SHS HOLDINGS LTD.

STRENGTHENING THE CORE
POSITIONING FOR GROWTH

ANNUAL REPORT 2014

CONTENTS

CORPORATE PROFILE

Consolidating strengths, positioning for growth

Established in 1971, SHS Holdings Ltd., formerly See Hup Seng Limited, has grown into a diversified group with businesses ranging from corrosion prevention and structural steel & facade services to the distribution of refined petroleum products. With operations across the Asia Pacific, we are continually strengthening our core businesses to further reinforce our platforms for growth. We are well-positioned in our respective industries and are constantly expanding our customer base and deepening our geographical network while enlarging our portfolio of products and services.

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

Singapore Sports Hub

STRUCTURAL STEEL & FACADE

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

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

Singapore Grand Prix

Gardens by the Bay

Westgate

REFINED PETROLEUM

TAT PETROLEUM offers comprehensive supply chain management of petroleum-derived products. Headquartered in Singapore, it has an established presence in Hong Kong, China, South Korea, Vietnam and Indonesia to serve customers from diverse sectors across Asia Pacific. With capabilities ranging from product distribution to petrochemical blending and trading services our Refined Petroleum business is poised to capitalise on the long-term prospects of Asia's petrochemical industry.

CORROSION PREVENTION

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

STRATEGIC INVESTMENTS

The Group constantly evaluates strategic investment opportunities that can generate shareholder value. We invested in the growing energy sector with a 8.8% stake in Energy Drilling Pte Ltd – a Singapore-incorporated company primarily engaged in the business of owning and operating offshore drilling vessels. This investment allows the Group to participate in the high value-add offshore oil and gas drilling market, and is aligned with the Group's strategy of investing in high-growth energy companies to enhance its earnings base and deliver long-term shareholder value. Our strategic investment portfolio also comprises a stake in Aenergy Holdings Company Limited. Aenergy is an investment holding company and its subsidiaries are principally engaged in the business of developing mini-hydropower projects in Indonesia. The Company also holds a 30% stake in an executive condominium development project in Singapore, which is slated for completion in year 2016.

Hydroelectric Power Plant

Energy drilling project

Heron Bay Executive Condominium

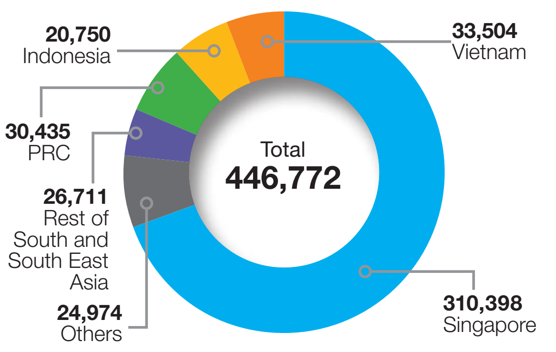
FINANCIAL HIGHLIGHTS

Profit & Loss Account (S$'000)	FY2014	FY2013	FY2012	FY2011	FY2010
Revenue	**446,772**	290,354	256,917	245,433	199,546
Gross Profit	**61,722**	44,631	37,821	36,102	32,663
Profit Before Tax	**17,804**	10,343	6,723	9,855	8,598
Profit After Tax	**15,650**	7,960	5,245	8,003	7,277
Profit Attributable to Equityholders	**15,670**	8,019	5,206	7,970	5,270

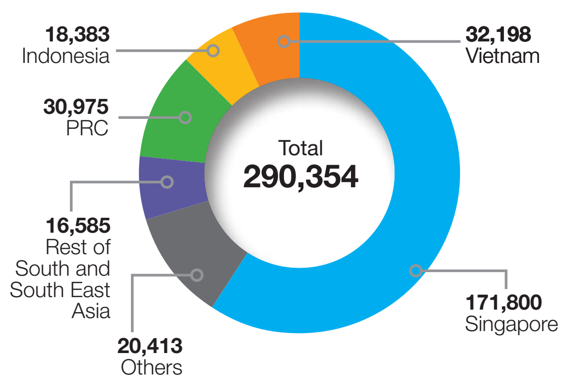
Per Share Data (Cents)	FY2014	FY2013	FY2012	FY2011	FY2010
Earnings Per Share – Basic	**2.59**	1.90	1.22	1.94	1.45
Net Asset Backing	**24.88**	21.79	20.03	18.91	17.48
Dividend	**0.93**	0.93	0.5	0.5	0.5

Balance Sheet (S$'000) as at 31 December	FY2014	FY2013	FY2012	FY2011	FY2010
Total Assets	**254,174**	207,676	180,020	161,079	135,899
Total Liabilities	**101,927**	114,341	92,876	83,114	63,818
Shareholders' Equity	**150,750**	91,818	85,567	77,700	71,844
Non-Controlling Interests	**1,497**	1,517	1,577	265	237
Total Equity	**152,247**	93,335	87,144	77,965	72,081

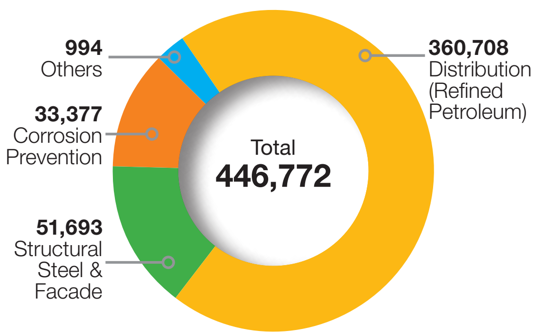
Revenue by Geographical Regions in FY2014 (S$'000)



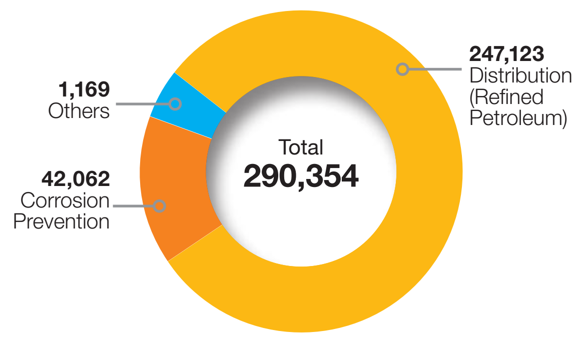
Revenue by Geographical Regions in FY2013 (S$'000)



Revenue by Business Segments in FY2014 (S$'000)



Revenue by Business Segments in FY2013 (S$'000)



CHAIRMAN'S MESSAGE

Mr. Thomas Lim, *Executive Chairman*

"Moving ahead, we will continue to stress on driving operational efficiency, synergy and innovation amongst our operating units to increase our value-add and to improve our competitive edge as we explore new opportunities for growth."

Dear Shareholders,

Amidst a climate of economic uncertainty around the world, SHS performed creditably in FY2014. The Group reported a record-breaking 95% year-on-year jump in full-year net profit attributable to shareholders of S$15.7 million on the back of a 54% rise in Group revenue to S$446.8 million. The results were boosted by contributions from the recently-acquired structural steel and facade ("SSF") division, stronger contributions from the Group's refined petroleum ("RP") business, and a stable contribution from the corrosion prevention ("CP") business.

The successful integration of the SSF business in FY2014 added a new dimension to the Group's growth momentum. Moving ahead, we will continue to stress on driving operational efficiency, synergy and innovation amongst our operating units to increase our value-add and to improve our competitive edge as we explore new opportunities for growth.

Rewarding Shareholders

In appreciation of the support from our shareholders, the Directors have recommended a tax exempt, one-tier final dividend of 0.93 cents per ordinary share, representing a payout of approximately 36% of the Group's net profit attributable to shareholders. When approved by shareholders at the next Annual General Meeting on 27 April 2015, the dividend will be disbursed on 20 May 2015.

In September 2014, the Group proposed a 1-for-2 bonus warrant issue of up to 304,230,589 warrants to shareholders who will be able to convert these warrants into ordinary shares at an exercise price of S$0.20 each, representing a discount of 34.5% to the volume-weighted average price of approximately S$0.3052 for trades done on the SGX on 9 September 2014. Aimed at rewarding shareholders for their continued support, the bonus warrants – which has an exercise period of 5 years that expires on 17 December 2019 – is also an opportunity for shareholders to participate in the future growth of our Group.

Corporate Strategy and New Identity

Last year, we conducted an internal restructuring and decided to fully segregate our CP business into a wholly-owned subsidiary, See Hup Seng CP Pte Ltd. Following this, we renamed See Hup Seng Limited to SHS Holdings Ltd. to reflect the listed company's positioning as an investment holding company, and we began trading with our new name on the Singapore Exchange with effect from 3 October 2014.

In line with the Group's growth strategy, a new corporate identity was launched last year. Our new logo features the acronym "SHS" within a blue elliptical, underscoring the Group's global aspirations, dynamic growth momentum, and synergy amongst its core businesses. The four white lines within the blue elliptical illustrates movement and the Group's Chinese name (四合成). Its modern typeface communicates the Group's strong foundation, robust track record and progressive outlook.

CHAIRMAN'S MESSAGE

While our three core businesses continue to grow and flourish in their respective industries, the Group sees much potential in the energy sector. Already, we have made two new investments – in July 2014, we announced our subscription of a 25% equity stake in Aenergy, a subsidiary of Mainboard-listed ISDN Holdings Limited for a total consideration of US$8 million. Aenergy is developing a series of mini hydroelectric power plants in Indonesia and this investment will give us strategic exposure to the growing renewable energy sector in Southeast Asia's largest economy.

More recently, in February 2015, we announced the incorporation of a new subsidiary in Singapore – Sinergy Pte Ltd, which is 80% held by our wholly-owned subsidiary, Hetat Holdings Pte Ltd, and 20% by two individuals who have extensive experience in mechanical and electrical ("M&E") project management. Sinergy will focus on the supply and installation of solar panels in Singapore and the region. By investing in such new industries, there will be cross-selling and mutual learning opportunities that will enrich the Group even further.

Earlier in the year, the Group raised its indirect stake in Energy Drilling Pte Ltd, a Singapore-incorporated company primarily engaged in the business of owning and operating offshore drilling vessels, from 6.3% to 8.8% via its 15.9% stake in GlobalFund Capital Pte Ltd, a Singapore-based investment holding company. The investment amounted to approximately US$7.5 million, allows the Group to participate in the high value-add and attractive offshore oil and gas drilling market.

These investments aligned the Group's strategy of investing in high-growth companies in the energy sector to enhance its earnings base and in delivering long-term shareholder value.

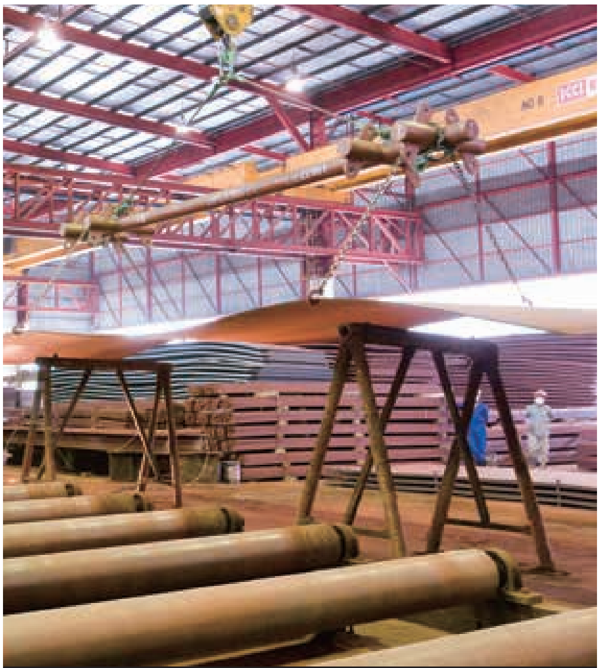
Acknowledgement

SHS, which was established some 39 years ago, has grown from strength to strength into a diversified group today. With its anchoring expertise in corrosion prevention, SHS has in more recent times diversified into the supply chain management of petroleum-derived products and even more recently, structural steel and facade. Into the future, we see ourselves growing into energy-related businesses.

Facilities of Refined Petroleum Segment

CHAIRMAN'S MESSAGE

Structural and architectural works by Structural Steel and Facade Segment



Production Facilities of Corrosion Prevention Segment

As we gain momentum in growing new revenue streams and earnings opportunities, you can be assured that one thing will remain a constant – and that is our resolve and determination to grow the Group so that we will deliver greater shareholder value.

There is much to do, and we have an able and motivated management team to execute our corporate vision and mission and achieve our goals.

We would not have got to where SHS is today without the support and commitment of our directors, management, staff, customers, shareholders and business partners. This is no mean feat, and I have so many people to thank. The road ahead will be wrought with many challenges, but I know that with all of us working together, we can march forward to shape SHS' future.

May I take this opportunity to wish you all a great year ahead!

Thomas Lim
Executive Chairman

CEO'S MESSAGE

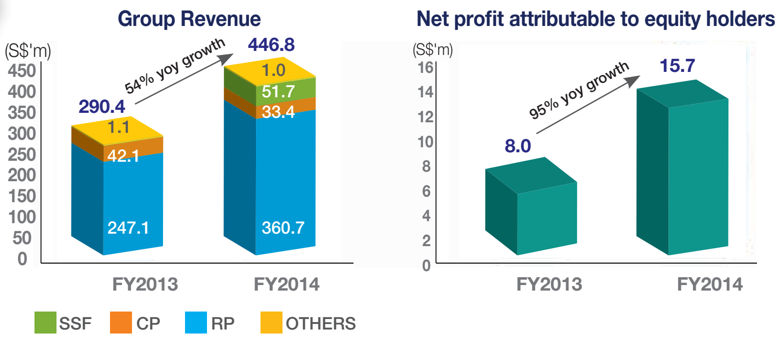
Mr. Henry Ng
Group Chief Executive Officer

"While we integrate and grow organically, we also see opportunities in the energy sector."

Dear Shareholders,

This is the first year of the amalgamation of Hetat's Structural Steel and Facade ("SSF") business into the Group and I am pleased to report a record-breaking set of results for the financial year ended 31 December 2014 despite a challenging macro business environment.

Net profit attributable to equity holders surged 95% year-on-year to S$15.7 million on the back of total revenue growth of 54% year-on-year to S$446.8 million. The stronger contribution from the Refined Petroleum ("RP") segment, the maiden contribution from the newly acquired SSF segment, higher other income and lower corporate expenses due to the non-occurring expenses of S$2.1 million related to acquisition and corporate activities in FY2013, while the Corrosion Prevention ("CP") segment registered a comparable contribution for FY2014 as the corresponding period.



Excluding the amortisation and additional depreciation of S$1.9 million (net of tax effect) at the Group level in relation to the fair value of SSF segment's order book and revaluation of land and building at acquisition by FRS103, the Group would have recorded a net profit attributable to equity holders of S$17.8 million in FY2014, an increase of 123% year-on-year from S$8.0 million in FY2013.

The Group's gross profit increased by 38% year-on-year from S$44.6 million in FY2013 to S$61.7 million in FY2014, due mainly to the higher gross profit generated by the RP segment and the contribution from the newly acquired SSF segment.

Facilities of Refined Petroleum Segment

CEO'S MESSAGE

Structural and architectural works on Gardens by the Bay

Business Segments	FY2013 Gross Profit (S$'m)	FY2013 Gross Margin	FY2014 Gross Profit (S$'m)	FY2014 Gross Margin
CP	13.1	31.2%	11.7	35.1%
RP	31.1	12.6%	36.5	10.1%
SSF	–	–	13.2	25.6%
Others	0.4	31.9%	0.3	30.2%
Group	**44.6**	**15.4%**	**61.7**	**13.8%**

The Group's composite gross margin narrowed from 15.4% in FY2013 to 13.8% in FY2014. The lower composite gross margin was mainly due to lower gross margin accounted by the RP segment as a result of the new trading business, which normally has a lower gross margin in nature. Nevertheless, this was balanced by the contributions from CP and SSF segments which command higher margin.

Total operating expenses increased by 28% year-on-year from S$35.4 million in FY2013 to S$45.2 million in FY2014, attributable mainly to the consolidation of the SSF segment into the Group, expenses incurred for the new blending and trading business under the RP segment, and amortisation and additional depreciation at the Group level resulting from the fair value of SSF's segment's order book and revaluation of land and building as required by FRS103, which was partly lifted by lower non-recurring expenses in relation to acquisition and corporate activities.

Overall, the Group's net profit attributable to equity holders rose from S$8.0 in FY2013 to S$15.7 million in FY2014, thanks to robust contributions all-round, particularly from RP and SSF segments, as well as higher other income and lower corporate expenses.

Our financial position continues to be healthy with cash and cash equivalents at S$39.1 million and net gearing reduced to 0.15 time as at 31 December 2014. Shareholders' equity increased to S$150.8 million (24.78 cents per share) as at 31 December 2014 from S$91.8 million (20.94 cents per share) as at 31 December 2014, largely attributed to the increase in share capital arising from the share issuance related to the acquisition of SSF segment in January 2014, and higher revenue reserve arising from net profit attributable to equity holders for FY2014.

Segmental Results

Refined Petroleum ("RP") Segment

Revenue for RP segment surged 46% year-on-year from S$247.1 million in FY2013 to S$360.7 million in FY2014,

CEO'S MESSAGE

driven by the new trading and blending and distribution businesses as a result of new marketing and aggressive pricing initiatives.

Gross margin narrowed to 10.1% in FY2014 due to the new trading business which typically generates lower gross margin. Driven by higher volumes, the Group's gross profit increased by 18% year-on-year from S$31.1 million in FY2013 to S$36.5 million in FY2014.

Looking ahead, we will continue to pursue strategies to move RP's business up the supply value chain, expand its market reach and deepen its distribution networks to further strengthen its foundation to drive growth.

Corrosion Prevention ("CP") Segment

The CP segment saw a slide in its revenue by 21% year-on-year, from S$42.1 million in FY2013 to S$33.4 million in FY2014, led by overall lower business activities at plant and yards, and the lack of contribution from turnkey projects in FY2014.

Consequently, gross profit declined by 12% year-on-year to S$11.7 million in FY2014 on the back of lower revenue, but was partially mitigated by higher gross margin of 35.1%.

We believe our efforts in efficiency and productivity improvement initiatives as well as cost control measures will continue to keep us abreast with the challenging operating environment, which include intense competitive conditions, pressure from customers to revise the pricing of services amid an oversupply situation, potential delays or cancellations of customers' projects and increasing competition from alternative corrosion prevention services.

Structural Steel And Facade ("SSF") Segment

The newly acquired SSF segment contributed S$51.7 million in revenue to the Group as a result of progressive revenue recognition from the various projects across the Asia Pacific region. The SSF segment contributed S$13.2 million in gross profit in FY2014 and had a gross margin of 25.6%.

In view of the slowdown in the domestic construction industry and upward pressure on manpower cost, we will leverage on our expertise and track record to pursue overseas opportunities.

The Way Forward

The Group expects the business environment for all of our business segments to remain challenging in FY2015. Nevertheless, we will continue to focus on leveraging the synergistic platform which we have created from our three core businesses to (i) cross-sell our products and services with the objective to enhance higher value add to our customers, and thereby expand customer base of each business segments; and (ii) pursue new business opportunities which enable collaboration between each business segments to integrate their specialties as a whole.

While we integrate and grow organically, we also see opportunities in the energy sector. Our 25% strategic investment in Aenergy's mini hydropower plants in Indonesia provide us the necessary exposure to the growing renewable energy sector in Southeast Asia's largest economy, and our recent incorporation of a new subsidiary Sinergy Pte Ltd with experienced strategic partners to focus on the supply and installation of solar panels in Singapore and the region would, provide us the much needed experience and head start in a potentially growing industry.

Despite the steep decline in oil prices, we still see value potential in the offshore drilling industry globally – our participation in a 8.8% stake in a Singapore-based company engaged in the business of owning and operating offshore drilling vessels positions us to benefit from the upturn in exploration activities in the medium to long-term.

Appreciation

This has been a very busy yet exciting year. All we are doing is driving greater levels of efficiency with our existing core businesses, while concurrently, always on the look out for new opportunities for growth. I am grateful to our Executive Chairman and the Board for giving me this opportunity to lead and the trust that I received from them continues to egg me on to do more.

With their strong support, and with the management and staff behind me, I look forward to even higher levels of growth and profitability for the Group.

Henry Ng
Group Chief Executive Officer

BOARD OF DIRECTORS

MR LIM SIOK KWEE, THOMAS

Executive Chairman

Mr Thomas Lim was appointed as Director since 1975 and is the Executive Chairman of the Board of Directors of SHS Holdings Ltd.. Mr Lim founded the business as a partnership in 1971. As Executive Chairman, he leads the Group by charting its strategic direction, as well as overseeing the core business operations and handling business development and corporate affairs. Mr Lim has over 30 years of experience in the corrosion prevention business and was the driving force in the Group's development and growth during the early years. He was also instrumental for the diversification of the Group's business into the offshore and construction sectors.

MR GOH KOON SENG

Executive Director & Group Chief Operating Officer

Mr Goh Koon Seng was appointed as Executive Director and Group Chief Operating Officer of SHS Holdings Ltd. on 12 July 2010. Mr Goh is responsible for the management of the day-to-day business operations of the corrosion prevention business. As a Group Chief Operating Officer, he supports the Executive Chairman and Group CEO in carrying out their role and responsibilities and on the Group's corporate and business development matters. Mr Goh was the Group's Chief Financial Officer and Joint Company Secretary from 2006 to 2007. He rejoined the Group from Jiutian Chemical Group Limited where he was Chief Financial Officer from 2007 to 2010. Mr Goh was also previously the General Manager (Singapore, Indonesia, Philippines and Brunei) of Cerebos Pacific Ltd, where he held a number of senior finance and management positions over a span of 16 years from 1990. He holds a Bachelor of Accountancy degree (Honours) from the National University of Singapore. He is a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Singapore.

MR NG HAN KOK, HENRY

Group Chief Executive Officer

Mr Henry Ng was appointed as Executive Director of SHS Holdings Ltd. on 3 January 2014 and Group Chief Executive Officer on 28 February 2014. As Group Chief Executive Officer, Mr Ng's role is to drive the integration of the Group's core businesses to extract synergies and efficiencies. He will set the organisational goals and steer the businesses towards these goals to bring the Group to greater heights. Mr Ng reports to the Executive Chairman. Mr Ng is the founder and Managing Director of Hetat Holdings, the Group's structural steel & facade business. He is a veteran in the construction industry and has extensive experience of over 20 years in the related field of steel, aluminium and glass structures. Besides continuing to manage Hetat's operations, Mr Ng's responsibilities also include the oversight and management of day-to-day operations of the Group's corrosion prevention and refined petroleum product businesses with the support of the Executive Directors and key management. He holds a Bachelor of Science (Building) honours degree from the University of Reading in the United Kingdom.

MR TEO CHOON KOW, WILLIAM

Independent Director

Mr William Teo was appointed as Independent Director of SHS Holdings Ltd. on 20 December 2005. He is currently the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. A Certified Public Accountant and MBA holder, Mr Teo was a venture capitalist at Walden Investment International Group up to 2004. Prior to that, he worked as a consultant at one of the Big Four accounting firms in the areas of corporate finance and merger & acquisitions. Mr Teo is also a director of Loyz Energy Limited, Wee Hur Holdings Ltd, PSL Holdings Ltd, Fral Pte Ltd and Ascendent Technology Pte Ltd.

BOARD OF DIRECTORS

MR OH ENG BIN, KENNETH

Independent Director

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

DR LEE KUO CHUEN DAVID

Independent Director

Dr Lee Kuo Chuen was appointed as Independent Director of SHS Holdings Ltd. on 1 October 2013. He is currently the Chairman of the Nominating Committee and members of the Remuneration and Audit Committees. Dr Lee has over 20 years of experience in financial modeling, portfolio allocation and alternative investments. He is a Director of Sim Kee Boon Institute for Financial Economics and Practice Professor of Quantitative Finance at the Singapore University. Prior to that, Dr Lee was a Director of Ferrell Asset Management which he founded in 1999, Managing Director of Fraser Asset Management and Director of Institutional Sales at Fraser Securities. Dr Lee also has a wealth of experience in property and consumer sectors. Between 2006 and 2007, he was Managing Director and Chief Executive Officer of Overseas Union Enterprise Limited. Prior to that, he was the Group Managing Director of Auric Pacific Group Limited. Dr Lee is currently an independent director of HLH Group Limited. Dr Lee holds a PhD in Econometrics and Applied Economics from the London School of Economics and Political Science, and a Master of Science in Econometrics and Mathematical Economics from the University of London.

MR CHEW HOE SOON

Non-Executive and Non-Independent Director

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

GROUP MANAGEMENT AND PERSONNEL

SHS GROUP

MR. LIM SIOK KWEE, THOMAS
Executive Chairman

MR. NG HAN KOK, HENRY
Group Chief Executive Officer

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

MR. FONG WEI SEONG
Group Chief Financial Officer

REFINED PETROLEUM

MR. NG HAN KOK
Group Chief Executive Officer

MR. TAN YEOK LIM, STEVE
Chief Operating Officer

MR. FONG WEI SEONG
Group Chief Financial Officer

MS. LEONG KIM YEN, SANDY
Business Unit Director (Chemicals)

MS. LUI SHUET HUNG, JACKIE
Business Unit Director (Lubricants)

MR. TAN YEE LOONG
Business Unit Associate Director (Lubricants)

MR. LIM LIANG SOON, PETER
Project Director & Quality, Production, Operations and Safety Advisor

MR. THONG KUM PUE, STEVEN
Operation Director

MS. LIM LAY KUAN
Finance Manager

MS. CHUA LIE KHENG, DORIS
Human Resource Manager

MR. MAHALINGAM KALIMUTHU KUMAR
Safety Manager

STRUCTURAL STEEL & FACADE

MR. NG HAN KOK, HENRY
Group Chief Executive Officer

MR. WANG FENG JUNG, WILLIE
Contracts & Commercial Director

MR. CHENG CHEE CHAI
Engineering & Production Director

MR. LIM SOCK KWANG, ALAN
Project Director

MR. LEE YIN YEE, PHILIP
Chief Financial Officer

MS. KOH NGA KHENG, SELINA
Technical Controller

MS. SEE BEE LIAN
Procurement Manager

MR. YANNAM SWARNY REDDY
Production Manager

MS. CHARLOTTE LEONG SAU CHOO
Human Resource Manager

MS. ALICE LEE SIAN YIAN
Finance Manager

CORROSION PREVENTION

MR. LIM SIOK KWEE, THOMAS
Executive Chairman

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

MR. FONG WEI SEONG
Group Chief Financial Officer

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

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

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

MR. RONEE RANDEY
Production Manager (Plant Operations)

MR. GOH SIA TECK
Commercial Manager (Site)

MS. TEO SOO FANG, TRACY
Finance Manager

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

MR. LEE TAI HUAT
Security & Manpower Manager

MR. MAHALINGAM KALIMUTHU KUMAR
Safety Manager

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lim Siok Kwee, Thomas
Executive Chairman

Ng Han Kok, Henry
Group Chief Executive Officer

Goh Koon Seng
Executive Director & Group Chief Operating Officer

Chew Hoe Soon
Non-executive and non-independent Director

Teo Choon Kow, William
Independent Director

Lee Kuo Chuen, David
Independent Director

Oh Eng Bin, Kenneth
Independent Director

AUDIT COMMITTEE

Teo Choon Kow, William *(Chairman)*
Lee Kuo Chuen, David
Oh Eng Bin, Kenneth

NOMINATING COMMITTEE

Lee Kuo Chuen, David (Chairman)
Teo Choon Kow, William
Lim Siok Kwee, Thomas

REMUNERATION COMMITTEE

Oh Eng Bin, Kenneth *(Chairman)*
Teo Choon Kow, William
Lee Kuo Chuen, David

COMPANY SECRETARIES

Wan Tiew Leng, Lynn
Ng Tze Lee

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AUDIT PARTNER-IN-CHARGE

Christopher Bruce Johnson
Date of appointment: 24 July 2012

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
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Singapore 049513

United Overseas Bank Limited
80 Raffles Place
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Singapore 048624

DBS Bank Ltd
12 Marina Boulevard
Marina Bay Financial Centre Tower 3
Singapore 018982

RHB Bank Berhad
90 Cecil Street #03-00
RHB Bank Building
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FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

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

A. BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholder value. To fulfill this role, the Board is responsible for setting the Group's corporate governance practices and overall strategic direction, establishing goals and monitoring the achievement of the goals.

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

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

All Directors receive appropriate training to develop their individual skills, knowledge and competence necessary to be effective in their roles. The Company also provides ongoing updates and briefings particularly, on relevant new laws, regulations and changing commercial risks, from time to time, to enable them to make well-informed decisions.

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

CORPORATE GOVERNANCE REPORT

The number of Board and Board committee meetings held in the financial year ended 31 December 2014 and the attendance of each Director are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	4	4	1	1
Directors	No. of meetings attended			
Lim Siok Kwee, Thomas	4	–	1	–
Goh Koon Seng	4	–	–	–
Ng Han Kok, Henry[1]	4	–	–	–
Ng Keng Sing[2]	4	–	–	–
Teo Choon Kow, William	4	4	1	1
Lee Kuo Chuen, David	4	3	1	1
Oh Eng Bin, Kenneth[3]	4	4	–	1
Chew Hoe Soon[4]	–	–	–	–

1 Mr Ng Han Kok, Henry was appointed on 3 January 2014
2 Mr Ng Keng Sing had resigned on 18 March 2015
3 Mr Oh Eng Bin, Kenneth was appointed on 14 January 2014
4 Mr Chew Hoe Soon was appointed on 6 February 2015

Principle 2: Board Composition and Guidance

Independent Directors make up at least one-third of the Board which comprises seven Directors, four of whom are Non-executive Directors as shown in the table below. All Directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The independence of each Director is reviewed annually by the Nominating Committee which has determined that no individual or small group of individuals dominates the Board's decision making. Among the Directors are experienced business leaders, financial and legal professionals.

CORPORATE GOVERNANCE REPORT

The Nominating Committee as well as the Board is of the view that the current Board size is appropriate and effective, taking into account the scope and nature of the Company's operations, and that the current Board comprises persons who as a group provide core competencies necessary to meet the Company's objectives. The profiles of the Directors are set out on page 12 and 13 of this Annual Report.

Name	Board of Committee as chairman or member	Directorship: Date of first appointment	Directorship: Date of last re-election	Board Appointment whether executive or non-executive/ independent	Due for re-election at forthcoming Annual General Meeting
Lim Siok Kwee, Thomas	Member of NC	22 July 2013	–	Executive Chairman	27 April 2015
Goh Koon Seng	–	12 July 2010	29 April 2014	Executive Director	–
Ng Han Kok, Henry	–	3 January 2014	29 April 2014	Executive Director	–
Teo Choon Kow, William	Chairman of AC and member of NC and RC	20 December 2005	–	Independent Director	27 April 2015[(1)]
Lee Kuo Chuen, David	Chairman of NC and member of AC and RC	1 October 2013	29 April 2014	Independent Director	–
Oh Eng Bin, Kenneth	Chairman of RC and member of AC	14 January 2014	29 April 2014	Independent Director	–
Chew Hoe Soon	–	6 February 2015	–	Non-Independent and Non-Executive Director	27 April 2015

(1) Mr Teo Choon Kow, William has informed the Board that he does not wish to seek re-election at forthcoming Annual General Meeting.

Key information of the Directors are set out on pages 12 and 13 of the Annual Report.

CORPORATE GOVERNANCE REPORT

Principle 3: Role of Chairman and CEO

The Group Executive Chairman, Mr Lim Siok Kwee, Thomas, continues to lead the Group in charting its strategic direction, as well as overseeing the core business operations and handling the business development and corporate affairs with the support of the Group Chief Executive Officer ("Group CEO").

As the Group CEO, Mr Ng Han Kok, Henry manages the operation of the steel engineering business and is responsible of the oversight and management of day-to-day operations of both corrosion prevention services and refined petroleum products businesses with the support of Executive Directors and key management. Mr Ng reports to the Group Executive Chairman.

Principle 4: Board Membership

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

- Lee Kuo Chuen, David (Chairman)
- Teo Choon Kow, William
- Lim Siok Kwee, Thomas

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

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

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

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

iv. Determines the independence of each Director;

v. Makes recommendations to the Board for the continuation of services by any Director who has reached the age of seventy (70) years or otherwise;

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

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

viii. Reviews training and professional development programs for the Board.

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

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

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

The NC has recommended the nomination of Directors under Article 90 and Article 96 of Articles of Association of the Company, namely Mr Lim Siok Kwee, Thomas, and Mr Chew Hoe Soon, respectively, for re-election at the forthcoming Annual General Meeting. They had duly abstained from making recommendations on their own nominations.

Mr Teo Choon Kow, William, an Independent Director who has served on the Board for more than 9 years, has informed the Board that he does not wish to seek re-election at the forthcoming Annual General Meeting and will retire from office following the conclusion of the Annual General Meeting.

Mr Teo's length of service has brought with him in-depth knowledge of the Group's businesses which is viewed by the Board as especially valuable. While recognising the benefits of the experience and stability brought by long-standing Directors, the Board remains committed to the progressive renewal of board membership.

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation. The NC has reviewed and is satisfied that Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company. It is not necessary to prescribe a maximum number of listed company board representations a Director may hold.

Principle 5: Board Performance

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

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

The NC has conducted a Board performance evaluation to assess the effectiveness of the Board in FY2014 and is satisfied that sufficient time and attention have been given by the Directors to the affairs of the Group.

CORPORATE GOVERNANCE REPORT

Principle 6: Access to Information

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

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

Company Secretary attends Board and Board Committees meetings. The role of the Company Secretary includes responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary also ensures good information flows within the Board and its Board Committees and between Management and Independent Directors.

B. REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

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

- Oh Eng Bin, Kenneth (Chairman)
- Teo Choon Kow, William
- Lee Kuo Chuen, David

CORPORATE GOVERNANCE REPORT

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

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

- to review the remuneration of key management personnel; and

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

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

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

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

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

The RC's recommendations are made in consultation with the Executive Chairman and submitted for endorsement by the entire Board. Annual reviews of the compensation of Directors are also carried out by the RC to ensure that the remuneration of Executive Directors and key management personnel are commensurate with their performance and value add to the Group, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Chairman (along with that of other senior executives) is reviewed annually by the RC and the full Board. The remuneration package of the Executive Chairman includes a variable bonus.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. The RC recommends to the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but is not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each Director.

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

CORPORATE GOVERNANCE REPORT

Non-Executive Directors receive Directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. Directors' fees are recommended by the Board for approval at the AGM.

The remuneration of Directors and the top 5 key management personnel of the Company for the year ended 31 December 2014 are set out below:

Remuneration band and name	Fees	Salary	Bonus	Others[1]	Total
Directors – From S$750,000 to S$999,999					
Ng Keng Sing[2]	–	49%	49%	2%	100%
Directors – From S$500,000 to S$749,999					
Lim Siok Kwee, Thomas	–	59%	39%	2%	100%
Ng Han Kok, Henry[3]	–	59%	39%	2%	100%
Directors – From S$250,000 to S$499,999					
Goh Koon Seng	–	58%	39%	3%	100%
Directors – Below S$250,000					
Teo Choon Kow, William	100%	–	–	–	100%
Lee Kuo Chuen, David	100%	–	–	–	100%
Oh Eng Bin, Kenneth[4]	100%	–	–	–	100%
Chew Hoe Soon[5]	–	–	–	–	–
Top 5 Management Personnel – From S$500,000 to S$749,999					
Tan Yeok Lim, Steve	–	40%	57%	3%	100%
Top 5 Management Personnel – From S$250,000 to S$499,999					
Fong Wei Seong	–	58%	39%	3%	100%
Lui Shuet Hung, Jackie	–	69%	30%	1%	100%
Leong Kim Yen, Sandy	–	66%	27%	7%	100%
Top 5 Management Personnel – Below S$250,000					
Thong Kum Pue, Steven	–	71%	23%	6%	100%

(1) Include employer contribution to the Central Provident Fund and benefits-in-kind such as club memberships, transport allowance and use of company vehicles etc.
(2) Mr Ng Keng Sing had resigned on 18 March 2015
(3) Mr Ng Han Kok, Henry was appointed on 3 Jan 2014
(4) Mr Oh Eng Bin, Kenneth was appointed on 14 Jan 2014
(5) Mr Chew Hoe Soon was appointed 6 February 2015

CORPORATE GOVERNANCE REPORT

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

Remuneration paid to Non-Executive Directors comprised solely directors' fees paid quarterly in arrears and were approved by the shareholders in the AGM held on 29 April 2014.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for the financial year ended 31 December 2014 is disclosed under Note 33 of the Notes to Financial Statements.

There were two employees who are immediate family members of a Director, Executive Chairman, of the Company and whose remuneration exceeds $50,000 for the financial year ended 31 December 2014. The details of these two employees and their remunerations are as follows:–

Name	**Family relationship**	**Designation**
From S$50,000 to S$100,000		
Goh Sia Teck	Nephew of Executive Chairman	Manager (Operations)
Lim Peng Cheng	Nephew of Executive Chairman	Assistant Production Manager

Shareholders' approval will be sought at the forthcoming Annual General Meeting on 27 April 2015 for the payment of the proposed fees to Non-Executive Directors for the financial year ending 2015 and the payment of additional Directors' fees for the financial year ended 31 December 2014.

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

C. ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

CORPORATE GOVERNANCE REPORT

Principle 11: Risk Management and Internal Controls

The Company has an Enterprise Risk Management Framework in place for the Group. The said Framework has been reviewed by the AC and approved by the Board. The AC and the Board will continually assess the adequacy and effectiveness of the risk management framework and processes.

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

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

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

The Board has also received assurance from the Executive Chairman, Group CEO, Executive Directors and Group CFO that as at 31 December 2014:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2014 give a true and fair view of the Group's operations and finances; and

(b) the systems of internal controls and risk management in place were adequate and effective as at 31 December 2014, to address financial, operational, information technology and compliance risks of which considered relevant and material to its operations.

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

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

Principle 12: Audit Committee (the "AC")

The AC comprises of three Independent Directors:

- Teo Choon Kow, William (Chairman)
- Lee Kuo Chuen, David
- Oh Eng Bin, Kenneth

The Board is of the view that the AC members have sufficient financial management related expertise and experience to discharge the AC's function.

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

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

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

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

- assists the Board in discharging its statutory responsibilities on financial and accounting matters;

- reviews the financial and operating results and accounting policies of the Group;

- reviews significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement of financial statements before their submission to the Board for approval and the external auditors' report on the financial statements;

- reviews the adequacy of the Group's internal controls (financial, operational, compliance and information technology controls) and risk management via reviews carried out by the internal auditors;

- considers and reviews the assistance given by Management of the Group to the auditors;

- reviews the external audit plans and the review results of the external auditors' examination and evaluation of the Group's internal control system;

CORPORATE GOVERNANCE REPORT

- reviews the audit plans and reports of the external auditors and considers the effectiveness of the actions taken by management on auditors' recommendations;

- recommends the re-appointment of the external auditors;

- reviews interested person transactions to ensure that they are on normal commercial terms and not prejudicial to the interests of the Company or its shareholders;

- reviews the internal audit plan and findings of the internal audit; and

- ensures that the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company; and generally undertakes such other functions and duties as may be required by statute or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

The AC meets with the external and internal auditors without the presence of the Company's Management at least once a year.

The Company has complied with Rule 712 and Rule 716 of the SGX-ST Listing Manual.

There was no non-audit service provided by the external auditors to the Group in FY2014. On that basis, the AC is satisfied with the independence of the external auditors.

The details of audit services provided by the external auditors are outlined in Note 5 in the financial statements.

Principle 13: Internal Audit

The Company's internal audit function has been outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd. The internal auditor reports directly to the chairman of the AC on audit matters. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the adequately resources to perform its functions.

The AC and the Board are satisfied that there are adequate internal controls in the Company.

Whistle-Blowing Policy

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

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

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholders Meetings

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

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

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

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

During general meetings, separate resolutions for each distinct issue are tabled for shareholders' approval.

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

Shareholders have the opportunity to participate effectively in and to vote at general meetings of Shareholders. The Board noted that voting by poll will be compulsory in August 2015, the Company is taking steps to adopt poll voting in the coming year. The Company's Articles of Association provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS

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

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

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

The Group has complied with the Securities Transactions Code.

INTERESTED PERSON TRANSACTIONS

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

During the financial year ended 31 December 2014, the Company did not enter into any interested person transaction which value exceeds S$100,000 for each transaction.

MATERIAL CONTRACTS

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

USE OF PROCEEDS

(A) The Company refers the announcements made on 19 October 2009, 13 June 2012 and 23 January 2014 relating to the Warrants Issue and wishes to provide an update on the net proceeds from the Warrants Issue and exercise of Warrants.

The Company has fully utilised the net proceeds as follows:

Net Proceeds	Amount raised (S$'000)	Amount utilised (S$'000)
(i) Warrants Issue	1,630	1,630
(ii) Exercise of Warrants	5,481	5,481
Total	7,111	7,111*

* The Company has applied net proceeds of S$7,111,000 arising from the Warrants Issue and exercise of the Warrants for the Group's investments in energy drilling and property development businesses in Singapore and the Group's working capital.

(B) The Company refers the announcements made on 12 September 2013, 3 December 2013, 7 December 2013, 16 December 2013, 2 January 2014, 7 January 2014 and 23 January 2014 and the circular to shareholders of the Company dated 16 December 2013 in relation to the subscription of 144,500,000 new ordinary shares in the capital of the Company.

The Company intends to utilise the total net proceeds of approximately S$35.17 million raised from the subscription for the acquisition of Hetat Holdings Pte. Ltd. ("Acquisition") and as working capital.

As at the date of this report, the Company had utilised approximately S$33.52 million to finance the Acquisition. The remaining balance of the net proceeds of S$1.65 million from the subscription has been placed in the bank pending disbursement.

(C) The Company refers the announcements made on 10 September 2014, 3 November 2014, 25 November 2014, 27 November 2014, 11 December 2014, and 18 December 2014 in relation to bonus warrants issue and wishes to provide an update on the net proceeds from the exercise of Warrants.

As at the date of report, 500 warrants have been converted to shares which amounted to S$100 has been placed in bank pending disbursement.

REPORT OF THE DIRECTORS

31 December 2014

The directors present their report to the shareholders together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014.

1 Directors

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

Lim Siok Kwee, Thomas	Executive Chairman
Ng Han Kok, Henry	Group Chief Executive Officer (Appointed as Executive Director on 3 January 2014 and re-designated to Group Chief Executive Officer on 28 February 2014)
Goh Koon Seng	Executive Director and Group Chief Operating Officer
Chew Hoe Soon	Non-Independent and Non-Executive Director (Appointed on 6 February 2015)
Teo Choon Kow, William	Independent Director
Lee Kuo Chuen, David	Independent Director
Oh Eng Bin, Kenneth	Independent Director

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

3 Directors' Interests in Shares and Debentures

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

	Holdings registered in the name of directors		**Holdings in which a director is deemed to have an interest**	
Name of Directors	**As at beginning of the year/ date of appointment**	**As at end of the year**	**As at beginning of the year/ date of appointment**	**As at end of the year**
The Company				
Ordinary Shares				
Lim Siok Kwee, Thomas	3,470,575	3,470,575	13,350,000	350,000
Ng Han Kok, Henry	–	23,042,526	42,769,053	65,844,527
Goh Koon Seng	130,000	130,000	–	–
Teo Choon Kow, William	–	–	–	–
Lee Kuo Chuen, David	–	–	598,000	–
Oh Eng Bin, Kenneth	–	–	–	–

3 Directors' Interests in Shares and Debentures (Continued)

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2015.

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

4 Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm in which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in the financial statements and except that certain directors have an employment relationship with the Company and subsidiaries, and have received remuneration in that capacity.

5 Share Options

The SHS Holdings Ltd. Employee Share Option Scheme

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

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

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

Oh Eng Bin, Kenneth (Chairman)
Teo Choon Kow, William
Lee Kuo Chuen, David

The principal terms of the Scheme are:

(i) Scheme Size and Duration

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

REPORT OF THE DIRECTORS 31 December 2014

5 Share Options (Continued)

The SHS Holdings Ltd. Employee Share Option Scheme (Continued)

(i) Scheme Size and Duration (Continued)

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

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

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

(ii) Eligibility to participate in the Scheme

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

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

(iii) Grant of Options

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

REPORT OF THE DIRECTORS

31 December 2014

5 Share Options (Continued)

The SHS Holdings Ltd. Employee Share Option Scheme (Continued)

(iv) Exercise Period

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

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

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

(v) Exercise Price

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

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

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

(vi) Termination of Options

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

(vii) Acceptance of Options

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

Options Granted under the Scheme

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

REPORT OF THE DIRECTORS 31 December 2014

5 Share Options (Continued)

The SHS Holdings Ltd. Employee Share Option Scheme (Continued)

(vii) Acceptance of Options (Continued)

Options Exercised

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

Options Outstanding

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

6 Warrants

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

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

Date of issue	Warrants issued	Warrants exercised	Warrants expired	Warrants Outstanding at 31/12/2014	Date of expiration
18/12/2014	303,641,586	–	–	303,641,586	Note 1

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

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

REPORT OF THE DIRECTORS

31 December 2014

7 Audit Committee

The members of the Audit Committee (AC) at the end of the financial year were as follows:

Teo Choon Kow, William (Chairman)
Lee Kuo Chuen, David
Oh Eng Bin, Kenneth

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

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

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

(iii) reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

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

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

(vi) reviewed the cost effectiveness and the independence and objectivity of the external auditors;

(vii) reviewed the nature and extent of non-audit services provided by the external auditors;

(viii) recommended to the Board of Directors the independent auditors to be nominated, approve the compensation of the auditors, and reviewed the scope and results of the audit;

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

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

There was no non-audit service provided by the external auditors to the Group. The AC is satisfied with the independence of the external auditors and has recommended to the Board of Directors that the independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, be nominated for reappointment at the forthcoming Annual General Meeting of the Company.

The AC has also conducted a review of interested person transactions.

REPORT OF THE DIRECTORS 31 December 2014

7 Audit Committee (Continued)

The Board, with the concurrence of the AC, is satisfied with the adequacy of the Company's internal controls, including financial, operational and compliance controls, and risk management systems as at 31 December 2014.

The AC convened four meetings during the year with full attendance from all members, except for one where a member was absent. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

8 Independent Auditors

Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept reappointment.

On behalf of the Board of Directors,

LIM SIOK KWEE, THOMAS

NG HAN KOK, HENRY

Singapore
31 March 2015

STATEMENT BY DIRECTORS

31 December 2014

In the opinion of the directors:

(a) the accompanying statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 41 to 118, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the year then ended; and

(b) as 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.

On behalf of the Board of Directors,

LIM SIOK KWEE, THOMAS

NG HAN KOK, HENRY

Singapore
31 March 2015

INDEPENDENT AUDITORS' **REPORT**

TO THE SHAREHOLDERS OF SHS HOLDINGS LTD (Formerly known as See Hup Seng Limited)

We have audited the accompanying financial statements of SHS Holdings Ltd. (formerly known as See Hup Seng Limited) (the "Company") and its subsidiary companies (collectively referred to as the "Group"), as set out on pages 41 to 118, which comprise the statements of financial position of the Group and of the Company as at 31 December 2014 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

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

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

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2014

	Note	Group 2014 S$'000	Group 2013 S$'000
Revenue	4	**446,772**	290,354
Cost of sales and services		**(385,050)**	(245,723)
Gross profit		**61,722**	44,631
Other income		**2,704**	2,186
Selling and distribution expenses		**(11,380)**	(9,169)
Administrative expenses		**(21,413)**	(15,363)
Other operating expenses		**(12,440)**	(10,846)
Finance costs		**(1,254)**	(1,101)
Share of (loss)/profit of associated companies, net of tax	10	**(135)**	5
Profit before income tax	5	**17,804**	10,343
Income tax	6	**(2,154)**	(2,383)
Net profit for the year		**15,650**	7,960
Other comprehensive income, net of tax			
Items that will not be reclassified subsequently to profit or loss:			
Income tax relating to components of other comprehensive income	27	**18**	29
		18	29
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		**231**	309
		231	309
Total comprehensive income		**15,899**	8,298
Profit attributable to:			
Equity holders of the Company		**15,670**	8,019
Non-controlling interests		**(20)**	(59)
		15,650	7,960
Total comprehensive income attributable to:			
Equity holders of the Company		**15,919**	8,358
Non-controlling interests, net of income tax		**(20)**	(60)
		15,899	8,298
Earnings per share attributable to equity holders of the Company:			
Basic	7	**2.59 cents**	1.90 cents
Diluted	7	**2.23 cents**	1.68 cents

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	8	**39,748**	28,544	**12,181**	12,592
Investment in subsidiaries	9	**–**	–	**95,028**	49,628
Investment in associates	10	**4,527**	1,485	**3,177**	–
Financial assets, available-for-sale	11	**18,162**	14,555	**15,289**	12,555
Club membership	12	**125**	195	**–**	–
Goodwill	13	**37,177**	11,735	**–**	–
Intangible assets	14	**622**	224	**–**	–
Other receivables and prepayments	18	**612**	523	**–**	–
Loan receivable from an associated company	19	**–**	11,100	**–**	–
Total Non-Current Assets		**100,973**	68,361	**125,675**	74,775
Current Assets					
Inventories	15	**31,553**	25,839	**–**	–
Trade receivables	16	**67,852**	56,058	**5,614**	6,932
Amounts due from subsidiaries	17	**–**	–	**14,209**	29,826
Other receivables and prepayments	18	**14,068**	5,875	**7,337**	397
Loan receivables from an associated company	19	**600**	–	**–**	–
Cash and cash equivalents	20	**39,128**	51,543	**5,048**	14,852
Total Current Assets		**153,201**	139,315	**32,208**	52,007
Total Assets		**254,174**	207,676	**157,883**	126,782
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables and accruals	22	**29,312**	23,387	**2,143**	4,050
Other payables	23	**3,457**	6,436	**363**	468
Amounts due to subsidiaries	17	**–**	–	**9,028**	29,936
Term loans	24	**1,377**	2,884	**–**	–
Other amounts due to bankers	25	**59,821**	75,804	**3,807**	8,555
Finance leases	26	**292**	419	**–**	–
Provision for taxation		**3,907**	2,934	**94**	490
Total Current Liabilities		**98,166**	111,864	**15,435**	43,499
Non-Current Liabilities					
Finance leases	26	**258**	377	**–**	–
Deferred income tax	27	**3,503**	2,100	**1,084**	1,165
Total Non-Current Liabilities		**3,761**	2,477	**1,084**	1,165
Total Liabilities		**101,927**	114,341	**16,519**	44,664

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group 2014 S$'000	Group 2013 S$'000	Company 2014 S$'000	Company 2013 S$'000
Capital, Reserves and Non-Controlling Interests					
Share capital	28	**143,625**	94,953	**143,625**	94,953
Treasury shares	29	**(3,226)**	(3,226)	**(3,226)**	(3,226)
Asset revaluation reserve	30	**2,508**	2,490	**2,874**	2,874
Foreign currency translation reserve	30	**1,172**	941	**–**	–
Other reserve	30	**(16,687)**	(16,687)	**–**	–
Retained earnings/(Accumulated losses)	30	**23,358**	13,347	**(1,909)**	(12,483)
		150,750	91,818	**141,364**	82,118
Non-controlling interests		**1,497**	1,517	**–**	–
Total Equity		**152,247**	93,335	**141,364**	82,118
Total Liabilities and Equity		**254,174**	207,676	**157,883**	126,782

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

For The Financial Year Ended 31 December 2014

	Share Capital S$'000	Treasury Shares S$'000	Asset Revaluation Reserve S$'000	Foreign Currency Translation Reserve S$'000	Other Reserve S$'000	Retained Earnings S$'000	Total S$'000	Non-Controlling Interests S$'000	Total Equity S$'000
Balance at 1 January 2014	**94,953**	**(3,226)**	**2,490**	**941**	**(16,687)**	**13,347**	**91,818**	**1,517**	**93,335**
Profit for the year Other comprehensive income for the year, net of tax:	**–**	**–**	**–**	**–**	**–**	**15,670**	**15,670**	**(20)**	**15,650**
– Income tax relating to components of other comprehensive income	**–**	**–**	**18**	**–**	**–**	**–**	**18**	**–**	**18**
– Exchange difference on translation of foreign operations	**–**	**–**	**–**	**231**	**–**	**–**	**231**	**–**	**231**
Total comprehensive income for the year	**–**	**–**	**18**	**231**	**–**	**15,670**	**15,919**	**(20)**	**15,899**
Issuance of ordinary shares (Note 28)	**36,024**	**–**	**–**	**–**	**–**	**–**	**36,024**	**–**	**36,024**
Issuance of ordinary shares as consideration paid for the acquisition of a subsidiary (Note 28)	**13,500**	**–**	**–**	**–**	**–**	**–**	**13,500**	**–**	**13,500**
Share issue costs (Note 28)	**(852)**	**–**	**–**	**–**	**–**	**–**	**(852)**	**–**	**(852)**
Dividend on ordinary shares (Note 35)	**–**	**–**	**–**	**–**	**–**	**(5,659)**	**(5,659)**	**–**	**(5,659)**
Balance at 31 December 2014	**143,625**	**(3,226)**	**2,508**	**1,172**	**(16,687)**	**23,358**	**150,750**	**1,497**	**152,247**
Balance at 1 January 2013	94,953	(3,226)	2,461	631	(16,687)	7,435	85,567	1,577	87,144
Profit for the year	–	–	–	–	–	8,019	8,019	(59)	7,960
Other comprehensive income for the year, net of tax:									
– Income tax relating to components of other comprehensive income	–	–	29	–	–	–	29	–	29
- Exchange difference on translation of foreign operations	–	–	–	310	–	–	310	(1)	309
Total comprehensive income for the year	–	–	29	310	–	8,019	8,358	(60)	8,298
Dividend on ordinary shares (Note 35)	–	–	–	–	–	(2,107)	(2,107)	–	(2,107)
Balance at 31 December 2013	94,953	(3,226)	2,490	941	(16,687)	13,347	91,818	1,517	93,335

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2014

	2014 S$'000	2013 S$'000
Cash Flows from Operating Activities		
Profit before income tax	**17,804**	10,343
Adjustments for:		
Amortisation of intangible asset	**1,955**	57
Depreciation of property, plant and equipment	**5,049**	3,396
Bad debts written-off	**184**	25
Inventory written-off	**218**	249
Property, plant and equipment written-off	**28**	–
Loss/(gain) on disposal of property, plant and equipment	**7**	(163)
Gain on disposal of other investment	**–**	(311)
Share of loss/(profit) of associates	**135**	(5)
Loss on available-for-sale assets	**–**	11
Impairment of club membership	**70**	–
Allowance for impairment of trade receivables	**908**	456
Interest expense	**1,254**	1,101
Interest income	**(163)**	(674)
Compensation received from acquiree	**(425)**	–
Allowance for stock obsolescence	**398**	121
Reversal of allowance on stock obsolescence	**(738)**	–
Reversal of impairment of trade receivables	**(276)**	(121)
Unrealised foreign exchange differences	**(612)**	(650)
Operating cash flows before working capital changes	**25,796**	13,835
Changes in working capital:		
Inventories	**(3,788)**	(1,017)
Receivables and prepayments	**(2,980)**	(9,040)
Payables	**(2,836)**	6,191
Cash generated from operations	**16,192**	9,969
Interest paid	**(1,254)**	(1,101)
Interest received	**52**	26
Income tax paid	**(3,073)**	(1,307)
Net cash generated from operating activities	**11,917**	7,587

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 December 2014

	2014 S$'000	2013 S$'000
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	**(1,962)**	(1,036)
Purchase of financial asset, available-for-sale	**(3,607)**	(7,233)
Proceeds from disposal of property, plant and equipment	**507**	316
Proceeds from compensation received from acquiree	**425**	–
Proceeds from disposal of other investment	**–**	602
Acquisition of associated company	**(3,177)**	–
Loan to investment company	**(6,822)**	–
Repayment from associated company	**10,500**	3,900
Cash flow on acquisition of subsidiaries (net of cash acquired) (Note 9)	**(27,194)**	–
Net cash used in investing activities	**(31,330)**	(3,451)
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares	**36,024**	–
Payment for share issue costs	**(852)**	–
Dividend paid on ordinary shares	**(5,659)**	(2,107)
Repayment of obligations under finance leases	**(432)**	(425)
(Repayment of)/proceed from term loans	**(7,170)**	2,298
(Decrease)/Increase in funds from trust receipts	**(14,774)**	12,862
Deposit of fixed deposits pledged to banks	**(29)**	(328)
Net cash generated from financing activities	**7,108**	12,300
Net (decrease)/increase in cash and cash equivalents	**(12,305)**	16,436
Effects of exchange rate changes on cash and cash equivalents	**(139)**	168
Cash and cash equivalents at the beginning of the year	**48,064**	31,460
Cash and cash equivalents at the end of the year (Note 20)	**35,620**	48,064

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

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

1 Corporate Information

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

The principal activities of the Company are those of grit blasting and painting. The principal activities of its subsidiaries are set out in Note 9 to the financial statements.

The consolidated financial statements of the Group for the year ended 31 December 2014 and the statement of financial position of the Company as at 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on the date of the Statement by Directors.

2 Significant Accounting Policies

(a) Basis of Preparation

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

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

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

(b) New or Revised FRS

FRS effective for annual periods beginning on or after 1 January 2014

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2014, the Group and the Company adopted the following standards and interpretations that are mandatory for annual financial periods beginning on or after 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2 Significant Accounting Policies (Continued)

(b) New or Revised FRS (Continued)

FRS effective for annual periods beginning on or after 1 January 2014 (Continued)

The adoption of these new or amended FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years, except for the following:

FRS 27 *Separate Financial Statements*

FRS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity elects, or is required by local regulations, to present separate financial statements.

As this is a disclosure standard, the adoption of the revised standard did not have an impact on the financial performance or the financial position of the Group and the Company.

FRS 28 *Investments in Associates and Joint Ventures*

FRS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

FRS 28 (as amended in 2011) is to be applied by all entities that are investors with joint control of, or significant influence over, an investee.

The adoption of the revised standard did not have an impact on the financial performance or financial position of the Group and Company.

FRS 110 *Consolidated Financial Statements*

Under FRS 110, there is only one basis for consolidation for all entities, and that basis is control. This change removes the perceived inconsistency between the previous version of FRS 27 *Consolidated Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities* – FRS 27 used a control concept whilst INT FRS 12 placed greater emphasis on risks and rewards.

A more robust definition of control has been developed in FRS 110 in order to capture unintentional weaknesses of the definition of control set out in the previous version of FRS 27. The definition of control in FRS 110 includes three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of investor's returns.

2 Significant Accounting Policies (Continued)

(b) New or Revised FRS (Continued)

FRS effective for annual periods beginning on or after 1 January 2014 (Continued)

FRS 110 *Consolidated Financial Statements (Continued)*

FRS 110 requires investors to reassess whether or not they have control over their investees on transition to FRS 110. In general, FRS 110 requires retrospective application, with certain limited transition provisions.

The adoption of the revised standard did not have an impact on the financial performance or financial position of the Group and Company.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joints arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The amendments to FRS 32 clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also not be contingent on a future event and must be enforceable in the event of bankruptcy or insolvency of all the counterparties to the contract. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments (Note 17).

Amendments to FRS 36 *Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU’s recoverable amount has been determined on the basis of fair value less costs of disposal. The application of these amendments has had no impact on the disclosure in the Group’s consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

2 Significant Accounting Policies (Continued)

(b) New or Revised FRS (Continued)

FRSs issued but not yet effective

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

The directors expect that the adoption of the standards below will have no material impact on the financial statements in the period of initial application.

Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*

The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage salary. These contributions should be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

These amendments are effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Amendment to FRS 102 *Share-based Payment*

This amendment amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').

Amendment to FRS 102 *Share-based Payment* is effective prospectively to share-based payment transactions for which the grant date is on or after 1 July 2014.

Amendment to FRS 103 *Business Combinations (Accounting for contingent consideration in a business combination)*

The amendments clarify that contingent consideration in a business combination that is not classified as equity should be measured at fair value through profit and loss at each reporting date, regardless of whether the contingent consideration is within the scope of FRS 39. Changes in fair value, other than measurement period adjustments, are recognised in profit or loss. Consequential amendments were made to FRS 37 and FRS 39.

Amendment to FRS 103 *Business Combinations* is effective prospectively to business combinations for which the acquisition date is on or after 1 July 2014.

2 Significant Accounting Policies (Continued)

(b) New or Revised FRS (Continued)

FRSs issued but not yet effective (Continued)

Amendment to FRS 108 *Operating Segments*

The amendments require the disclosure of judgements made by management in deciding whether to combine operating segments for segment reporting purposes, including the economic indicators (e.g gross margins) that have been assessed in determining whether the aggregated operating segments have similar economic characteristics.

The reconciliation of the total reportable segments' assets to the entity's total assets is required to be disclosed only if segment assets are regularly reported to the chief operating decision maker.

Amendment to FRS 108 *Operating Segments* is effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Amendment to FRS 16 *Property, Plant and Equipment*
FRS 38 *Intangible Assets*

The amendments to FRS 16 and FRS 38 removed perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Amendment to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets* are effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Amendment to FRS 24 *Related Party Disclosures*

This amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. The amendments require the amounts incurred by an entity for such services to be included in the related party disclosures. However, this amount need not be split into components required for other key management personnel compensation (e.g short-term employee benefits, post-employment benefits, etc.).

Amendment to FRS 24 *Related Party Disclosures* is effective for annual periods beginning on or after 1 July 2014 retrospectively in accordance with FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2 Significant Accounting Policies (Continued)

(b) New or Revised FRS (Continued)

FRSs issued but not yet effective (Continued)

Amendment to FRS 103 *Business Combinations (Scope of exception for joint ventures)*

The amendment clarifies that the formation of all types of joint arrangements (and not just joint ventures) are outside the scope of FRS 103. This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Amendment to FRS 103 *Business Combinations* is effective prospectively for annual periods beginning on or after 1 July 2014.

Amendment to FRS 113 *Fair Value Measurement*

The amendment clarifies that the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with FRS 39. These contracts need not meet the definitions of financial assets or financial liabilities in FRS 32.

Amendment to FRS 113 *Fair Value Measurement* is effective prospectively for annual periods beginning on or after 1 July 2014.

FRS 109 *Financial Instruments*

FRS 109 prescribes the accounting requirements for financial instruments and replaces the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 prescribes a new classification and measurement framework for financial instruments, requires financial assets to be impaired based on new expected credit loss model, changes the hedge accounting requirement and carries forward the recognition and de-recognition requirements from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is in the process of assessing the potential impact that will result from the application of FRS 109.

FRS 115 *Revenue from contracts with customers*

FRS 115 changes the revenue recognition model under Singapore Financial Reporting Standards. The core principle of FRS 115 is to recognise revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The changes are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the potential impact that will result from the application of FRS 115.

2 Significant Accounting Policies (Continued)

(c) Consolidation

(i) Subsidiaries

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

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

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

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

Acquisition-related costs are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

2 Significant Accounting Policies (Continued)

(c) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

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

(iii) Disposal of subsidiaries

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

2 Significant Accounting Policies (Continued)

(c) Consolidation (Continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to the share of profit/(loss) of associates in the income statement.

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

Dilution gains and losses arising in investments in associates are recognised in the income statements.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2 Significant Accounting Policies (Continued)

(d) Revenue Recognition

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

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Dividend income

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

(v) Construction contracts

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

(e) Property, Plant and Equipment

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

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

2 Significant Accounting Policies (Continued)

(e) Property, Plant and Equipment (Continued)

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

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

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

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

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

(f) Intangible Assets

(i) Goodwill on acquisitions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

2 Significant Accounting Policies (Continued)

(f) Intangible Assets (Continued)

(i) Goodwill on acquisitions (Continued)

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

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

(ii) Customer listings

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

(iii) Capitalised developments

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

(iv) Customer contractual backlog

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

(g) Construction Contracts

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

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

2 Significant Accounting Policies (Continued)

(g) Construction Contracts (Continued)

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

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

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

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

(h) Investments in Subsidiaries and an Associated Company

Investments in subsidiaries and an associated company are stated at cost less accumulated impairment losses in the Company’s balance sheet. On disposal of investments in subsidiaries and an associated company, the difference between net disposal proceeds and the carrying amount of the investment is taken to profit or loss.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

2 Significant Accounting Policies (Continued)

(j) Impairment of Non-Financial Assets

(i) Goodwill

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

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

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

(ii) Intangible asset, including customer listings fee and customer contractual backlog
Property, plant and equipment
Investments in subsidiaries and an associated company

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

2 Significant Accounting Policies (Continued)

(j) Impairment of Non-Financial Assets (Continued)

(ii) Intangible asset, including customer listings fee and customer contractual backlog
Property, plant and equipment
Investments in subsidiaries and an associated company (Continued)

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

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2 Significant Accounting Policies (Continued)

(j) Impairment of Non-Financial Assets (Continued)

(ii) Intangible asset, including customer listings fee and customer contractual backlog
Property, plant and equipment
Investments in subsidiaries and an associated company (Continued)

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

(k) Financial Assets

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

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

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

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other category. They are presented as non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date. For investment in unquoted equity instruments classified as financial assets available for sale is measured at cost less accumulated impairment loss as the fair value cannot be measured reliably.

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

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2 Significant Accounting Policies (Continued)

(l) Trade and Other Receivables

Trade receivables and other receivables other than prepayments are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets.

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of allowance for impairment is recognised in profit or loss.

(m) Financial Guarantees

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

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

(n) Borrowings

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2 Significant Accounting Policies (Continued)

(o) Trade and Other Payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

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

(p) Fair Value Estimation

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

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

(q) Inventories

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

(r) Offsetting financial assets and financial liabilities

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

2 Significant Accounting Policies (Continued)

(s) Leases

When a Group is the lessee:

(i) Finance lease

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

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

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

(ii) Operating lease

Leases of land where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(t) Income Taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

2 Significant Accounting Policies (Continued)

(t) Income Taxes (Continued)

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

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

Deferred income tax is measured:

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

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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

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

(u) Employee Benefits

(i) Defined contribution plan

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

(ii) Employee leave entitlement

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

2 Significant Accounting Policies (Continued)

(u) Employee Benefits (Continued)

(iii) Share-based compensation

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

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

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

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

(v) Currency Translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

In preparing the financial statements of the individual entities, transactions in a currency other than the entity's functional currency ("foreign currency") are translated using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses resulting from settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

2 Significant Accounting Policies (Continued)

(v) Currency Translation (Continued)

(iii) Translation of Group entities' financial statements

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

(1) Assets and liabilities are translated at the closing exchange rate at the financial reporting date;

(2) Income and expenses for each statement presenting profit and loss and other comprehensive income (i.e. including comparatives) are translated at the dates of the transactions;

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

(4) Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rate at the reporting date.

(w) Segment Reporting

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

(x) Cash and Cash Equivalents

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

(y) Share Capital and Treasury Shares

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

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

(z) Dividends

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

2 Significant Accounting Policies (Continued)

(aa) Derivative Financial Instruments

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

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

(bb) Warrants Reserve

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

(cc) Related Parties

A related party is defined as follows:

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3 Critical Accounting Judgements and Estimates

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

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

(a) Critical Judgements in Applying Accounting Policies

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

(i) Impairment of trade receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade receivables as at 31 December 2014 amounted to S$67,852,000 (2013: S$56,058,000) disclosed in Note 16. Impairment loss on trade receivables of S$908,000 (2013: S$456,000), write off on trade receivables of S$126,000 (2013: S$23,000) and reversal of impairment loss of S$276,000 (2013: S$121,000) has been recognised in profit or loss for the financial year ended 31 December 2014.

(ii) Impairment of inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Inventory items identified to be obsolete and unusable are also written off and charged as an expense for the year. The carrying amount of the Group's inventories as at 31 December 2014 is S$31,553,000 (2013: S$25,839,000) as disclosed in Note 15. Provision for inventory obsolescence of S$398,000 (2013: S$121,000), inventory written off of S$218,000 (2013: S$249,000) and a reversal of impairment loss of S$738,000 (2013: S$Nil) has been recognised in profit or loss for the financial year ended 31 December 2014.

3 Critical Accounting Judgements and Estimates (Continued)

(a) Critical Judgements in Applying Accounting Policies (Continued)

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

The Group and Company reviews its equity securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. The Group and Company also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group and Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

The carrying amounts of available-for-sale financial assets of the Group and the Company as of 31 December 2014 amounted to S$18,162,000 (2013: S$14,555,000) and S$15,289,000 (2013: S$12,555,000) respectively (Note 11).

(b) Key Sources of Estimation Uncertainty

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

(i) Useful lives of property, plant and equipment

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

There is no change in the estimated useful lives of property, plant and equipment during the year. The carrying amounts of property, plant and equipment of the Group and the Company as of 31 December 2014 amounted to S$39,748,000 (2013: S$28,544,000) and S$12,181,000 (2013: S$12,592,000) respectively (Note 8). A 5% difference in the expected useful lives of these assets from management's estimates would result in an approximately S$252,000 (2013: S$170,000) variance in the Group's profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

3 Critical Accounting Judgements and Estimates (Continued)

(b) Key Sources of Estimation Uncertainty (Continued)

(ii) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 December 2014 was S$37,177,000 (2013: S$11,735,000) (Note 13). A sensitivity analysis relating to impairment of goodwill is disclosed in Note 13 to the financial statements.

(iii) Impairment of investment in subsidiaries

The management follows the guidance of FRS 36 – "*Impairment of Assets*" in determining whether investments in subsidiaries are impaired. An estimate is made of the future profitability of the investee and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. The amount of the relevant investment is S$95,028,000 (2013: S$49,628,000) at the end of the reporting year (Note 9). A 10% less favourable than management's estimates at the end of the reporting year in the estimated growth rate and the discount rate used would not result in additional impairment loss.

(iv) Determination of percentage of completion on construction contracts

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

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists. The aggregate costs incurred plus recognised profit less recognised losses to date, progress billings, retention on construction contracts and due from/to customers are disclosed in Note 16, 18 and 21.

If the revenue on contracts that are work-in-progress increases/(decreases) by 5% from management's estimates, the Group's revenue will increase/(decrease) by S$998,000. If the contract costs to be incurred increase/(decrease) by 5% from management's estimates, the Group's profit will (decrease)/increase by S$778,000.

4 Revenue

	Group 2014 S$'000	Group 2013 S$'000
Services rendered	**78,465**	31,674
Sale of goods	**368,307**	258,680
	446,772	290,354

5 Profit before Income Tax

	Group 2014 S$'000	Group 2013 S$'000
Except as disclosed elsewhere in the notes to the financial statements, profit before income tax is arrived at after crediting/(charging) the following:		
Included in cost of sales:		
Purchase of goods	**(340,502)**	(229,766)
Depreciation of property, plant and equipment	**(2,642)**	(1,827)
Staff costs:		
– Salaries	**(6,497)**	(2,320)
– Defined contribution plan	**(103)**	(40)
Included in other income:		
Interest income	**163**	674
Compensation received from acquiree*	**425**	–
(Loss)/gain on disposal of property, plant and equipment	**(7)**	163
Incentive income	**448**	768
Gain on disposal of other investment	**–**	311
Scrap sales and service income	**879**	–
Included in selling and distribution expenses:		
Delivery and lighterage charges	**(1,323)**	(1,293)
Outward freight	**(2,753)**	(2,043)
Sales commission	**(2,429)**	(1,269)
Marketing and assistance plan	**(563)**	(403)
Storage costs	**(1,957)**	(2,173)

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

5 Profit before Income Tax (Continued)

	Group	
	2014 S$'000	2013 S$'000
Included in administrative expenses:		
Directors' fees	**(204)**	(224)
Directors' remuneration		
– Salaries and bonus	**(2,458)**	(2,090)
– Defined contribution plan	**(51)**	(42)
Staff costs:		
– Salaries	**(11,785)**	(7,820)
– Defined contribution plan	**(1,030)**	(764)
Commercial car expenses	**(499)**	(467)
Workman and staff insurance	**(236)**	(221)
Included in other operating expenses:		
Allowance for stock obsolescence	**(398)**	(121)
Amortisation of intangible assets	**(1,955)**	(57)
Impairment of club membership	**(70)**	–
General repair and maintenance expenses	**(228)**	(446)
Audit fees paid/payable to:		
Auditors of the Company	**(178)**	(164)
Auditors of the Subsidiaries	**(89)**	(41)
Utilities	**(1,422)**	(1,669)
Reversal of allowance for stock obsolescence	**738**	–
Bad debts written-off	**(184)**	(25)
Depreciation of property, plant and equipment	**(2,407)**	(1,569)
Inventory written off	**(218)**	(249)
Professional fees	**(506)**	(2,455)
Property, plant and equipment written off	**(28)**	–
Allowance for impairment – trade receivables	**(908)**	(456)
Reversal of impairment – trade receivables	**276**	121
Rental expense – operating lease	**(1,156)**	(1,017)
Foreign exchange gain/(loss) (net)	**50**	(13)
Loss on available-for-sale assets	**–**	(11)
Included in finance costs:		
– Hire purchase	**(30)**	(46)
– Term loans	**(127)**	(126)
– Trust receipt interest	**(1,096)**	(927)

* The compensation received from the acquiree represents compensation received on non-fulfillment of the subsequent condition on acquisition of Eastern Tankstore (S) Pte. Ltd. where the acquiree shall procure approval from Jurong Town Council for new lease of the property with a term of 30 years.

No non-audit service fees have been paid to the auditors of the Group and Company for the years ended 31 December 2014 and 2013.

6 Income Tax

	Group	
	2014	2013
	S$'000	S$'000
Provision for tax in respect of results for the year:		
– Current taxation	**2,032**	1,479
– Foreign taxation – current	**1,154**	180
– Overprovision of income tax in prior year	**(459)**	(146)
– Deferred tax (income)/expense relating to origination of temporary differences	**(573)**	870
	2,154	2,383

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

	Group	
	2014	2013
	S$'000	S$'000
Profit before income tax	**17,804**	10,343
Income tax expense at statutory rate of 17% (2013: 17%)	**3,027**	1,758
Non-deductible expenses#	**456**	503
Non-taxable items	**(149)**	(51)
Singapore statutory tax exemption	**(131)**	(234)
Tax allowances and incentives*	**(791)**	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	**147**	(9)
Reversal of deferred tax assets no longer required	**–**	562
Deferred tax assets not recognised (Note 27)	**163**	–
Corporate income tax rebate	**(109)**	–
Overprovision of current income tax in prior year	**(459)**	(146)
	2,154	2,383

Non-deductible expenses mainly relate to professional fees in capital nature.

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

The tax rate used for the years 2014 and 2013 reconciliations above is the corporate tax rate of 17% payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction

NOTES TO THE FINANCIAL STATEMENTS

7 Earnings Per Share, Basic and Diluted

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

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(restated)
Net profit attributable to ordinary shareholders for basic and diluted earnings per share (S$'000)	**15,670**	8,019
Number of shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**605,852,854**	421,442,125
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**701,809,777**	477,717,253
Earnings per share attributable to equity holders of the Company (Cents per share)		
Basic	**2.59 cents**	1.90 cents
Diluted	**2.23 cents**	1.68 cents

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

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

	Group	
	2014	**2013**
	S$'000	**S$'000**
		(restated)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**605,852,854**	421,442,125
Shares deemed to be issued for no consideration in respect of:		
Warrants	**95,956,923**	56,275,128
	701,809,777	477,717,253

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2014

8 Property, Plant and Equipment

	Leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Machinery & yard equipment S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Total S$'000
Group							
2014							
Cost or Valuation							
At 1 January	**25,723**	**611**	**2,394**	**19,191**	**6,164**	**797**	**54,880**
Acquisition through a business combination (Note 9b)	**13,000**	**298**	**250**	**550**	**287**	**–**	**14,385**
Addition	**7**	**111**	**376**	**1,066**	**321**	**81**	**1,962**
Disposals/written off	**–**	**(166)**	**(66)**	**(647)**	**(208)**	**(23)**	**(1,110)**
Currency alignment	**–**	**5**	**13**	**–**	**3**	**–**	**21**
Total	**38,730**	**859**	**2,967**	**20,160**	**6,567**	**855**	**70,138**
Cost	**6,414**	**859**	**2,967**	**20,160**	**6,567**	**855**	**37,822**
Valuation	**32,316**	**–**	**–**	**–**	**–**	**–**	**32,316**
At 31 December	**38,730**	**859**	**2,967**	**20,160**	**6,567**	**855**	**70,138**
Accumulated depreciation and impairment loss							
At 1 January	**5,653**	**494**	**1,855**	**13,533**	**4,099**	**702**	**26,336**
Depreciation charge	**1,957**	**164**	**281**	**1,800**	**777**	**70**	**5,049**
Disposals/written off	**–**	**(105)**	**(41)**	**(641)**	**(201)**	**(23)**	**(1,011)**
Currency alignment	**–**	**4**	**9**	**–**	**3**	**–**	**16**
At 31 December	**7,610**	**557**	**2,104**	**14,692**	**4,678**	**749**	**30,390**
Net book value							
At 31 December	**31,120**	**302**	**863**	**5,468**	**1,889**	**106**	**39,748**
2013							
Cost or Valuation							
At 1 January	25,708	582	2,242	21,026	5,448	768	55,774
Additions	15	19	141	131	888	43	1,237
Disposals/written off	–	–	–	(1,972)	(173)	(14)	(2,159)
Currency alignment	–	10	11	6	1	–	28
Total	25,723	611	2,394	19,191	6,164	797	54,880
Cost	2,615	611	2,394	19,191	6,164	797	31,772
Valuation	23,108	–	–	–	–	–	23,108
At 31 December	25,723	611	2,394	19,191	6,164	797	54,880
Accumulated depreciation and impairment loss							
At 1 January	4,690	424	1,701	13,917	3,556	632	24,920
Depreciation charge	962	66	147	1,528	615	78	3,396
Disposals/written off	–	–	–	(1,912)	(78)	(12)	(2,002)
Currency alignment	1	4	7	–	6	4	22
At 31 December	5,653	494	1,855	13,533	4,099	702	26,336
Net book value							
At 31 December	20,070	117	539	5,658	2,065	95	28,544

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

8 Property, Plant and Equipment (Continued)

	Leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Machinery & yard equipment S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Total S$'000
Company							
2014							
Cost or Valuation							
At 1 January	**14,729**	**276**	**1,111**	**9,343**	**356**	**627**	**26,442**
Additions	**–**	**77**	**–**	**849**	**–**	**44**	**970**
Disposals/written off	**–**	**–**	**–**	**(475)**	**–**	**(18)**	**(493)**
Total	**14,729**	**353**	**1,111**	**9,717**	**356**	**653**	**26,919**
Cost	**–**	**353**	**1,111**	**9, 717**	**356**	**653**	**12,190**
Valuation	**14,729**	**–**	**–**	**–**	**–**	**–**	**14,729**
At 31 December	**14,729**	**353**	**1,111**	**9,717**	**356**	**653**	**26,919**
Accumulated depreciation and impairment loss							
At 1 January	**4,880**	**273**	**1,075**	**6,964**	**90**	**568**	**13,850**
Charge for the year	**571**	**6**	**8**	**710**	**36**	**48**	**1,379**
Disposals/written off	**–**	**–**	**–**	**(473)**	**–**	**(18)**	**(491)**
At 31 December	**5,451**	**279**	**1,083**	**7,201**	**126**	**598**	**14,738**
Net book value							
At 31 December	**9,278**	**74**	**28**	**2,516**	**230**	**55**	**12,181**
2013							
Cost or Valuation							
At 1 January	14,717	276	1,110	10,794	292	610	27,799
Additions	12	–	1	8	112	17	150
Disposals/written off	–	–	–	(1,459)	(48)	–	(1,507)
Total	14,729	276	1,111	9,343	356	627	26,442
Cost	–	276	1,111	9,343	356	627	11,713
Valuation	14,729	–	–	–	–	–	14,729
At 31 December	14,729	276	1,111	9,343	356	627	26,442
Accumulated depreciation and impairment loss							
At 1 January	4,319	270	1,067	7,726	106	511	13,999
Charge for the year	561	3	8	696	31	57	1,356
Disposals/written off	–	–	–	(1,458)	(47)	–	(1,505)
At 31 December	4,880	273	1,075	6,964	90	568	13,850
Net book value							
At 31 December	9,849	3	36	2,379	266	59	12,592

Included in machinery and yard equipment of the Group and the Company are of machinery in the process of construction with carrying amount of $131,000 and $94,000 respectively. These assets are not depreciated as these assets are not yet available for use.

8 Property, Plant and Equipment (Continued)

(a) As at the year end, the leasehold buildings of the Group consist of the following:

Property Address	Description	Tenure
81 Tuas South Street 5, Singapore 637651	Single storey detached factory with ancillary 2-storey warehouse, and a 3-storey annexe office block	30 years lease from 1999 with an option to renew for an additional 1 year
9 Jalan Pesawat, Singapore 619367	Single-storey detached factory with 2-storey ancillary office and 4 blocks of single detached factories	30 years lease from 2008
1 Penjuru Lane Singapore 609217	A single-storey detached factory building with a mezzanine office and side/rear extension	10 years leasehold commencing from 1 November 2007
19 Tuas Avenue 20, Singapore 638830	Single-storey factory block with mezzanine office and a 3-storey ancillary office block	20 Years from 1 October 2014

(b) The Group's leasehold buildings at 81 Tuas South Street 5, Singapore 637651, 9 Jalan Pesawat, Singapore 619367 and 1 Penjuru Lane, Singapore 609217 were professionally valued by independent valuer, Premas Valuers & Property Consultans Pte. Ltd. and Orange Tee based on open market value in 2012.

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

The valuers have used the direct comparison method by referring to market evidence of recent transactions for similar properties. The fair value of the leasehold building has been incorporated in the financial statements.

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

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Leasehold buildings	**17,337**	14,460	**7,738**	7,866

(d) Leasehold buildings of the Group and the Company with carrying amounts of S$28,894,000 (2013: S$17,695,000) and S$9,278,000 (2013: S$9,849,000) respectively are mortgaged to secure bank borrowings (Notes 24 and 25).

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

8 Property, Plant and Equipment (Continued)

(e) Net book values of motor vehicles, machinery and yard equipment acquired under hire purchase for the Group amounts to S$766,000 (2013: S$875,000).

(f) During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S$1,962,000 (2013: S$1,237,000) of which S$Nil (2013: S$201,000) was financed by means of hire purchase.

9 Subsidiary Companies

Investment in Subsidiaries

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

	Company	
	2014	**2013**
	S$'000	**S$'000**
Lesoon Equipment Pte Ltd	**2,965**	2,965
Gardella Singapore Coating Pte Ltd	**2,500**	2,500
SHS Special Coating Pte Ltd (a)	**–**	–
SHS System Pte Ltd (a)	**–**	–
SHS Offshore Pte Ltd	**50**	50
Speedo Corrosion Control Pte Ltd	**3,500**	3,500
Tat Petroleum Pte Ltd	**39,187**	39,187
PT Tat Petroleum Indonesia	**2**	2
SHS Capital Pte Ltd (a)	**–**	–
Eastern Tankstore (S) Pte Ltd	**4,080**	4,080
Axxmo International Pte Ltd	**1,309**	1,309
Hetat Holdings Pte Ltd (b)	**45,300**	–
See Hup Seng CP Pte. Ltd (c)	**100**	–
	98,993	53,593
Allowance for impairment	**(3,965)**	(3,965)
	95,028	49,628

a. The cost of investment in these subsidiary companies is S$2 each (2013: S$2 each).

b. Acquisition of a subsidiary

On 12 September 2013, the Group entered into a conditional sale and purchase agreement with Mr Ng Han Kok, Henry (the "Vendor") for the proposed acquisition of the entire issued and paid-up share capital of Hetat Holdings Pte. Ltd ("Hetat"), a group of companies which involves the business of designing, engineering and construction of steel, aluminum and glass structures and the provision of labour and equipment to fabricate and install modules for oil-rigs for a consideration of S$42.4 million (the "Acquisition").

The Acquisition was completed on 3 January 2014 (the "Acquisition Completion Date") and Hetat has become a subsidiary of the Company. The consideration of S$42.4 million was changed subsequently to S$45.3 million satisfied by cash and issuance of new ordinary shares in the Company. The Company issued 42,519,053 new ordinary shares at the issue price of S$0.3175 each (the "Consideration Shares"). The remaining S$31.8 million was satisfied by cash payment.

9 Subsidiary Companies (Continued)

Investment in Subsidiaries (Continued)

b. Acquisition of a subsidiary (Continued)

The Vendor has guaranteed that the consolidated net operating profit after tax of Hetat Group for the 12 months ended 31 December 2013 ("2013 NPAT") and 31 December 2014 ("2014 NPAT") shall be at least S$5.5 million ("2013 NPAT Guarantee") and S$6.3 million ("2014 NPAT Guarantee") respectively.

The 2013 and 2014 NPAT Guarantee are secured by S$4.0 million in cash and the remaining 50% of the Consideration Shares, both of which are held in escrow by the Escrow Agent as a safeguard.

The Company engaged PricewaterhouseCoopers LLP for valuation services in connection with the purchase price allocation of the acquisition of Hetat Holdings Pte, Ltd.

Acquisition-related costs amounting to S$1,893,000 have been excluded from the consideration transferred and have been recognised as an expenses in financial year ended 31 December 2013, within the other operating expenses line item in the consolidated statement of comprehensive income.

The fair value of the identifiable assets and liabilities of the acquired subsidiary as at the date of acquisition were as follows:

	2014 S$'000
Non-current assets	
Property, plant and equipment	**14,385**
Intangible assets	**2,353**
Current assets	
Cash and bank balances	**4,606**
Trade and other receivables	**12,984**
Other assets	**424**
Current liabilities	
Trade and other payables	**(5,978)**
Borrowings	**(4,917)**
Income tax payable	**(1,073)**
Non-current liabilities	
Borrowings	**(932)**
Deferred tax liabilities	**(1,994)**
Total identifiable net assets at fair value	**19,858**
Consideration paid in cash	**31,800**
Consideration satisfied by shares (Note 28)	**13,500**
Consideration transferred	**45,300**
Less: Share of fair value of net assets acquired	**(19,858)**
Goodwill on acquisition of subsidiary companies (Note 13)	**25,442**
Net cash outflow on acquisition of subsidiary companies	
Consideration paid in cash	**31,800**
Less: Cash and cash equivalent acquired	**(4,606)**
	27,194

Goodwill arising on the acquisition of Hetat Holdings Pte Ltd. comprises the expected future benefit from the business. None of the goodwill acquired is expected to be deductible for tax purposes. The Group also acquired the customer contract backlog as part of the acquisition. These assets could be separately recognised because they are capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. Hence, the customer contract backlog is separable and therefore does meet the criteria for recognition as an intangible asset under FRS 38 *Intangible Assets.*

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

9 Subsidiary Companies (Continued)

Investment in Subsidiaries (Continued)

c. See Hup Seng CP Pte. Ltd. is a new subsidiary incorporated on 30 June 2014.

	Name of Company (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
***	SHS Special Coating Pte Ltd Singapore	Grit blasting and painting	**100**	100
***	SHS System Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
***	SHS Offshore Pte Ltd Singapore	Grit blasting and painting	**100**	100
***	Gardella Singapore Coating Pte Ltd Singapore	Dormant	**100**	100
***	Lesoon Equipment Pte Ltd Singapore	Trading and manufacturing of blasting and painting equipment	**94.5**	94.5
***	Speedo Corrosion Control Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
***	Tat Petroleum Pte Ltd Singapore	Distribution and wholesale of refined petroleum products	**100**	100
***	SHS Capital Pte Ltd Singapore	Investment holding	**100**	100
***	Eastern Tankstore (S) Pte Ltd Singapore	Warehousing and storage handling services	**51**	51
***	Axxmo International Pte Ltd Singapore	Distribution of refined petroleum products	**100**	100
#	Hetat Holdings Pte. Ltd. Singapore	Investment holding	**100**	–
***	See Hup Seng CP Pte. Ltd Singapore	Provision of corrosion prevention services	**100**	–

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9 Subsidiary Companies (Continued)

Investment in Subsidiaries (Continued)

	Name of Company (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
	Held by subsidiary companies:			
	Lesoon Equipment Pte Ltd			
*****	Speedlock Equipment Sdn. Bhd. Malaysia	Trading and manufacturing of blasting and painting equipment	**94.5**	94.5
	Gardella Singapore Coating Pte Ltd			
**	Gardella Coating Philippines, Inc. Philippines	Dormant	**99.9**	99.9
	Tat Petroleum Pte Ltd			
**	Tat Petroleum (Guangzhou) Ltd The People's Republic of China	Distribution and wholesale of refined petroleum products	**100**	100
**	Tat Petroleum (HK) Pte Limited Hong Kong	Distribution and wholesale of refined petroleum products	**100**	100
**	Tat Petroleum Vietnam Co Vietnam	Distribution and wholesale of refined petroleum products	**90**	90
****	Tat Korea Petroleum Co. Ltd South Korea	Distribution and wholesale of refined petroleum products	**100**	100
****	PT Tat Petroleum Indonesia Indonesia	Distribution and wholesale of refined petroleum products	**100**	100
****	Tat Petroleum (S) Pte Ltd Singapore	Dormant	**100**	100
	Tat Petroleum (HK) Pte Limited			
**	Yuen Fung Hong Petroleum Co Ltd Hong Kong	Trading of petroleum products	**100**	100

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9 Subsidiary Companies (Continued)

Investment in Subsidiaries (Continued)

	Name of Company (Country of incorporation and place of business)	Principal activities	Percentage of equity held by the Group 2014 %	2013 %
	Hetat Holdings Pte.Ltd.			
#	Hetat Pte. Ltd. Singapore	Engineering and project management for steel, glass and aluminum contracts	**100**	–
#	Hetat Construction Pte. Ltd. (Formerly known as Hetat Marine Offshore Pte. Ltd.) Singapore	Dormant	**100**	–
##	Xiang Tong (Shanghai) International Trading Co., Ltd The People's Republic of China	Import and export of construction materials	**100**	–
	Held by Hetat Pte Ltd			
**	Hetat Global Mongolia LLC Mongolia	Engineering and project management for steel, glass and aluminum contracts	**100**	–
**	Hetat Engineering & Construction Sdn. Bhd. Malaysia	Engineering and project management for steel, glass and aluminum contracts	**100**	–
###	Seri Hetat Engineering Sdn. Bhd. Brunei	Dormant	**99.9**	–

9 Subsidiary Companies (Continued)

Investment in Subsidiaries (Continued)

Subsidiary companies	Auditors
Gardella Coating Philippines, Inc.	Punongbayan & Araullo
Tat Petroleum (Guangzhou) Ltd	Guangzhou Zhonglian Certified Public Accountants Co. Limited
Tat Petroleum (HK) Pte Limited	F.L.Chim & Co.
Yuen Fung Hong Petroleum Company Limited Hong Kong	F.L.Chim & Co.
Tat Petroleum Vietnam Co. Ltd	Vietnam Auditing Partnership Company
Hetat Global Mongolia LLC	Reliance Securities Auditing LLC
Hetat Engineering & Construction Sdn. Bhd.	Siti Haliza & Associates

*** Audited by Moore Stephens LLP, Singapore
** Audited by other certified public accounting firms (see above)
**** Reviewed by Moore Stephens LLP, Singapore for consolidation purposes and these subsidiary companies are not considered significant
***** Audited by Member firms of Moore Stephens International Limited
# Audited by Nexia TS Public Accounting Corporation, Singapore, a member firm of Nexia International
Audited by Nexia TS (Shanghai) Co Ltd, China, a member firm of Nexia International
Newly incorporated on 18 October 2014

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

Name of subsidiary (Place of incorporation and principal place of business)	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Eastern Tankstore (S) Pte. Ltd. Singapore	49%	49%	(53)	(31)	1,220	1,273
Individually immaterial subsidiaries with non-controlling interests					277	244

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9 Subsidiary Companies (Continued)

Investment in Subsidiaries (Continued)

Summarised financial information in respect of material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations:

	2014 S$'000	2013 S$'000
Eastern Tankstore (S) Pte. Ltd.		
Current assets	1,132	888
Non-current assets	2,782	3,091
Current liabilities	(1,424)	(1,381)
Non-current liabilities	–	–
Equity attributable to owners of the Company	1,270	1,325
Non-controlling interests	1,220	1,273
Revenue	6,162	5,630
Cost of sales and expenses	(6,270)	(5,694)
Loss for the year	(108)	(64)
Loss attributable to owners of the Company	(55)	(33)
Loss attributable to the non-controlling interests	(53)	(31)
Loss for the year	(108)	(64)
Total comprehensive loss attributable to owners of the Company	(55)	(33)
Total comprehensive loss attributable to the non-controlling interests	(53)	(31)
Total comprehensive loss for the year	(108)	(64)
Dividends paid to non-controlling interests	–	–
Net cash inflow/(outflow) from operating activities	216	(615)
Net cash outflow from investing activities	(10)	(12)
Net cash inflow/(outflow) from financing activities	(192)	622
Net cash inflow/(outflow)	14	(5)

10 Associated Companies

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Unquoted equity shares, at cost				
At the beginning of the year	**2,349**	2,349	**849**	849
Additions during the year	**3,177**	–	**3,177**	–
At the end of the year	**5,526**	2,349	**4,026**	849
Impairment loss	**–**	–	**(849)**	(849)
Share of net post acquisition reserves	**(999)**	(864)	**–**	–
	4,527	1,485	**3,177**	–

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10 Associated Companies (Continued)

Name of Company (Country of incorporation and place of business)		Principal activities	Group and Company Cost 2014 S$'000	Group and Company Cost 2013 S$'000	Percentage of equity held 2014 %	Percentage of equity held 2013 %
*	Guangzhou City South Special Coating Company Limited The People's Republic of China	Grit blasting, tank cleaning and painting	**849**	849	**47**	47
**	Serangoon EC Pte. Ltd. Singapore	Real estate development	**1,500**	1,500	**30**	30
***	Aenergy Holdings Company Limited Hong Kong	Investment holding company and its subsidiaries are engaged in constructing, operating and maintaining hydropower plants and the production of electric power	**3,177**	–	**25**	–

* Audited by ShineWing Certified Public Accountants
** Audited by Philip Liew & Co (2013: De Associates)
*** Newly incorporated on 27 March 2013, appointed Moore Stephens Hong Kong for financial period ended 31 December 2015.

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

Guangzhou City South

	2014 S$'000	2013 S$'000
Current assets	**11,576**	2,895
Non-current assets	**417**	292
Current liabilities	**(14,200)**	(5,489)
Non-current liabilities	**–**	–
Revenue	**27,359**	8,311
Profit/(loss) from continuing operations	**162**	(819)
Profit/(loss) for the year	**162**	(819)
Total comprehensive income for the year	**162**	(819)
Dividends received from the associate during the year	**–**	–

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31 December 2014

10 Associated Companies (Continued)

Guangzhou City South (Continued)

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

	2014 S$'000	2013 S$'000
Net liabilities of the associate	**(2,207)**	(2,302)
Proportion of the Group's ownership in Guangzhou City South	**47%**	47%
Carrying amount of the Group's interest in Guangzhou City South	**–**	–

The Group has not recognised its share of profit for the year of an associate amounting to S$76,000 (2013: S$385,000) because the Group's cumulative share of losses exceeds its interest in that entity and the Group has no obligation in respect of those losses. The cumulative unrecognised losses amount to S$807,000 (2013: S$884,000) at the balance sheet date.

Serangoon EC Pte. Ltd.

	2014 S$'000	2013 S$'000
Current assets	**18,346**	19,479
Non-current assets	**253,314**	200,709
Current liabilities	**(266,721)**	(215,257)
Non-current liabilities	**–**	–
Revenue	**–**	–
(Loss)/profit from continuing operations	**(6)**	16
(Loss)/profit for the year	**(6)**	16
Total comprehensive income for the year	**(6)**	16
Dividends received from the associate during the year	**–**	–

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

	2014 S$'000	2013 S$'000
Net assets of the associate	**4,939**	4,931
Proportion of the Group's ownership in Serangoon EC Pte. Ltd.	**30%**	30%
Carrying amount of the Group's interest in Serangoon EC Pte. Ltd.	**1,482**	1,479

10 Associated Companies (Continued)

Aenergy Holdings Company Limited

	2014 S$'000	2013 S$'000
Current assets	**14,561**	–
Non-current assets	**3**	–
Current liabilities	**(2,384)**	–
Non-current liabilities	**–**	–

	2014 S$'000	2013 S$'000
Revenue	**–**	–
(Loss)/profit from continuing operations	**(535)**	–
(Loss)/profit for the year	**(535)**	–
Total comprehensive income for the year	**(535)**	–
Dividends received from the associate during the year	**–**	–

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

	2014 S$'000	2013 S$'000
Net assets of the associate	**12,180**	–
Proportion of the Group's ownership in Aenergy Holdings Company Limited	**25%**	–
Carrying amount of the Group's interest in Aenergy Holdings Company Limited	**3,045**	–

11 Financial Assets, Available-For-Sale

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Unquoted equity shares, at cost				
Balance at the beginning of the year	**14,555**	7,624	**12,555**	7,612
Additions	**3,607**	7,233	**2,734**	5,233
Disposals	**–**	(302)	**–**	(290)
Balance at the end of the year	**18,162**	14,555	**15,289**	12,555
Unlisted securities:				
– Equity securities - Singapore	18,162	14,555	15,289	12,555

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

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31 December 2014

12 Club Membership

	Group 2014 S$'000	Group 2013 S$'000
Club membership, at cost	**195**	195
Less: Allowance for impairment	**(70)**	–
	125	195

13 Goodwill

	Group 2014 S$'000	Group 2013 S$'000
Goodwill on consolidation:		
At cost:		
Balance at the beginning of the year	**11,735**	11,735
Acquisition of subsidiary (Note 9 b)	**25,442**	–
Balance at year end	**37,177**	11,735

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

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

	Corrosion prevention		Distribution		Structural steel and façade engineering		Others		Total	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Goodwill	**1,008**	1,008	**7,973**	7,973	**25,442**	–	**2,754**	2,754	**37,177**	11,735

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

	Corrosion prevention		Distribution		Structural steel and façade engineering		Others	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Gross margin	**5%**	4%	**9%**	12%	**20%**	–	**3%**	1%
Growth rate	**0%**	2%	**10%**	3%	**9%**	–	**0%**	3%
Discount rate	**5%**	5%	**5%**	5%	**5%**	–	**5%**	5%
Perpetual growth rate	**0%**	3%	**0%**	3%	**0%**	–	**3%**	3%

13 Goodwill (Continued)

Management believes that the carrying amount of the CGU is not less than its recoverable amount which has been determined based on value in use using cashflow forecasts. The rate used to discount the forecast cash flows is 5% (2013: 5%).

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

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

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

Management has considered the possibility of greater than budgeted increase/(decrease) in estimated growth rates and the discount rate used. A 2% increase/(decrease) in the estimated growth rate and the discount rate used would not result in a recoverable amount lower than the carrying amount of the CGU.

14 Intangible Assets

	Capitalised development costs S$'000	Customer listing fee S$'000	Customer contractual backlog S$'000	Total S$'000
Group				
2014				
Cost				
Balance at the beginning of the year	**286**	**283**	**–**	**569**
Acquisition through a business combination (Note 9b)	**–**	**–**	**2,353**	**2,353**
Balance at the end of the year	**286**	**283**	**2,353**	**2,922**
Accumulated amortisation				
Balance at the beginning of the year	**(62)**	**(283)**	**–**	**(345)**
Amortisation expense	**(57)**	**–**	**(1,898)**	**(1,955)**
Balance at the end of the year	**(119)**	**(283)**	**(1,898)**	**2,300**
Net book value	**167**	**–**	**455**	**622**
2013				
Cost				
Balance at beginning and end of the year	286	283	–	569
Accumulated amortisation				
Balance at the beginning of the year	(5)	(283)	–	(288)
Amortisation expense	(57)	–	–	(57)
Balance at the end of the year	(62)	(283)	–	(345)
Net book value	224	–	–	224

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

15 Inventories

	Group	
	2014 S$'000	2013 S$'000
Inventories, at cost		
Finished goods	**4,244**	3,405
Refined petroleum products	**27,938**	23,392
Supplies and spare parts	**56**	67
	32,238	26,864
Allowance for stock obsolescence		
Balance at the beginning of the year	**(1,025)**	(904)
Provision during the year	**(398)**	(121)
Reversal of impairment#	**738**	–
Balance at the end of the year	**(685)**	(1,025)
Net	**31,553**	25,839

The total cost of inventories included in cost of sales amounts to S$342,498,000 (2013: S$245,266,000).

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

16 Trade Receivables

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Trade receivables	**54,124**	49,436	**3,783**	5,470
Unbilled receivables	**7,083**	7,499	**2,175**	1,833
Amounts due from customers under construction contracts (Note 21)	**4,968**	–	**–**	–
Retention sums on construction contracts (Note 21)	**3,059**	–	**–**	–
	69,234	56,935	**5,958**	7,303
Less: Allowance for impairment of trade receivables				
Balance at the beginning of the year	**(877)**	(564)	**(371)**	(158)
Allowance during the year	**(908)**	(456)	**–**	(213)
Currency alignment	**1**	(1)	**–**	–
Write off against trade receivables	**126**	23	**27**	–
Reversal of impairment#	**276**	121	**–**	–
Balance at the end of the year	**(1,382)**	(877)	**(344)**	(371)
	67,852	56,058	**5,614**	6,932

The credit period for trade receivables ranges from 30 to 90 days (2013: 30 to 90 days). No interest is charged on the outstanding balances of the trade receivables.

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

17 Amounts due from/(to) Subsidiaries

	Company 2014 S$'000	Company 2013 S$'000
Amount due from subsidiary companies		
– non-trade	**23,700**	39,317
Allowance for impairment loss	**(9,491)**	(9,491)
Current amounts due from subsidiaries	**14,209**	29,826
Amounts due to subsidiaries		
– trade	**(1,111)**	(2,044)
– non-trade	**(7,917)**	(27,892)
Current amounts due to subsidiaries	**(9,028)**	(29,936)

The non-trade receivables and payables are unsecured, interest-free, and repayable on demand and will be settled in cash. The credit period for trade receivables and payables ranges from 30 to 90 days (2013: 30 to 90 days). No interest is charged on the outstanding balances.

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

The following related party balances are subject to offsetting arrangements.

	Gross Carrying amount S$'000	Gross amounts offset in the balance sheet S$'000	Net amounts in the balance sheet S$'000
Amounts due from subsidiaries			
– non-trade	20,402	(6,193)	14,209
Amounts due to subsidiaries			
– trade	(4,690)	3,579	(1,111)
– non-trade	(15,309)	7,392	(7,917)
	403	4,778	5,181

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18 Other Receivables and Prepayments

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Non-current				
Prepayments	**290**	210	**–**	–
Deposit	**6**	6	**–**	–
Other debtors	**316**	307	**–**	–
	612	523	**–**	–
Current				
Advances to sub-contractors	**58**	137	**86**	157
Deposits	**1,381**	420	**346**	130
Interest receivable	**1,690**	1,527	**2**	1
Prepayments[(a)]	**1,576**	1,725	**81**	107
Retention monies	**104**	86	**–**	–
Sundry debtors	**530**	509	**–**	2
Loan to third party[(b)]	**6,822**	–	**6,822**	–
Advance payment to suppliers	**1,214**	576	**–**	–
GST recoverable	**693**	895	**–**	–
	14,068	5,875	**7,337**	397

(a) Included in prepayments of the Group is an amount of S$627,000 (2013: S$529,000) which represents advances to loyal customers for a Marketing Assistance Plan.

(b) Loan is extended to Global Fund Capital Pte. Ltd. ("GFC") pursuant to a shareholder agreement entered into for the purpose of GFC's proposed subscription of approximately 1,524,017 shares in Energy Drilling Pte. Ltd. ("ED") for a consideration of US$5,349,300, as part of a fundraising exercise by ED and having regard to the business prospects of ED. The loan is non-trade, unsecured and repayable on demand.

19 Loan Receivable from an Associated Company

Loan to an associated company, Serangoon EC Pte. Ltd., is pursuant to an agreement entered into among the associate's shareholders. The loan is unsecured and repayable on 27 May 2015. Interest is chargeable at 6.5 % per annum (2013: 6.5%).

20 Cash and Cash Equivalents

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Cash at bank and on hand	**35,596**	48,045	**3,525**	13,335
Short-term bank deposits	**3,532**	3,498	**1,523**	1,517
	39,128	51,543	**5,048**	14,852

Short-term bank deposits of the Company and a subsidiary with a total amount of S$3,508,000 (2013: S$3,479,000) are pledged to certain banks to secure the bank facilities (Notes 24 and 25). Fixed deposits bear an average effective interest rate of 0.05% to 1.75 % (2013: 0.05% to 1.75%) per annum and for a tenure of approximately 7 days to 1 year (2013: 7 days to 1 year).

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

	Group	
	2014	2013
	S$'000	S$'000
Cash and cash equivalents (as above)	**39,128**	51,543
Less: Bank deposits pledged (Notes 24 and 25)	**(3,508)**	(3,479)
Cash and cash equivalents per consolidated statement of cash flows	**35,620**	48,064

21 Construction Contracts

	Group	
	2014	2013
	S$'000	S$'000
Construction costs incurred plus recognised profits less losses to date	**64,213**	–
Less: Progress billings	**(59,245)**	–
	4,968	–

	Group	
	2014	2013
	S$'000	S$'000
Recognised and included in the financial statements as:		
Amounts due from customers under construction contracts (Note 16)	**4,968**	–
Retention sums on construction contracts (Note 16)	**3,059**	–
	8,027	–

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22 Trade Payables and Accruals

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Trade payables	**21,755**	16,090	**201**	352
Accruals	**7,557**	7,297	**1,942**	3,698
	29,312	23,387	**2,143**	4,050

The credit period for trade payables ranges from 30 to 90 days (2013: 30 to 90 days). No interest is charged on the trade payables for the outstanding balances.

23 Other Payables

	Group		Company	
	2014	2013	**2014**	2013
	S$'000	S$'000	**S$'000**	S$'000
Deposits from customers	**1,629**	5,430	**–**	–
Foreign workers' tax withheld	**125**	114	**114**	114
GST clearing	**252**	210	**146**	151
Retention payables	**1,025**	–	**–**	–
Sundry payables	**426**	682	**103**	203
	3,457	6,436	**363**	468

24 Term Loans

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Current:				
Term loans	**1,377**	2,884	**–**	–

As at the year end, the Group has the following bank loans:

(a) The balance of S$1,377,000 is repayable as follows:

(i) S$150,000 repayable in consecutive monthly installments based on agreed terms with the financial institution and will be repayable fully by January 2015;

(ii) S$134,000 repayable in consecutive monthly installments based on agreed terms with the financial institution and will be repayable fully by February 2015;

(iii) S$300,000 repayable in consecutive monthly installments based on agreed terms with the financial institution and will be repayable fully by March 2015; and

(iv) S$793,000 repayable in consecutive monthly installments based on agreed terms with the financial institution and will be repayable fully by September 2015.

24 Term Loans (Continued)

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

- First legal mortgage over No. 9 Jalan Pesawat, Singapore 619367;
- First legal mortgage over 81 Tuas South Street 5, Singapore 637651;
- First legal mortgage over 19 Tuas Avenue 20, Singapore 638830;
- Short-term bank deposits as disclosed in Note 20;
- A corporate guarantee from the Company for S$139.3 million (2013: S$125 million); and
- First deed of debenture duly executed, incorporating a fixed and floating charge over the present and future undertaking, assets, revenues and rights of a subsidiary.

(c) Interest rate

The average effective interest rates paid during the year were 1.85% to 2.23% (2013: 2.2% to 8.4%) per annum.

25 Other Amounts due to Bankers

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Current:				
Trust receipts [secured-see note 24(b)]	**59,821**	75,804	**3,807**	8,555

The trust receipts incur interest at a rate of 1.57% to 2.44% (2013:1.57% to 2.02%) per annum.

26 Finance Leases

The Group and Company acquired certain plant and equipment under leasing facilities. The interest rates implicit in the leases are between 1.25% to 7.23% (2013: 1.25% to 6.83%) per annum. Future minimum lease payments under the hire purchase arrangements together with the present value of the net minimum lease payments are as follows:

	Minimum payments 2014 S$'000	Present value of payments 2014 S$'000	Minimum payments 2013 S$'000	Present value of payments 2013 S$'000
Group				
Within one year	**302**	292	**437**	419
After one year but not more than five years	**268**	258	**395**	377
Total minimum lease payments	**570**	550	**832**	796
Amount representing finance charges	**(20)**	–	**(36)**	–
Present value of minimum lease payments	**550**	550	**796**	796

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26 Finance Leases (Continued)

All assets acquired under hire purchase are secured. The net book value of assets acquired under hire purchase is disclosed under Note 8. The hire purchase arrangements do not contain any escalation clauses and do not provide for contingent rents. The terms of the hire purchase do not contain any restrictions on the Group activities concerning dividends, additional debts or entering into other hire purchase agreements.

27 Deferred Income Tax

	Group		Company	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
At the beginning of the financial year	**2,100**	1,259	**1,165**	545
Acquisition through a business combination	**1,994**	–	**–**	–
Additions/(reduction)				
– Recognised in profit or loss	**(573)**	870	**(81)**	620
– Recognised in other comprehensive income*	**(18)**	(29)	**–**	–
At the end of the financial year	**3,503**	2,100	**1,084**	1,165
Deferred tax liabilities	**3,503**	2,100	**1,084**	1,165

* Recognised in other comprehensive income mainly relates to the tax effect on asset revaluation reserve.

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

At the balance sheet date, no deferred tax liability (2013: S$ Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that the undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregate to S$7,810,000 (2013: S$6,362,000) and the attributable deferred tax liability is estimated to be S$1,519,000 (2013: S$1,234,000).

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that the realization of the related tax benefits through future taxable profit is probable. The Group has unrecognized tax losses of S$86,000 (2013: S$ Nil) and capital allowances of S$872,000 (2013: S$ Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognized tax losses and capital allowances in their respective countries of incorporation.

28 Share Capital

	Group and Company	
	2014	2013
	S$'000	S$'000
Issued and fully paid, with no par value:		
At the beginning of the year – 438,542,125 ordinary shares (2013: 438,542,125 ordinary shares)	**94,953**	94,953
Issuance of 144,500,000 ordinary shares	**36,024**	–
Issuance of 42,519,053 ordinary shares as consideration paid for acquisition of a subsidiary (Note 9b)	**13,500**	–
Share issue costs	**(852)**	–
At the end of the year – 625,561,178 ordinary shares (2013: 438,542,125 ordinary shares)	**143,625**	94,953

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, except for treasury shares.

29 Treasury Shares

	Group and Company	
	2014	2013
	S$'000	S$'000
At the beginning and end of the year -17,100,000 treasury shares	**(3,226)**	(3,226)

30 Reserves

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Made up of:				
– Retained earnings/ (Accumulated losses)	**23,358**	13,347	**(1,909)**	(12,483)
– Asset revaluation reserve[(a)]	**2,508**	2,490	**2,874**	2,874
– Foreign currency translation reserve[(b)]	**1,172**	941	**–**	–
– Other reserves[(c)]	**(16,687)**	(16,687)	**–**	–
Total	**10,351**	91	965	(9,609)

[(a)] The above represents the revaluation surplus in respect of leasehold buildings.

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

[(c)] The other reserve represents the excess of consideration over the fair value of net assets acquired from a non-controlling interest in a subsidiary.

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31 Performance Guarantee

	Group	
	2014	2013
	S$'000	S$'000
Performance guarantees (secured – see Note 24 (b))	**24,401**	21,619

The performance guarantees represent guarantees issued by the Group's bankers in favour of certain suppliers of the Group.

32 Commitments

(a) Operating Leases

The Group and the Company leases its office premises under non-cancellable operating lease agreements. The lease expenditure charged to profit or loss during the financial year is disclosed in Note 5.

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

	Group		Company	
	2014	2013	2014	2013
	S$'000	S$'000	S$'000	S$'000
Not later than one year	**1,575**	852	**236**	212
Later than one year but not later than five years	**5,512**	2,583	**944**	848
More than five years	**20,591**	10,193	**2,444**	2,412
	27,678	13,628	**3,624**	3,472

(b) Other Commitments

(i) The Group and Company has uncalled capital commitments approximately amounting to S$9.40 million (2013: S$2.13 million) in relation to uncalled capital of available-for-sale financial assets as at 31 December 2014.

(ii) The Group has undrawn bank facilities approximately amounting to S$21.5 million with various banks as at 31 December 2014. The undrawn bank facilities are secured by first legal mortgage of property located at Batu 24, Jalan Johor, Pontian, Malaysia and a joint corporate guarantee from the Company and its subsidiaries amounting to S$16.6 million.

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

33 Related Party Transactions

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

	Group	
	2014	**2013**
	S$'000	**S$'000**
Key management personnel compensation		
The remuneration of executive directors and key management is as follows:		
Salaries and other short-term employee benefits	**4,391**	3,053
Defined contribution plans	**108**	108
	4,499	3,161
Directors' fees to non-executive directors	**219**	224
	4,718	3,385

34 Directors' Remuneration

	Group	
	2014	**2013**
	S$'000	**S$'000**
Number of Directors in remuneration bands of:		
S$750,000 to S$999,999	**1**	–
S$500,000 to S$749,999	**2**	1
S$250,000 to S$499,999	**1**	3
Below S$250,000	**3**	6
	7	10

35 Dividend Paid

	Group and Company	
	2014	**2013**
	S$'000	**S$'000**
– Final dividend of 0.50 cents per ordinary share, tax-exempt one-tier, paid in respect of 2012	**–**	2,107
– Final dividend of 0.93 cents per ordinary share, tax-exempt one-tier, paid in respect of 2013	**5,659**	–
	5,659	2,107

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36 Segment Information

Products and services from which reportable segments derive their revenues

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

– Corrosion Prevention
– Distribution
– Structural Steel and Façade Engineering
– Others

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

The distribution segment distributes refined petroleum products.

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

Others segment consist of property development business and warehousing and storage handling services.

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

(a) Segment Revenues and Results

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

	Corrosion prevention		Distribution		Structural steel and façade engineering		Others		Total	
	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000	2014 S$'000	2013 S$'000
Segment revenue	**33,377**	42,062	**360,708**	247,123	**51,693**	–	**994**	1,169	**446,772**	290,354
Segment result	**7,682**	6,862	**21,373**	17,692	**8,835**	–	**12**	62	**37,902**	24,616
Impairment of goodwill	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Finance cost	**–**	–	**(1,105)**	(1,093)	**(137)**	–	**(12)**	(8)	**(1,254)**	(1,101)
Share of (loss)/profit of associates, net of tax									**(135)**	5
Central administration costs and directors' salaries									**(21,413)**	(15,363)
Other income									**2,704**	2,186
Profit before tax									**17,804**	10,343

36 Segment Information (Continued)

(a) Segment Revenues and Results (Continued)

Revenue reported above represents revenue generated from external customers. Inter-segment sales for the year 2014 is S$12,213,000 (2013: S$14,545,000).

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

(b) Segment Assets and Liabilities

	Group	
	2014	**2013**
	S$'000	**S$'000**
Segment assets		
Corrosion prevention	**65,900**	60,706
Distribution	**115,660**	112,066
Structural Steel and Façade Engineering	**63,158**	–
Others	**9,456**	34,904
Total segment assets	**254,174**	207,676
Consolidated assets	**254,174**	207,676
Segment liabilities		
Corrosion prevention	**9,537**	8,903
Distribution	**72,222**	99,019
Structural Steel and Façade Engineering	**11,324**	–
Others	**1,434**	1,385
Total segment liabilities	**94,517**	109,307
Unallocated liabilities		
– Provision for taxation	**3,907**	2,934
– Deferred income tax	**3,503**	2,100
Consolidated liabilities	**101,927**	114,341

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36 Segment Information (Continued)

(c) Other Segment Information

	Group			
	Depreciation and amortisation		Additions to non-current assets	
	Year ended 2014 S$'000	Year ended 2013 S$'000	Year ended 2014 S$'000	Year ended 2013 S$'000
Corrosion prevention	**1,697**	1,698	**1,029**	218
Distribution	**1,407**	1,437	**415**	1,009
Structural steel and façade engineering	**3,582**	–	**42,690**	–
Others	**318**	261	**8**	10
	7,004	3,396	**44,142**	1,237

(d) Geographical Information

The Group operates in four principal geographical areas – Singapore (country of domicile), Vietnam, Indonesia, People's Republic of China and others.

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

	Group's revenue from external customers		Group's non-current assets	
	Year ended 2014 S$'000	Year ended 2013 S$'000	As at 31/12/14 S$'000	As at 31/12/13 S$'000
Singapore	**310,398**	171,800	**82,207**	42,062
Vietnam	**33,504**	32,198	**323**	313
Indonesia	**20,750**	18,383	**–**	–
People's Republic of China[(a)]	**30,435**	30,975	**142**	271
Rest of South and South East Asia[(b)]	**26,711**	16,585	**116**	59
Others[(c)]	**24,974**	20,413	**23**	1
	446,772	290,354	**82,811**	42,706

(a) People's Republic of China includes the mainland of China, Hong Kong and Macau.
(b) Rest of South and South East Asia includes Malaysia, Thailand, Sri Lanka, Bangladesh, India, Pakistan and Papua New Guinea.
(c) Others include Mongolia, Korea, Australia and others.

Non-current assets excludes loan receivable from associate and financial assets, available for sale.

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

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37 Financial Instruments

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

(a) Financial Risk Management Objectives and Policies

(i) *Interest rate risk*

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

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

	Fixed Rates		**Variable Rates**		**Non-**	
	Less than 1 year	**1 to 5 years**	**Less than 1 year**	**1 to 5 years**	**Interest bearing**	**Total**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
At 31 December 2014						
Assets						
Cash and cash equivalents	**3,532**	**–**	**–**	**–**	**35,596**	**39,128**
Trade and other receivables	**–**	**–**	**–**	**–**	**78,701**	**78,701**
Loan receivable from an associated company	**600**	**–**	**–**	**–**	**–**	**600**
Club membership	**–**	**–**	**–**	**–**	**125**	**125**
Other financial assets	**–**	**–**	**–**	**–**	**18,162**	**18,162**
Total Assets	**4,132**	**–**	**–**	**–**	**132,584**	**136,716**
Liabilities						
Trade and other payables	**–**	**–**	**–**	**–**	**30,763**	**30,763**
Term loans	**–**	**–**	**1,377**	**–**	**–**	**1,377**
Other amounts due to bankers	**–**	**–**	**59,821**	**–**	**–**	**59,821**
Finance lease	**292**	**258**	**–**	**–**	**–**	**550**
Total Liabilities	**292**	**258**	**61,198**	**–**	**30,763**	**92,511**

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(i) Interest rate risk (Continued)

	Fixed Rates		Variable Rates		Non-	
	Less than 1 year S$'000	1 to 5 years S$'000	Less than 1 year S$'000	1 to 5 years S$'000	Interest bearing S$'000	Total S$'000
At 31 December 2013						
Assets						
Cash and cash equivalents	3,498	–	–	–	48,045	51,543
Trade and other receivables	–	–	–	–	59,489	59,489
Loan receivable from an associated company	–	11,100	–	–	–	11,100
Club membership	–	–	–	–	195	195
Other financial assets	–	–	–	–	14,555	14,555
Total Assets	3,498	11,100	–	–	122,284	136,882
Liabilities						
Trade and other payables	–	–	–	–	24,069	24,069
Term loans	–	–	2,884	–	–	2,884
Other amounts due to bankers	–	–	75,804	–	–	75,804
Finance lease	419	377	–	–	–	796
Total Liabilities	419	377	78,688	–	24,069	103,553

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

	Group	
	2014 S$'000	2013 S$'000
Profit or loss	**508**	653

This analysis assumes that all other variables remain constant.

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

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk

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

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

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

Corporate guarantees provided to financial institutions on borrowings of subsidiaries:

	Company	
	2014	**2013**
	S$'000	**S$'000**
Total facilities	**139,311**	125,311
Total outstanding	**61,198**	78,688

The credit risk for trade, other receivables and loan receivable based on information provided by key management is as follows:

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	S$'000	**S$'000**	**S$'000**	**S$'000**
By geographical areas				
Singapore	**58,150**	43,793	**12,870**	7,222
Vietnam	**6,695**	2,511	**–**	–
Indonesia	**922**	1,608	**–**	–
People's Republic of China	**3,541**	5,289	**–**	–
Rest of South and South East Asia	**6,609**	1,870	**–**	–
Others	**3,385**	5,450	**–**	–
	79,302	60,521	**12,870**	7,222

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37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk (Continued)

a. Financial assets that are neither past due nor impaired.

Trade and other receivables that are neither past due nor impaired are credit worthy companies with a good payment record with the Group. Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit ratings and no history of default. Trade, other receivables and loan receivables that are neither past due nor impaired amounted to S$38,445,000 (2013: S$32,947,000).

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Past due within 30 days	**27,116**	14,311	**300**	1,601
Past due 31 to 60 days	**6,948**	6,222	**443**	1,000
Past due 61 to 90 days	**2,943**	3,305	**241**	465
Past due over 90 days	**3,850**	3,736	**1,584**	607
	40,857	27,574	**2,568**	3,673

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

The carrying amount of trade receivables individually determined to be impaired at the balance sheet date and the movement in the related allowance for impairment is as follows:

	Group	
	2014	**2013**
	S$'000	**S$'000**
Trade receivables-nominal amounts	**1,382**	877
Less: Allowance for impairment	**(1,382)**	(877)
	–	–

The impaired trade receivable arose from long outstanding amounts due from customers which remained unpaid at the balance sheet date and accordingly there are significant uncertainties over the recovery of these amounts due from these customers.

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) *Liquidity risk*

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

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

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Group						
At 31 December 2014						
Liabilities						
Trade and other payables	**30,763**	**30,763**	**–**	**–**	**–**	**30,763**
Finance lease	**550**	**302**	**268**	**–**	**–**	**570**
Term loans	**1,377**	**1,386**	**–**	**–**	**–**	**1,386**
Others amount due to bankers	**59,821**	**60,246**	**–**	**–**	**–**	**60,246**
	92,511	**92,697**	**268**	**–**	**–**	**92,965**
At 31 December 2013						
Liabilities						
Trade and other payables	24,069	24,069	–	–	–	24,069
Finance lease	796	437	395	–	–	832
Term loans	2,884	3,011	–	–	–	3,011
Others amount due to bankers	75,804	76,900	–	–	–	76,900
	103,553	104,417	395	–	–	104,812

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity risk (Continued)

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Company						
At 31 December 2014						
Liabilities						
Trade and other payables	**2,246**	**2,246**	**–**	**–**	**–**	**2,246**
Amounts due to subsidiaries	**9,028**	**9,028**	**–**	**–**	**–**	**9,028**
Other amount due to bankers	**3,807**	**3,827**	**–**	**–**	**–**	**3,827**
	15,081	**15,101**	**–**	**–**	**–**	**15,101**
At 31 December 2013						
Liabilities						
Trade and other payables	4,250	4,250	–	–	–	4,250
Amounts due to subsidiaries	29,826	29,826	–	–	–	29,826
Other amount due to bankers	8,555	8,578	–	–	–	8,578
	42,631	42,654	–	–	–	42,654

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

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

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity risk (Continued)

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

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Company						
At 31 December 2014						
Financial guarantees	**139,311**	**139,311**	**–**	**–**	**–**	**139,311**
At 31 December 2013						
Financial guarantees	125,311	125,311	–	–	–	125,311

(iv) Foreign currency risk

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

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

The fair value of the forward foreign contracts are calculated based on current market rates. As at 31 December 2014, the notional exchange value of the outstanding forward foreign exchange contracts was US$5 million (equivalent to S$6.6 million) (2013: US$7 million (equivalent to S$8.8 million)). Management has assessed that the fair value of the outstanding forward foreign exchange contracts to be insignificant as at the balance sheet date.

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iv) Foreign currency risk (Continued)

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

	USD S$'000	RMB S$'000	WON S$'000	DONG S$'000	Others S$'000
At 31 December 2014					
Financial assets					
Cash and cash equivalents	11,525	393	2,045	335	4,735
Trade and other receivables excluding prepayments	20,865	312	312	4,917	6,666
	32,390	705	2,357	5,252	11,401
Financial liabilities					
Term loans	–	–	–	–	–
Other amounts due to bankers	28,851	–	–	–	–
Trade payables and accruals	12,375	291	64	297	1,662
Other payables	199	231	50	5	89
	41,425	522	114	302	1,751
Net financial assets/(liabilities)	(9,035)	183	2,243	4,950	9,650
Less: Forward exchange contracts	6,617	–	–	–	–
Sub-total	(2,418)	183	2,243	4,950	9,650
Less: Net financial liabilities/(assets) denominated in the respective entity's functional currency	–	(183)	(2,243)	(4,950)	(9,650)
Currency exposure	(2,418)	–	–	–	–

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iv) Foreign currency risk (Continued)

	USD S$'000	RMB S$'000	WON S$'000	DONG S$'000	Others S$'000
At 31 December 2013					
Financial assets					
Cash and cash equivalents	21,256	667	1,275	743	3,376
Trade and other receivables excluding prepayments	9,210	1,698	877	4,293	3,628
	30,466	2,365	2,152	5,036	7,004
Financial liabilities					
Term loans	2,254	–	–	–	–
Other amounts due to bankers	38,103	–	–	–	–
Trade payables and accruals	6,708	75	214	308	584
Other payables	–	29	96	5	4
	47,065	104	310	313	588
Net financial assets/(liabilities)	(16,599)	2,261	1,842	4,723	6,416
Less: Forward exchange contracts	8,842	–	–	–	–
Sub-total	(7,757)	2,261	1,842	4,723	6,416
Less: Net financial liabilities/(assets) denominated in the respective entity's functional currency	–	(2,261)	(1,842)	(4,723)	(6,416)
Currency exposure	(7,757)	–	–	–	–

Sensitivity analysis

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

	Group 2014 S$'000	Group 2013 S$'000
Group profit	**100**	322

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

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

37 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(v) Capital risk

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

The Group and the Company set the amount of capital in proportion to risk. The Group and the Company manage the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt. The Group's and the Company's overall strategy remains unchanged from 2013.

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

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

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Net debt	**55,389**	57,764	**10,293**	28,157
Equity	**150,750**	91,818	**141,364**	82,118
Net debt-to-equity ratio	**0.37**	0.63	**0.07**	0.34

38 Fair Value of Assets and Liabilities

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

(a) Fair Value Hierarchy

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

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

Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

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

(b) Assets measured at Fair Value

The following table presents the assets measured at fair value as at the balance sheet date:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2014				
Leasehold properties	**–**	**31,120**	**–**	**31,120**
2013				
Leasehold properties	–	20,070	–	20,070
Company				
2014				
Leasehold properties	**–**	**9,278**	**–**	**9,278**
2013				
Leasehold properties	–	9,849	–	9,849

There was no transfer between Level 1 and Level 3 during the financial year ended 31 December 2014 and 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS

38 Fair Value of Assets and Liabilities (Continued)

(c) Level 2 Fair Value Measurements

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

Leasehold properties

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

(d) Fair value of assets and liabilities that are not measured at fair value on recurring basis (but fair value disclosures are required)

The following table shows an analysis of the Group's and Company's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed:

	Fair value measurements at the end of the reporting period using				
	Quoted Prices in active markets for Identical Assets Level 1	Significant observable inputs other than quoted price Level 2	Significant unobservable Inputs Level 3	Total	Carrying amount
	S$'000	S$'000	S$'000	S$'000	S$'000
Group					
At 31 December 2014					
Assets					
Available-for-sale financial assets					
– Unquoted securities	**–**	**–**	**#**	**#**	**18,162**
Other receivables (non-current)	**–**	**–**	**316**	**316**	**316**
	–	**–**	**316**	**316**	**18,478**
Liabilities					
Finance leases (non-current)	**–**	**–**	**268**	**268**	**258**
At 31 December 2013					
Assets					
Available-for-sale financial assets					
– Unquoted securities	–	–	#	#	14,555
Loan receivable from an associated company	–	–	11,100	11,100	11,100
Other receivables (non-current)	–	–	307	307	307
	–	–	11,407	11,407	25,962
Liabilities					
Finance leases (non-current)	–	–	395	395	377

\# Fair value information has not been disclosed for the Group's and Company's investments in unquoted securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent investments in companies that are not quoted on any market and do not have any comparable industry peer that is listed.

38 Fair Value of Assets and Liabilities (Continued)

(d) Fair value of assets and liabilities that are not measured at fair value on recurring basis (but fair value disclosures are required) (Continued)

Fair value of the financial assets included in level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis at market incremental lending rates for similar types of lending or leasing arrangements at the end of the reporting period, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

	Fair value measurements at the end of the reporting period using				
	Quoted Prices in active markets for Identical Assets Level 1	**Significant observable inputs other than quoted price Level 2**	**Significant unobservable Inputs Level 3**	**Total**	**Carrying amount**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Company					
At 31 December 2014					
Assets					
Available-for-sale financial assets					
– Unquoted securities	**–**	**–**	**#**	**#**	**15,289**
At 31 December 2013					
Assets					
Available-for-sale financial assets					
– Unquoted securities	–	–	#	#	12,555

\# Fair value information has not been disclosed for the Group's and Company's investments in unquoted securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent investments in companies that are not quoted on any market and do not have any comparable industry peer that is listed.

Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values. This framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs.

NOTES TO THE FINANCIAL STATEMENTS 31 December 2014

38 Fair Value of Assets and Liabilities (Continued)

Valuation policies and procedures (Continued)

If third party information is used to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified. Significant valuation issues are reported to the Group Audit Committee.

39 Subsequent Events after Balance Sheet Date

	Group	
	2014	**2013**
	S$'000	**S$'000**
(a) After the balance sheet date, the Directors proposed the following dividends:		
– Final dividend of 0.93 cents (2013: 0.93 cents) per ordinary share, tax-exempt one-tier	**5,659**	5,659

Subsequent to the year end, the proposed dividends are calculated based on total ordinary shares issued as at the report date, excluding treasury shares. The proposed dividends in respect of the current financial year will be recorded as a liability on the balance sheets of the Company and the Group in the financial year ending 31 December 2014, subject to approval of the shareholders at the next Annual General Meeting of the Company.

(b) On 3 February 2015, the Company through its wholly owned subsidiary, Hetat Holdings Pte. Ltd. has incorporated a new subsidiary, Sinenergy Pte Ltd ("Sinenergy"). The principal activity of Sinenergy is providing electrical and other installation works. The Group effectively owns 80% of Sinenergy.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2015

Number of ordinary shares in issue (excluding treasury shares)	:	608,461,678
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	416	12.08	4,830	0.00
100 – 1,000	150	4.35	110,515	0.02
1,001 – 10,000	925	26.86	6,981,282	1.15
10,001 – 1,000,000	1,902	55.23	149,822,897	24.62
1,000,001 AND ABOVE	51	1.48	451,542,154	74.21
TOTAL	**3,444**	**100.00**	**608,461,678**	**100.00**

Ordinary shares held in treasury ("Treasury Shares")
Sole shareholder of 17,100,000 Treasury Shares: SHS Holdings Ltd.
Voting rights: None
Percentage of this holding against total number of issued shares excluding Treasury Shares: 2.81%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 18 March 2015)

	Direct Interest	%	Deemed Interest	%
Ng Han Kok (Note 1)	23,042,526	3.79	65,844,527	10.82
Chew Hoe Soon (Note 2)	14,989,000	2.46	19,020,000	3.13
Lim Peng Chuan Terence (Note 3)	33,004,000	5.42	1,933,000	0.32
Teng Choon Kiat (Note 4)	27,718,000	4.56	7,647,000	1.26

Notes:

(1) Ng Han Kok's deemed interest arose through 250,000 shares held by his spouse, Mdm Ong Woo, and 21,259,527 shares held by the escrow agent, CIMB Securities (Singapore) Pte Ltd, 30,000,000 shares registered under Citibank Nominees Singapore Pte Ltd, 14,035,000 shares registered under Phillip Securities Pte Ltd and 300,000 shares registered under OCBC Securities Private Limited.

(2) Chew Hoe Soon's deemed interest arose through 13,980,000 shares held by his spouse and a corporation controlled by him and 5,040,000 shares under OCBC Securities Private Limited.

(3) Lim Peng Chuan Terence's deemed interest arose through 1,933,000 shares held by his spouse.

(4) Teng Choon Kiat's deemed interest arose through 7,647,000 shares held by two corporations controlled by him.

STATISTICS OF SHAREHOLDINGS

As at 18 March 2015

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2015

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	61,500,300	10.11
2	PHILLIP SECURITIES PTE LTD	34,396,518	5.65
3	HONG LEONG FINANCE NOMINEES PTE LTD	33,748,000	5.55
4	LIM PENG CHUAN TERENCE	33,004,000	5.42
5	CIMB SECURITIES (SINGAPORE) PTE. LTD.	24,275,667	3.99
6	NG HAN KOK	23,042,526	3.79
7	OCBC SECURITIES PRIVATE LIMITED	22,708,500	3.73
8	TAY SIA PUAN	20,000,000	3.29
9	UOB KAY HIAN PRIVATE LIMITED	18,591,200	3.06
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	17,664,008	2.90
11	CHEW HOE SOON	14,989,000	2.46
12	SINGAPORT CLEANSEAS PTE LTD	13,680,000	2.25
13	RICHILL INDUSTRIES PTE LTD	11,764,000	1.93
14	SBS NOMINEES PRIVATE LIMITED	11,344,800	1.86
15	RHB SECURITIES SINGAPORE PTE LTD	9,707,000	1.60
16	CHUA LIAK CHNG SC	8,580,000	1.41
17	CITIBANK CONSUMER NOMINEES PTE LTD	7,689,000	1.26
18	DBS NOMINEES (PRIVATE) LIMITED	6,666,922	1.10
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	5,073,020	0.83
20	MCPEC MARINE AND OFFSHORE ENGINEERING PTE. LTD	5,000,000	0.82
	TOTAL	**383,424,461**	**63.02**

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately 67.60% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

WARRANTHOLDERS' INFORMATION

As at 18 March 2015

STATISTICS OF WARRANTHOLDINGS

SIZE OF WARRANT HOLDINGS	NO. OF WARRANT HOLDERS	%	NO. OF WARRANTS	%
1 – 99	454	15.08	4,437	0.00
100 – 1,000	191	6.35	127,337	0.04
1,001 – 10,000	1,222	40.60	7,392,249	2.43
10,001 – 1,000,000	1,106	36.74	79,729,974	26.27
1,000,001 AND ABOVE	37	1.23	216,387,089	71.26
TOTAL	**3,010**	**100.00**	**303,641,086**	**100.00**

TWENTY LARGEST WARRANTHOLDERS AS AT 18 MARCH 2015

NO.	NAME	NO. OF WARRANTS	%
1	NG HAN KOK	37,151,026	12.24
2	OCBC SECURITIES PRIVATE LIMITED	22,473,200	7.40
3	PHILLIP SECURITIES PTE LTD	16,727,309	5.51
4	LIM PENG CHUAN TERENCE	16,502,000	5.43
5	CITIBANK NOMINEES SINGAPORE PTE LTD	12,279,912	4.04
6	PENG YANAN	10,868,100	3.58
7	TAY SIA PUAN	10,000,000	3.29
8	CHEW HOE SOON	7,494,500	2.47
9	ONG TECK BENG (WANG DEMING)	6,842,000	2.25
10	SINGAPORT CLEANSEAS PTE LTD	6,840,000	2.25
11	HONG LEONG FINANCE NOMINEES PTE LTD	6,609,000	2.18
12	RICHILL INDUSTRIES PTE LTD	5,882,000	1.94
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,045,004	1.66
14	UOB KAY HIAN PRIVATE LIMITED	4,957,500	1.63
15	CHUA LIAK CHNG SC	4,290,000	1.41
16	LOKE CHEE CHOONG	4,175,000	1.37
17	SBS NOMINEES PRIVATE LIMITED	3,646,000	1.20
18	DBS NOMINEES (PRIVATE) LIMITED	3,189,011	1.05
19	MCPEC MARINE AND OFFSHORE ENGINEERING PTE. LTD	2,500,000	0.82
20	TAN WEI LI	2,225,500	0.73
	TOTAL	**189,697,062**	**62.45**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of SHS Holdings Ltd. (the "Company") will be held at 81 Tuas South Street 5, Singapore 637651 on Monday, 27 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of Singapore 0.93 cent per ordinary share for the year ended 31 December 2014. (2013: Singapore 0.93 cent) **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Articles 90 and 96 of the Articles of Association of the Company:

   Mr Lim Siok Kwee, Thomas (Retiring under Article 90) **(Resolution 3)**
   Mr Chew Hoe Soon (Retiring under Article 96) **(Resolution 4)**

4. To note the retirement of Mr Teo Choon Kow, William pursuant to Article 90 of the Articles of Association of the Company.
   [See Explanatory Note (i)]

5. To approve the payment of Directors' fees of up to S$284,000 for the year ending 31 December 2015 (2014: S$204,000). **(Resolution 5)**

6. To approve additional Directors' fees of S$15,000 for the year ended 31 December 2014. **(Resolution 6)**

7. To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

9. **Authority to issue shares**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (ii)] **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

10. **Authority to issue shares under the SHS Employees Share Option Scheme**

“That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing SHS Employees Share Option Scheme (the “Scheme”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”
[See Explanatory Note (iii)] **(Resolution 9)**

11. **Proposed Renewal of the Share Buyback Mandate**

“That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore (the “Companies Act”), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the “Shares”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a “Market Purchase”) on the Singapore Exchange Securities Trading Limited (“SGX-ST”); and/or

(ii) off-market purchase(s) (each an “Off-Market Purchase”) effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Buyback Mandate”);

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company is held or required by law to be held; and

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated;

(c) in this Resolution:

"Prescribed Limit" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the ten per centum (10%) limit; and

"Relevant Period" means the period commencing from the date of the annual general meeting at which the renewal of the Share Buyback Mandate is approved and thereafter, expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier, after the date of this Resolution; and

"Maximum Price", in relation to a Share to be purchased or acquired pursuant to the Share Buyback Mandate, means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price (as hereafter defined); and

(ii) in the case of an Off-Market Purchase, one hundred and fifteen per centum (115%) of the Average Closing Price (as hereafter defined),

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs after the relevant five-day period; and

"date of the making of the offer" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

NOTICE OF ANNUAL GENERAL MEETING

(d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

[See Explanatory Note (iv)] **(Resolution 10)**

By Order of the Board

Lynn Wan Tiew Leng
Ng Tze Lee
Company Secretaries

Singapore, 10 April 2015

Explanatory Notes:

(i) Item 4 above is to note the retirement of Mr Teo Choon Kow @ William Teo who is not seeking re-election. With his retirement, Mr William Teo will also step down as Chairman of the Audit Committee and members of the Nominating and Remuneration Committees.

(ii) The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

NOTICE OF ANNUAL GENERAL MEETING

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Ordinary Resolution 9 in item 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iv) The Ordinary Resolution 10 in item 11 above, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares) at the prices of up to but not exceeding the Maximum Price, being in accordance with the terms and subject to the conditions set out in the Appendix dated 10 April 2015 enclosed with the Company's Annual Report for its financial year ended 31 December 2014, the Companies Act and the Listing Manual of the Singapore Exchange Securities Trading Limited. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (i) the date that the next annual general meeting of the Company is held or required by law to be held and (ii) the date on which the purchase or acquisition of Shares pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated.

The Company intends to use internal sources of funds to finance the purchase or acquisition of its Shares pursuant to the Share Buyback Mandate. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of Shares purchased or acquired, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2014, based on certain assumptions, are set out in paragraph 2.8 of the Appendix dated 10 April 2015 enclosed with the Company's Annual Report for its financial year ended 31 December 2014.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 81 Tuas South Street 5, Singapore 637651 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

SHS HOLDINGS LTD.

Company Registration No. 197502208Z

(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy SHS Holdings Ltd.'s shares, this Annual Report and the Appendix are forwarded to them at the request of the CPF Approved Nominees and are sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting of the Company as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ______________________________ (Name)

______________________________ (NRIC/Passport No./Company Registration No.)

of ______________________________ (Address)

being a member/members of SHS HOLDINGS LTD. (the "Company") hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting to be held at 81 Tuas South Street 5, Singapore 637651 on **Monday, 27 April 2015 at 10.00 a.m.** and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 31 December 2014		
2	Payment of proposed final dividend		
3	Re-election of Mr Lim Siok Kwee, Thomas as a Director		
4	Re-election of Mr Chew Hoe Soon as a Director		
5	Approval of Directors' fees of up to S$284,000 for the year ending 31 December 2015		
6	Approval of additional Directors' fees of S$15,000 for the year ended 31 December 2014		
7	Re-appointment of Messrs Moore Stephens LLP as Auditors		
8	Authority to issue shares		
9	Authority to issue shares under the SHS Employees Share Option Scheme		
10	Proposed renewal of the Share Buyback Mandate		

Dated this __________ day of ______________ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this instrument appointing the proxies. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this instrument appointing the proxies as invalid.

4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 81 Tuas South Street 5, Singapore 637651 not less than forty-eight hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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SHS HOLDINGS LTD.

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