company carried out a review on the recoverable amount of its investments in subsidiaries, Eng Soon Investment Pte Ltd and ES Offshore Engineering Pte. Ltd., having regards for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. These subsidiaries are in the new building and conversion, and repair segments.

The assessment resulted in the recognition of an impairment loss of $35,769 (2016: $3,840,316) recognised in the Company's profit or loss. The recoverable amount of the investment in ES Offshore Engineering Pte. Ltd. has been fully impaired based on its fair value less cost of disposal.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
		$	$	%	%	%	%	%	%
Held by the Company									
Eng Soon Investment Pte Ltd[(1)]	Repair of vessel and related engineering services/Singapore	5,275,859	5,275,859	100	100	100	100	-	-
Wang Fatt Oil & Gas Construction Pte Ltd[(1)]	Repair of vessel and related engineering services/Singapore	10,400,088	10,400,088	100	100	100	100	-	-
Eng Soon Marine Pte Ltd[(1)]	Sale of consumables/ Singapore	782,272	782,272	100	100	100	100	-	-
ES Offshore Engineering Pte. Ltd.[(1)]	Repairs of vessel and related engineering services/Singapore	1,073,517	1,073,517	100	100	100	100	-	-
Eng Soon Engineering (1999) Pte Ltd[(1)]	Repair of vessel and related engineering services/Singapore	1,401,732	1,401,732	100	100	100	100	-	-
ES Shipping Pte. Ltd.[(1)]	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew/Singapore	100,000	100,000	100	100	100	100	-	-
ES Energy Pte. Ltd.[(1)]	Offshore support services and investment holding/ Singapore	1	1	100	100	100	100	-	-
ES Oil & Gas Pte. Ltd.[(1)]	Repair of vessels and related engineering services/Singapore	1	1	100	100	100	100	-	-
ES Chartering Pte. Ltd.[(5)]	Freight water transport/ Singapore	50,000	-	100	-	100	-	-	-
Dalian ES Marine & Offshore Engineering Co., Ltd.[(5)]	Technical development, design, and consultancy service for ship and offshore project/People's Republic of China ("**PRC**")	449,158	449,158	100	100	100	100	-	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd.[(2)(3)(4)]	Vessel building and repair and steel construction/ Thailand	2,148,200	2,148,200	50	50	51	51	50	50
		21,680,828	21,630,828						

10. Investments in subsidiaries (Continued)

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

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
		$	$	%	%	%	%	%	%
Held by ES Oil & Gas Pte. Ltd.									
ESW Automation Pte. Ltd.[1]	Provide electrical and installation services for vessels/Singapore	100,000	100	100	100	100	100	-	-
ES Offshore and Engineering (Myanmar) Company Limited[5][6]	Provide consultancy and engineering services/ Myanmar	17,824	-	50	-	50	-	-	-
		117,824	100						
Held by ES Offshore Engineering Pte. Ltd.									
ES Offshore and Engineering (Myanmar) Company Limited[5][6]	Provide consultancy and engineering services/ Myanmar	17,825	-	50	-	50	-	-	-
		17,825	-						
Held by ES Chartering Pte. Ltd.									
ES Aspire Pte. Ltd.[5]	Freight water transport/ Singapore	50,000	-	100	-	100	-	-	-
		50,000	-						

Notes:

(1) Audited by BDO LLP, Singapore.

(2) Audited by BDO Limited, Thailand.

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Investments in subsidiaries (Continued)

Acquisition of non-controlling interests

On 18 November 2016, the Company acquired additional 40% equity interests in ESW Automation Pte. Ltd. ("ESW"), a company registered in Republic of Singapore, through a wholly-owned subsidiary, ES Oil & Gas Pte. Ltd., from its non-controlling interests for a cash consideration of $40. The aggregate carrying value of the net liabilities of ESW as at 18 November 2016 was $310,683 and the aggregate carrying value of the additional interest acquired was $124,273. The difference of $124,313 between the consideration and the carrying value of the additional interest acquired had been recognised as "Acquisition of non-controlling interests without a change in control" within equity. As a result of this acquisition, the Company had increased its effective equity interests in ESW from 60% to 100%.

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

	Group	
	2017	**2016**
	$	**$**
Consideration paid for acquisition of non-controlling interests	-	40
Carrying amount of non-controlling interests acquired	-	124,273
Excess of consideration paid recognised in equity of the parent	-	124,313

11. Investment in an associate

	Group	
	2017	**2016**
	$	**$**
Cost of investment in an associate	200,000	200,000
Share of post-acquisition loss, net of dividend received	(132,155)	(132,155)
Allowance for impairment loss	(67,845)	(67,845)
Total	-	-

Movements in the allowance for impairment loss are as follows:

	Group	
	2017	**2016**
	$	**$**
At 1 January/31 December	67,845	67,845

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Investment in an associate (Continued)

Name of associate	Country of incorporation and principal place of business	Principal activities	Proportion of ownership interest		Proportion of voting power held	
			2017	2016	2017	2016
			%	%	%	%
Karnot Technology Pte. Ltd.[1]	Singapore	Provide engineering services	20	20	20	20

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

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

The Group's share of current year's losses is Nil (2016: Nil) as the associate is no longer in operation.

12. Club membership

	Group	
	2017	2016
	$	$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Total	49,500	49,500

Movements in the allowance for impairment loss are as follows:

	Group	
	2017	2016
	$	$
At 1 January/31 December	15,500	15,500

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. Property, plant and equipment

	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction-in-progress	Vessel	Dry Dock	Other assets	Total
	$	$	$	$	$	$	$	$	$	$	$
Group											
Cost											
At 1 January 2017	5,598,757	3,632,683	1,336,526	822,292	11,702,490	1,634,111	10,093	5,000,001	-	2,446,522	32,183,475
Exchange translation	-	47,876	17,614	10,837	145,206	1,769	219	-	-	7,958	231,479
Additions	-	-	-	-	3,856	298,779	509,940	-	1,009,590	110,044	1,932,209
Disposals	-	-	-	-	(112,325)	(191,135)	-	-	-	(68,000)	(371,460)
Reclassification (Note 6)	-	-	-	-	-	-	-	4,018,353	-	-	4,018,353
Write-off	-	-	-	-	(2,033,740)	-	(10,310)	-	-	(214,866)	(2,258,916)
At 31 December 2017	5,598,757	3,680,559	1,354,140	833,129	9,705,487	1,743,524	509,942	9,018,354	1,009,590	2,281,658	35,735,140
Accumulated depreciation and accumulated impairment losses											
At 1 January 2017	2,018,263	-	620,519	625,078	9,558,647	1,309,567	-	-	-	2,063,315	16,195,389
Exchange translation	-	-	6,971	7,544	107,323	890	-	-	-	5,833	128,561
Charge for the year	225,323	-	105,218	83,962	895,262	101,388	-	243,488	467,248	243,017	2,364,906
Impairment losses	-	-	40,620	-	281,183	22,366	-	-	-	61,347	405,516
Disposals	-	-	-	-	(105,603)	(191,135)	-	-	-	(67,988)	(364,726)
Write-off	-	-	-	-	(2,028,902)	-	-	-	-	(214,421)	(2,243,323)
At 31 December 2017	2,243,586	-	773,328	716,584	8,707,910	1,243,076	-	243,488	467,248	2,091,103	16,486,323
Carrying amount											
At 31 December 2017	3,355,171	3,680,559	580,812	116,545	997,577	500,448	509,942	8,774,866	542,342	190,555	19,248,817

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

13. Property, plant and equipment (Continued)

During the financial year, the Group carried out a review of the recoverable amount of the property, plant and equipment in conversion segment owned by a subsidiary, as management has determined that indicators of impairment existed at the end of the financial year due to the deteriorating operating results of the subsidiary. The review led to the recognition of an impairment loss of $405,516 (2016: $444,079) that has been recognised in "Administrative expenses" line item in the Group's profit or loss. The recoverable amount of the relevant asset amounting to $6,901,000 has been determined on the basis of its fair value less costs to sell with reference to indicative market values by a third party valuer on an individual basis using the replacement cost approach by making reference to recent transactions of similar assets with appropriate adjustments (Level 3 hierarchy).

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

Leasehold land and property comprises:

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

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of $3,355,171 (2016: $3,580,494) have been pledged with a bank for banking facilities (Note 14).

Freehold land and property comprises:

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

As at the end of the reporting period, the Group's vessels with a carrying amount of $8,774,866 (2016: Nil) have been pledged with a bank for banking facilities (Note 14).

As at the end of the reporting period, the Group has plant, machinery and equipment, and motor vehicles held under finance lease payables (Note 17) with carrying amount of $11,719 (2016: $284,645) and $209,571 (2016: $58,324) respectively.

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

	2017	**2016**
	$	**$**
Purchases of property, plant and equipment	1,932,209	5,225,597
Less: Property, plant and equipment acquired under finance arrangements	(208,877)	(63,626)
Net cash payments made	1,723,332	5,161,971

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Bank loans

	Group	
	2017	2016
	$	$
Bank loans		
- Term loan 1[(a)]	-	101,431
- Term loan 2[(a)]	1,133,929	1,208,596
- Term loan 3[(a)]	2,200,000	3,280,000
- Term loan 4[(a)]	2,800,000	-
- Short term loan[(b)]	6,500,000	1,600,000
Bank overdraft[(c)] (Note 4)	-	433,531
Total bank loans	12,633,929	6,623,558
Less: Amount due for settlement within 12 months (shown under current liabilities)	(4,271,694)	(5,490,677)
Amount due for settlement after 12 months	8,362,235	1,132,881

Notes:

(a) The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 1.83% to 4.08% (2016: 2.38% to 5.79%) per annum, and repayable by December 2019, August 2022 and March 2031.

(b) The short term loan was arranged at floating interest rate, thus exposing the Group to cash flow risk. The short term loan has an average effective interest rate of 3.14% to 6.75% (2016: 2.70%) per annum, and repayable by April 2023 and September 2023.

(c) The bank overdraft is repayable on demand. In 2016, the average effective interest rate was 6.50% and was determined based on 1.00% plus prime rate.

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

(i) legal mortgage over the Group's leasehold land and property (Note 13);

(ii) a pledge over vessels (Note 13) (2016: a leased vessel (Note 6)); and

(iii) corporate guarantees by the Company for all the monies owing (Note 31).

As at the end of the financial year, the Group has available $5,271,513 (2016: $11,001,540) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

As at the end of the financial year, the fair value of the Group's bank loans is approximately $11,864,999 (2016: $6,099,132).

The fair value measurement is classified under Level 2 of the fair value hierarchy. The fair value has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with most significant input being the discount rate. There has been no change to the valuation technique during the year.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Bank loans (Continued)

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

	Group	
	2017	2016
	$	$
Singapore dollar	12,633,929	6,623,558

15. Trade payables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Third parties	1,753,976	1,432,130	-	86
Total trade payables	1,753,976	1,432,130	-	86
Add: Bank loans (Note 14)	12,633,929	6,623,558	-	-
Add: Other payables (Note 16)	6,167,536	7,949,893	10,641,511	12,635,403
Add: Finance lease payables (Note 17)	251,407	148,498	-	-
Less: Goods and service tax payable	(148,411)	(186,341)	-	-
Total financial liabilities carried at amortised cost	20,658,437	15,967,738	10,641,511	12,635,489

The average credit period of trade payables is 30 days (2016: 30 days). No interest is charged on the outstanding balances.

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	1,350,500	1,085,614	-	86
Thai baht	223,901	259,545	-	-
United states dollar	105,119	-	-	-
Others	74,456	86,971	-	-
	1,753,976	1,432,130	-	86

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. Other payables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Director of subsidiary[(a)]	3,150,011	5,934,667	865	865
Subsidiaries	-	-	10,508,590	12,552,378
Third parties	1,081,972	502,350	42,356	-
Accruals[(b)]	1,346,011	1,030,617	89,700	82,160
Workers' guarantee payables[(c)]	410,246	442,259	-	-
Deposit received	179,296	40,000	-	-
	6,167,536	7,949,893	10,641,511	12,635,403

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

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

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

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

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Singapore dollar	2,856,633	1,863,282	10,641,511	12,635,403
Thai baht	3,274,434	6,061,570	-	-
Others	36,469	25,041	-	-
	6,167,536	7,949,893	10,641,511	12,635,403

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. Finance lease payables

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	2017	2016
	$	$	$	$
Group				
Amounts payable under finance leases:				
Within one year	50,334	96,584	37,772	91,158
In the second to fifth years inclusive	188,708	46,518	159,049	38,356
After five years	56,662	19,971	54,586	18,984
Total finance lease payables	295,704	163,073	251,407	148,498
Less: Future finance charges	(44,297)	(14,575)	-	-
Present value of lease obligations	251,407	148,498	251,407	148,498
Less: Amount due for settlement within 12 months (shown under current liabilities)			(37,772)	(91,158)
Amount due for settlement after 12 months			213,635	57,340

It is the Group's policy to lease certain of its plant, machinery and equipment and motor vehicle under finance leases. The average lease terms ranged from 5 to 7 years (2016: 5 to 7 years). The average effective borrowing rate was 5.46% (2016: 5.70%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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

The finance lease payables are denominated in Singapore dollar.

18. Share capital

	Group and Company			
	2017	2016	2017	2016
	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.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

19. Statutory surplus reserve

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

20. Merger reserve

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

21. Revenue

	Group	
	2017	**2016**
	$	**$**
Service revenue	18,644,639	22,098,063
Finance lease income	299,963	619,333
Charter and marine supplies income	4,510,757	-
	23,455,359	22,717,396

22. Cost of services

	Group	
	2017	**2016**
	$	**$**
Cost of projects (include labour costs and other direct costs)	15,471,827	16,128,674
Depreciation of property, plant and equipment (Note 27)	1,953,478	1,389,967
Materials	1,853,593	1,789,601
	19,278,898	19,308,242

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Other operating income

	Group	
	2017	2016
	$	$
Reimbursement of expenses from foreign workers	509,607	798,141
Rental income	198,910	225,476
Interest income	35,760	59,276
Gain on disposal of property, plant and equipment	-	42,641
Scrap income	7,041	33,166
Government grant	147,141	260,728
Others	82,763	93,051
	981,222	1,512,479

24. Other operating expenses

	Group	
	2017	2016
	$	$
Rental expense:		
- Land lease	108,248	101,503
- Workshop lease	60,792	125,769
- Dormitory	921,974	1,070,956
- Others	157,842	188,385
Repair and maintenance	143,345	282,699
Travelling expense	123,155	140,438
Staff training and welfare	126,747	295,704
Food and refreshment	79,610	113,012
Foreign exchange loss – net	5,247	44,408
Water and electricity	256,901	204,415
Transportation	74,692	61,950
Depreciation on property, plant and equipment (Note 27)	209,588	209,982
Loss on disposal of property, plant and equipment (Note 27)	859	-
Others	202,484	280,356
	2,471,484	3,119,577

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. Finance costs

	Group	
	2017	2016
	$	$
Interest on bank borrowings	249,634	44,179
Interest on bank overdrafts	14	3,354
Interest on obligations under finance leases	11,769	16,678
	261,417	64,211

26. Income tax expense/(credit)

	Group	
	2017	2016
	$	$
Income tax:		
- Underprovision/(Overprovision) in prior years	13,937	(298)
	13,937	(298)

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group	
	2017	2016
	$	$
Loss before income tax	(3,718,163)	(5,462,505)
Income tax benefit at statutory rate of 17% (2016: 17%)	(632,088)	(928,626)
Effect of different tax rates of overseas operations	(70,244)	(7,493)
Effect of income that is exempt from taxation	(45,122)	(14,125)
Effect of expenses that are not deductible in determining taxable profit	462,824	192,498
Tax exemption	-	(375)
Tax incentives	(40,551)	(2,430)
Underprovision/(overprovision) in prior years	13,937	(298)
Utilisation of deferred tax assets previously not recognised	(230,348)	-
Deferred tax assets not recognised in profit or loss	555,529	758,508
Others	-	2,043
Total income tax expense/(credit)	13,937	(298)

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

Subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates at the end of the reporting period, the Group has unutilised tax losses of approximately $12,009,000 (2016: $10,096,000) available for offset against future profits. Included in unutilised tax losses are amounts of approximately $4,435,000 (2016: $4,378,000), $574,000 (2016: $556,000) and $1,536,000 (2016: Nil) arising in certain foreign tax jurisdictions which will expire in 2020, 2021 and 2022 respectively. No deferred tax asset has been recognised in accordance with the accounting policy in Note 2.20 to the financial statements due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

27. Loss for the year

Loss for the year is arrived at after charging:

	Group	
	2017	**2016**
	$	**$**
Depreciation of property, plant and equipment:		
- cost of services (Note 22)	1,953,478	1,389,967
- administrative expenses	201,840	211,008
- other operating expenses (Note 24)	209,588	209,982
	2,364,906	1,810,957
Directors' remuneration:		
- of the Company	400,619	537,950
- of the subsidiaries	105,260	104,157
Audit fee:		
- paid/payable to auditors of the Company	87,200	87,200
- paid/payable to other auditors	11,683	17,512
Employee benefits expense (including directors' remuneration)	12,631,566	16,358,621
Costs of defined contribution plans (included in employee benefits expense)	434,348	534,888
Cost of inventories recognised as expense (Note 9)	1,853,593	1,789,601
Allowance for impairment of amount due from an associate	-	5,874
Allowance for impairment of third parties trade receivables	72,212	466,070
Allowance for impairment of third parties other receivables	-	328,706
Impairment of property, plant and equipment	405,516	444,079
Property, plant and equipment written off	15,593	4,618
Loss on disposal of property, plant and equipment	859	-

28. Loss per share

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

	2017	**2016**
	$	**$**
Loss for the year attributable to owners of the Company	(2,580,292)	(4,834,180)
Weighted average number of ordinary shares for basic and diluted loss per share computation	141,200,000	141,200,000
Basic loss per share (cents)	(1.83)	(3.42)
Diluted loss per share (cents)	(1.83)	(3.42)

28. **Loss per share** (Continued)

Basic loss per share are calculated by dividing the loss for the year attributable to the owners of the parent by the weighted average number of ordinary shares in issue of 141,200,000 (2016: 141,200,000) during the financial year.

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

29. Dividends

The Company did not recommend any dividend in respect of the financial years ended 31 December 2017 and 2016.

30. Operating lease commitments

As lessees

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

	Group	
	2017	**2016**
	$	**$**
Future minimum lease payments payable:		
Within one year	100,224	112,021
After one year but within five years	400,896	413,863
After five years	517,824	638,038
Total	1,018,944	1,163,922

Leases comprise:

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

30. Operating lease commitments (Continued)

As lessors

The Group rents out certain space of its leasehold property. The non-cancellable lease has remaining lease terms of 1 year (2016: 2 years).

As at the end of the financial year, future minimum rentals receivable under non-cancellable operation leases at the end of the financial year are as follows:

	2017 $	2016 $
Future minimum lease payments receivable:		
Within one year	68,000	204,500
After one year but within five years	-	68,000
	68,000	272,500

31. Contingent liabilities

The Company has given corporate guarantees to certain banks and insurers in respect of banking facilities and foreign worker bonds granted to certain subsidiaries. The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is $15,690,930 (2016: $11,209,049). The earliest period that the guarantee could be called is within 1 year (2016: 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.

32. Significant related party transactions

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

	Group	
	2017 $	2016 $
Professional fee paid to immediate family member of directors/shareholders	204,180	205,667
Insurance broker services premium paid to immediate family member of directors/ shareholders	122,385	112,369

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

32. Significant related party transactions (Continued)

Key management personnel remuneration

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Short-term benefits	1,423,178	1,334,400	444,369	641,800
Post-employment benefits	167,969	116,856	20,400	32,776
	1,591,147	1,451,256	464,769	674,576

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.

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
Shipping	Ship chartering, marine supplies and related activities

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. Segment information (Continued)

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

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

	New building and conversion $	Repair $	Shipping $	Total $
2017				
Revenue				
Segment revenue	14,201,562	4,743,040	4,510,757	23,455,359
Results				
Gross profit/(loss)	3,754,151	1,540,186	(1,117,876)	4,176,461
Other operating income				981,222
Administrative expenses				(6,142,945)
Other operating expenses				(2,471,484)
Finance costs				(261,417)
Loss before income tax				(3,718,163)
Income tax expense				(13,937)
Loss for the year				(3,732,100)
Other information				
Capital expenditure				1,932,209
Loss on disposal of property, plant and equipment				859
Impairment of property, plant and equipment				405,516
Allowance for impairment of third parties trade receivables				72,212
Depreciation of property, plant and equipment			[(a)] 710,736	2,364,906
Assets and Liabilities				
Segment assets	19,681,060	4,444,105	10,475,058	34,600,223
Unallocated corporate assets				13,752,071
Total assets				48,352,294
Segment liabilities	280,238	-	5,496,817	5,777,055
Unallocated corporate liabilities				15,030,150
Total liabilities				20,807,205

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. Segment information (Continued)

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

33. Segment information (Continued)

Geographical information

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

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

	Revenue		Non-current assets#	
	2017	2016	2017	2016
	$	$	$	$
Geographical segments				
Singapore	22,770,087	19,533,598	13,856,799	9,173,745
Thailand	487,878	3,004,272	5,436,134	6,858,375
PRC	197,394	179,526	5,384	5,466
	23,455,359	22,717,396	19,298,317	16,037,586

#Non-current assets other than financial instruments.

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

Information about major customers

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

	2017	2016
	$	$
Top 1st customer	17,735,905	17,910,322
Top 2nd customer	-	3,235,849

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

34. Financial instruments, financial risks and capital risks management

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

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

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

(a) Categories of financial instruments

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial assets				
Loans and receivables (including cash and cash equivalents)	28,189,353	30,346,730	17,715,551	19,417,877
Financial liabilities				
Financial liabilities carried at amortised cost	20,658,437	15,967,738	10,641,511	12,635,489

(b) Credit risk

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

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

As at the end of the reporting period, the Group has 2 (2016: 2) major customers which accounted for 91.9% (2016: 96.2%) of the net trade receivable balances.

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

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

	Group	
	2017	**2016**
	$	**$**
<3 months	5,263,525	3,169,279
3 months to 6 months	3,048,688	424,773
>6 months to 12 months	455,075	353,017
>12 months	1,005,671	252,483
	9,772,959	4,199,552

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(b) Credit risk (Continued)

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

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

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

(c) Foreign exchange risk

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

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

	Liabilities		Assets	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Group				
Singapore dollars	56,337	174,833	1,586,735	6,101,358
Thai baht	449,549	-	3,149,113	5,933,770
United States dollars	120,517	-	1,782,838	-
Company				
Thai baht	-	-	3,149,113	5,933,770

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2016: 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.

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

(c) Foreign exchange risk (Continued)

Foreign currency sensitivity (Continued)

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

	2017 $	2016 $
Group		
Singapore dollars	76,520	296,326
Thai baht	134,979	296,689
United States dollars	83,116	-
Company		
Thai baht	157,456	296,689

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

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

(d) Interest rate risk

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

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

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

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

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit or loss for the year ended 31 December 2017 would decrease/increase by $63,170 (2016: decrease/increase by $33,118). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

(e) Liquidity risk

As at the end of the reporting period, the Group's cash and cash equivalents amounted to $8,506,125 (2016: $4,979,452). Management is of the view that there is sufficient cash and cash equivalents and internally generated cash flows to finance the Group's activities. If required, financing can be obtained from its existing lines of banking facilities. At 31 December 2017, the Group had available $5,271,513 (2016: $11,001,540) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

In addition, the Company enters into financial guarantee contracts on behalf of its subsidiaries as disclosed in Note 31.

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

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Group						
2017						
Non-interest bearing	-	7,773,101	-	-	-	7,773,101
Finance lease payables (fixed rate)	5.45%	50,334	188,708	56,662	(44,297)	251,407
Variable interest rate instruments	4.47%	4,769,451	8,106,265	1,198,134	(1,439,921)	12,633,929
		12,592,886	8,294,973	1,254,796	(1,484,218)	20,658,437
Financial corporate guarantee		15,690,930	-	-	-	15,690,930

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

(e) Liquidity risk (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Group						
2016						
Non-interest bearing	-	9,195,682	-	-	-	9,195,682
Finance lease payables (fixed rate)	5.70	96,584	46,518	19,971	(14,575)	148,498
Variable interest rate instruments	3.47	5,692,926	377,232	880,208	(326,808)	6,623,558
		14,985,192	423,750	900,179	(341,383)	15,967,738
Financial corporate guarantee		11,209,049	-	-	-	11,209,049

Company

All financial liabilities of the Company in 2017 and 2016 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 2017 and 2016 are repayable on demand or due within 1 year from the end of the reporting period, except for certain finance lease receivable and deposits as disclosed in Notes 6 and 8 respectively.

(f) Offsetting financial assets and financial liabilities

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

Financial assets

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets	**Gross amounts of financial liabilities**	**Net amount**
	$	**$**	**$**
Company			
2017			
Amount due from subsidiaries	19,407,368	(1,735,580)	17,671,788
2016			
Amount due from subsidiaries	25,395,100	(6,103,201)	19,291,899

Financial liabilities

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets	**Gross amounts of financial liabilities**	**Net amount**
	$	**$**	**$**
Company			
2017			
Amount due to subsidiaries	1,738,361	(12,246,951)	(10,508,590)
2016			
Amount due to subsidiaries	1,948,652	(14,501,030)	(12,552,378)

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

(g) Capital risks management policies and objectives

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

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

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

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

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

	Group	
	2017	**2016**
	$	**$**
Total borrowings	12,885,336	6,772,056
Total equity	26,391,524	28,932,302
Gearing ratio	49%	23%

<u>Externally imposed capital requirements</u>

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

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

All of the above subsidiaries have complied with the externally imposed capital requirements for financial years ended 31 December 2017 and 31 December 2016.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

35. Fair value of financial assets and financial liabilities

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

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

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

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

STATISTICS OF **SHAREHOLDINGS**

AS AT 16 MARCH 2018

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

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

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	-	99	0	0.00	0	0.00
100	-	1,000	8	4.28	7,000	0.01
1,001	-	10,000	43	22.99	344,000	0.24
10,001	-	1,000,000	125	66.85	16,448,100	11.65
1,000,001	AND ABOVE		11	5.88	124,400,900	88.10
TOTAL			**187**	**100.00**	**141,200,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

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

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	53,540,000	37.92
2.	LOW CHEE WEE	33,155,000	23.48
3.	HONG LEONG FINANCE NOMINEES PTE LTD	8,436,800	5.98
4.	YVONNE LOW-TRIOMPHE	7,540,000	5.34
5.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
6.	LEOW MEI LEE	3,600,000	2.55
7.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,021,500	2.14
8.	UOB KAY HIAN PRIVATE LIMITED	3,003,000	2.13
9.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
10.	DBS NOMINEES (PRIVATE) LIMITED	2,324,600	1.65
11.	ALBERT SUSILO	1,380,000	0.98
12.	LOW CHEE LENG CHRISTOPHER	905,000	0.64
13.	PHILLIP SECURITIES PTE LTD	873,500	0.62
14.	KGI SECURITIES (SINGAPORE) PTE. LTD.	836,000	0.59
15.	SERM TANTASATIEN	835,000	0.59
16.	MAYBANK KIM ENG SECURITIES PTE. LTD.	812,700	0.58
17.	OCBC SECURITIES PRIVATE LIMITED	739,000	0.52
18.	KOK SIP CHON	663,000	0.47
19.	RAFFLES NOMINEES (PTE) LIMITED	582,500	0.41
20.	GOH GUAN SIONG (WU YUANXIANG)	541,000	0.38
	TOTAL	**131,188,600**	**92.92**

STATISTICS OF **SHAREHOLDINGS**

AS AT 16 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
NAME	**NO. OF SHARES**	**%**	**NO. OF SHARES**	**%**	**NO. OF SHARES**	**%**
Low Chee Wee [(1)]	33,155,000	23.48	53,540,000	37.92	86,695,000	61.40
Low Chee Leng Christopher [(1) (3)]	905,000	0.64	61,976,800	43.89	62,881,800	44.53
Yvonne Low-Triomphe [(1)]	7,540,000	5.34	53,540,000	37.92	61,080,000	43.26
Neo Peck Keow @ Ng Siang Keng [(1)]	53,540,000	37.92	-	-	53,540,000	37.92
Eddy Neo Chiang Swee (Eddy Liang Jiang Shui) [(2)]	6,000,000	4.25	3,600,000	2.55	9,600,000	6.80
Hong Leong Finance Nominees Pte Ltd [(3)]	8,436,800	5.98	-	-	8,436,800	5.98

Notes:

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

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

(3) Christopher Low Chee Leng is deemed interested in the 8,436,800 Shares held by Hong Leong Finance Nominees Pte Ltd. Christopher Low Chee Leng pledged the Shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

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

Based on the information available to the Company as at 16 March 2018, approximately 17.21% of the issued shares of the Company is held by the public. Accordingly, the Company has complied with Rule 723 of the Catalist Rules.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Eighth Annual General Meeting of ES Group (Holdings) Limited (the "**Company**") will be held at 10 Kwong Min Road, Singapore 628712 on 27 April 2018 at 2 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements, for the financial year ended 31 December 2017 and the Independent Auditor's Report thereon. **Resolution 1**

2. To approve the payment of Directors' fees of S$137,500 for the financial year ending 31 December 2018, to be paid quarterly (2017: S$137,500). **Resolution 2**

3. To re-elect Mr Jens Rasmussen a Director retiring pursuant to Article 98 of the Constitution of the Company. ***(See Explanatory Notes)*** **Resolution 3**

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

5. To re-appoint BDO LLP as auditors of the Company and to authorise the Directors to fix their remuneraion. **Resolution 5**

AS SPECIAL BUSINESS

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

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

6. That:

(a) for the purposes of the Companies Act (Chapter 50) of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchases (each a "**Market Purchase**"), transacted on the Catalist or through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") (if effected otherwise than on the Catalist) in accordance with any equal access schemes as defined in Section 76C of the Act as may be determined or formulated by the Directors of the Company as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Act and the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"),

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

NOTICE OF **ANNUAL GENERAL MEETING**

(b) unless varied or revoked by an ordinary resolution of shareholders of the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the Share Buy-back(s) are carried out to the full extent mandated by the Share Buy-back Mandate; or

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

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

(c) in this Resolution 6:

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

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

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

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

For the purposes above:

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

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

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

NOTICE OF **ANNUAL GENERAL MEETING**

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

Resolution 6

ORDINARY RESOLUTION: AUTHORITY TO ALLOT AND ISSUE SHARES

7. That, pursuant to Section 161 of the Act and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to:

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

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

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

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

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

(i) the aggregate number of Shares to be issued pursuant to such authority (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 100% of the total number of issued Shares in the capital of the Company excluding treasury shares and subsidiary holdings (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) does not exceed 50% of the total number of issued Shares in the capital of the Company excluding treasury shares and subsidiary holdings (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 and subsidiary holdings shall be based on the Company's total number of issued Shares excluding treasury shares and subsidiary holdings, after adjusting for:

(a) new Shares arising from the conversion or exercise of any convertible securities outstanding at the time this authority is given;

(b) (where applicable) new Shares arising from the exercise of options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

NOTICE OF **ANNUAL GENERAL MEETING**

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

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

(See Explanatory Notes)

Resolution 7

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

8. That authority be and is hereby given to the Directors of the Company to:

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

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

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

(See Explanatory Notes) **Resolution 8**

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

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 10 April 2018

NOTICE OF **ANNUAL GENERAL MEETING**

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (otherwise than a relevant intermediary) is entitled to appoint not more than 2 proxies to attend and vote in his stead. Where such member's form of proxy appoints 2 proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him. Where such member's form of proxy appoints more than 1 proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

3. Where a member appoints 2 or more proxies, he shall specify the percentage of shares to be represented by each proxy.

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

5. The instrument appointing a proxy must be deposited at the registered office of the Company at 8 Ubi Road 2, #06-26 Zervex, Singapore 408538, not less than 48 hours before the time appointed for the Annual General Meeting.

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

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes on Ordinary Business to be Transacted:-

Resolution 3

Mr Jens Rasmussen, if re-appointed as Director of the Company, will continue to serve as a member of the Audit and Risk Committee, Remuneration and Compensation Committee and Nominating Committee. He is considered a Non-Executive Director of the Company.

Resolution 4

Mr Eddy Neo Chiang Swee, if re-appointed as Director of the Company, will remain as Executive Director (Development) of the Company.

Explanatory Notes on Special Business to be Transacted:-

Resolution 6

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

Resolution 7

The Ordinary Resolution 7 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company, without seeking any further approval from shareholders in 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 100% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed 50% of the total number of issued shares in the capital of the Company excluding treasury shares and subsidiary holdings at the time of the passing of this Resolution.

NOTICE OF **ANNUAL GENERAL MEETING**

Resolution 8

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

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

Proxy Form
ES Group (Holdings) Limited

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

Annual General Meeting to be held on 27 April 2018

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

of ____ (Address)

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

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

*and/or

or failing which, the chairman of the Annual General Meeting, as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Eighth Annual General Meeting of the Company to be held at 10 Kwong Min Road Singapore 628712 on 27 April 2018 at 2 p.m. and at any adjournment thereof.

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

No.	Resolution	For	Against
	Ordinary Business		
1	Audited Financial Statements, Directors' Statement & Independent Auditor's Report for the financial year ended 31 December 2017		
2	Directors' fees for the financial year ending 31 December 2018, to be paid quarterly		
3	Re-election of Director (Mr. Jens Rasmussen)		
4	Re-election of Director (Mr. Eddy Neo Chiang Swee)		
5	Re-appointment of Messrs BDO LLP as auditors of the Company and authorise Directors to fix their remuneration.		
	Special Business		
6	Proposed renewal of the Share Buy-back Mandate		
7	Authority to allot and issue shares		
8	Authority to grant awards, allot and issue shares under the Performance Share Plan and to grant options, allot and issue shares under the Share Option Scheme		

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

Signed this ______ day of __________ 2018

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

____

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

*delete as appropriate

Notes to the Proxy Form:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (otherwise than a relevant intermediary) is entitled to appoint not more than 2 proxies to attend and vote in his stead. Where such member's form of proxy appoints 2 proxies, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary is entitled to appoint more than 2 proxies to attend and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him. Where such member's form of proxy appoints more than 1 proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Act.

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

4. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Ubi Road 2, #06-26 Zervex, Singapore 408538 not less than 48 hours before the time appointed for holding the Annual General Meeting.

7. A member shall insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by the Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form will be deemed to relate to all shares held by the member of the Company.

8. An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.

9. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with Section 179 of the Act.

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

11. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

12. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the Annual General Meeting.

Personal data privacy:

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

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

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

Designed
& Produced by
+65 6880 2828 Xpress®

英順

ENG SOON

TM

ES Group (Holdings) Limited

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