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ES Group (Holdings) Limited

ANNUAL REPORT 2019

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VISION

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

MISSION

To provide world-class services without compromising on safety. To continuously improve and enhance our technologies, work processes as well as the knowledge and skills of our workforce to cater to evolving customer demands. To be committed in working with all stakeholders in achieving common goals and results.

CORPORATE PROFILE

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

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

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

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

With continued efforts to propel growth, the Group set up its Loyang workshop in 2013 to design and fabricate a range of offshore structures, such as geotechnical drilling rigs. The workshop also provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services. This addition further diversifies the competencies and capabilities of its core business. Subsequently, the Group purchased its first vessel, ES Aspire, at the end of 2016, to strengthen its footprint in chartering and set up chandling /marine supplies division in 2017 to extend its customer and supplier base.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board, I am pleased to present our Annual Report for the financial year ended 31 December 2019 ("**FY2019**").

I would like to convey my deepest appreciation to the Board for appointing me as the Non-Executive Chairman of the Board on 26 April 2019. I look forward to sharing my experience and knowledge with the team and to take our Group to the next level of growth.

In the past few years, most major marine offshore companies have faced tremendous slowdown in business activities due to the downturn in the offshore and marine industries. Despite the market uncertainty and a slowdown in economic activity, our Group has managed to focus on streamlining our business operations and enhancing our capabilities.

Risk Management

We have further improved our existing risk management framework for identifying and managing risks across our Group. Given the increasing complexity in the external environment we operate in, we are focusing more on understanding the macro trends that may impact our Group and our industry in the future and our strategy to address them. Our aim is to generate value by continuing in our diversified path to broaden our Group's revenue stream and focusing on businesses that are sustainable and expandable.

Macro Uncertainty

With the double economic shocks in the recent months with Brent crude oil sliding from a high of US$67.32 on 6 January 2020 to a low of US$24.88 on 18 March 2020 (extracted from Business Times on 24 March 2020) and the COVID-19 pandemic escalating globally as at the date of publication of this report, it is a time to be mindful for us to strengthen our resilience while pursuing strategies and goals. Our Group has established business continuity measures to ensure that our personnel are safe and minimise our business disruption as much as possible.

Our financial position as at 31 December 2019 remained strong. With a cash ratio of 1.6 times and our cash and cash equivalents covering 1.1 times of our total long and short term liabilities, our Board and management are determined to stay resilient to weather these challenges in the next 12 months.

Dividend

The Board recognises the importance of cash returns to shareholders. To reward shareholders with our FY2019 performance, the Board has proposed a first and final one-tier tax-exempt cash dividend of 0.15 cents per share and a special one-tier tax-exempt cash dividend of 0.30 cents per share (the aggregate of which represents a total dividend yield of 8.3% on the closing price of 5.4 cents as at 27 March 2020).

In Appreciation and Thank you

On behalf of the Board, I would like to extend my heartfelt gratitude towards Mr Wee Siew Kim for his hard work and contribution to our Group over the last 9 years as he retired as our Board's Non-Executive Chairman on 26 April 2019. I would also like to take this opportunity to thank my fellow Board members, the management and staff for their hard work in the past year. I also want to thank our customers and business partners for your invaluable support. Lastly, I wish to thank you, our shareholders, for your continued belief in ES Group.

Yours sincerely,

Ong Beng Chye
Non-Executive Chairman
27 March 2020

CEO'S STATEMENT

Dear Shareholders,

First, I am pleased to have Mr Ong Beng Chye helming the Company as the Non-Executive Chairman of the Board since 26 April 2019. He is familiar with our Group's operations and the challenges facing our Group. I trust I will continue to have good support from him just like what I have received from our previous Non-Executive Chairman, Mr Wee Siew Kim.

Financial Performance For FY2019

Our Group has maintained our revenue despite the macroeconomic uncertainties emanating from a trade spat between US and China and the recent COVID-19 global pandemic that causes major disruption and continued till the date of the publication of this report. Nevertheless, our Group maintain resilient and posted a net profit of S$3.9 million.

Our Group's cash and cash equivalents improved significantly to S$15.5 million as at 31 December 2019, as compared to S$7.0 million as at 31 December 2018. This was mainly due to cash generated from working capital amounting to S$7.6 million. In addition, as at 31 December 2019, our Group had maintained a positive working capital of S$21.6 million.

Outlook and Strategies for FY2020

Our Group continues to be on the lookout for opportunities to expand our core business while exploring possible mergers and acquisitions with a view to diversify and enhance shareholders' value in the long run.

While pursuing expansion strategies, our Group is also mindful of the evolving COVID-19 pandemic and has since inculcated and implemented various business continuity measures to our key activities and functions. Our Group is constantly vigilant of the environment in which we operate in.

Note of Appreciation

In conclusion, I would like to express my deepest appreciation to all our staff not only for your commitment and hard work but also giving your full cooperation with our Management as we continue to tackle the challenges ahead. To our customers, suppliers and business partners, thank you for your contribution to our Group. Finally to our shareholders, thank you for your support and I look forward to your continued support in 2020.

Yours sincerely,

Low Chee Wee
CEO and Executive Director
27 March 2020

OPERATIONAL AND FINANCIAL REVIEW

OPERATIONAL REVIEW

During the year under review, the Group's revenue decreased marginally by S$0.1 million or 0.5%, to S$27.8 million in the financial year ended 31 December 2019 ("**FY2019**") from S$27.9 million in the financial year ended 31 December 2018 ("**FY2018**"). Revenue contribution from the Group's new building and repair segment increased slightly by S$0.2 million, to S$21.5 million in FY2019 from S$21.3 million in FY2018, while revenue contribution from the Group's shipping segment decreased slightly by S$0.3 million, to S$6.3 million in FY2019 from S$6.6 million in FY2018.

Revenue contribution from Singapore amounted to 98.4% of the Group's total revenue in FY2019, with the balance contributed by revenue from the People's Republic of China and other countries. Revenue from Singapore remained relatively stable at S$27.4 million in FY2019 and S$27.7 million in FY2018.

Gross profit increased by S$3.6 million or 43.5%, to S$11.9 million in FY2019 from S$8.3 million in FY2018. Gross profit margin increased by 13.1 percentage points to 42.9% in FY2019, from 29.8% in FY2018. The increases in gross profit and gross profit margin were mainly due to the collection and recognition of revenue derived from final settlement of variation orders, while the associated cost had been recognized in previous years in line with accounting standards.

Other operating income increased by S$0.2 million or 20.2%, to S$1.1 million in FY2019 from S$0.9 million in FY2018, mainly due to income derived from settlement of finance lease receivables for a vessel.

Administrative expenses increased by S$0.7 million or 12.6%, to S$6.2 million in FY2019 from S$5.5 million in FY2018, mainly due to higher employee performance remuneration in recognition of the improved performance of the Group. In addition, the Group incurred higher insurance premium in FY2019 due to vessel repair.

Other operating expenses decreased by S$0.2 million or 8.5%, to S$2.3 million in FY2019 from S$2.5 million in FY2018. The decline was due to reduction of rental cost for worker dormitory and water and electricity expenses associated with the dormitory.

Recovery of loss allowance made for third party trade receivables of S$0.5 million in FY2019 was due to the reversal of provision arising from collection of receivables during the year.

Finance costs decreased by S$0.1 million or 22.1%, to S$0.3 million in FY2019 from S$0.4 million in FY2018 as a result of repayment of bank term loans.

Income tax expense of S$0.9 million was incurred in FY2019 (FY2018: nil) due to taxable profit recorded in FY2019.

As a result of the above, the Group's net profit for the year was S$3.8 million in FY2019, as compared to S$0.2 million in FY2018. Net profit attributable to owners of the Company was S$4.7 million in FY2019, as compared to S$1.0 million in FY2018.

FINANCIAL REVIEW

The Group recorded positive working capital (current assets less current liabilities) of S$21.6 million as at 31 December 2019, as compared to S$15.0 million as at 31 December 2018.

Assets

Current assets

The Group's current assets increased by S$3.9 million, to S$31.2 million as at 31 December 2019 from S$27.4 million as at 31 December 2018. The increase was mainly attributable to (i) an increase in cash and cash equivalents, inclusive of fixed deposit pledged of S$8.8 million; and (ii) a reclassification of a non-current asset to asset held for sale amounting to S$4.0 million, partially offset by (a) a decrease in trade receivables of S$7.9 million; (b) a decrease in contract assets of S$0.9 million; and (c) a decrease in other receivables of S$0.2 million.

As a result of the collection of trade receivables, the Group's cash and cash equivalents increased by S$8.5 million, to S$15.5 million as at 31 December 2019 from

S$7.0 million as at 31 December 2018, while the Group's trade receivables decreased by S$7.9 million, to S$7.1 million as at 31 December 2019 from S$15.0 million as at 31 December 2018. The asset held for sale as at 31 December 2019 (31 December 2018: nil) relates to the proposed disposal of the Group's vessel during FY2019. The decrease in contract assets of S$0.9 million was mainly due to fewer on-going projects. The decrease in other receivables of S$0.2 million was mainly due to lower prepayment of expenses.

Non-current assets

Non-current assets decreased by S$5.0 million, to S$14.2 million as at 31 December 2019 from S$19.2 million as at 31 December 2018, mainly due to the following:

a) an impairment of the Group's vessel of S$0.8 million in FY2019; and

b) a reclassification of a non-current asset to asset held for sale under current assets amounting to S$4.0 million in relation to the proposed disposal of the Group's vessel during FY2019.

Liabilities

Current liabilities

Current liabilities decreased by S$2.7 million, to S$9.7 million as at 31 December 2019 from S$12.4 million as at 31 December 2018. This was mainly attributable to:

a) the repayment of bank loans of S$2.2 million;

b) a decrease in trade payables of S$0.8 million due to shorter payment cycle; and

c) provision for income tax payable of S$0.9 million due to taxable profit recorded in FY2019 (FY2018: nil).

Non-current liabilities

Non-current liabilities decreased by S$2.2 million, to S$4.6 million as at 31 December 2019 from S$6.8 million as at 31 December 2018, due to the repayment of bank loans and lease liabilities.

Equity

As a result of the above, total equity of the Group improved by S$3.9 million, to S$31.2 million as at 31 December 2019 from S$27.3 million as at 31 December 2018. The Group's equity attributable to owners of the Company increased by S$4.7 million, to S$31.7 million as at 31 December 2019 from S$27.0 million as at 31 December 2018.

Cash Flows Position of the Group

In FY2019, net cash from operating activities amounted to S$14.5 million, due to operating cash inflow before changes in working capital of S$6.9 million and net cash generated from working capital of S$7.6 million.

The net cash generated from working capital of S$7.6 million in FY2019 was mainly due to:

(i) a decrease in trade receivables of S$8.5 million;
(ii) a decrease in contract assets of S$0.9 million; and
(iii) a decrease in other receivables of S$0.2 million,

partially offset by:

(i) a decrease in other payables of S$1.2 million;
(ii) a decrease in trade payables of S$0.8 million; and
(iii) an increase in inventories of S$0.1 million.

Net cash used in investing activities of S$1.0 million in FY2019 was due to purchases of property, plant and equipment.

Net cash used in financing activities of S$5.2 million in FY2019 was due to (i) net repayments of bank loans and finance leases payables of S$4.5 million; and (ii) interest expenses of S$0.3 million.

As a result of the above and after taking into account effects of exchange rate changes on the balance of cash held in foreign currencies, there was a net increase in the Group's cash and cash equivalents of S$8.5 million, to S$15.5 million as at 31 December 2019 from S$7.0 million as at 31 December 2018.

BOARD OF DIRECTORS

ONG BENG CHYE

Non-Executive Chairman
and Independent Director

LOW CHEE WEE

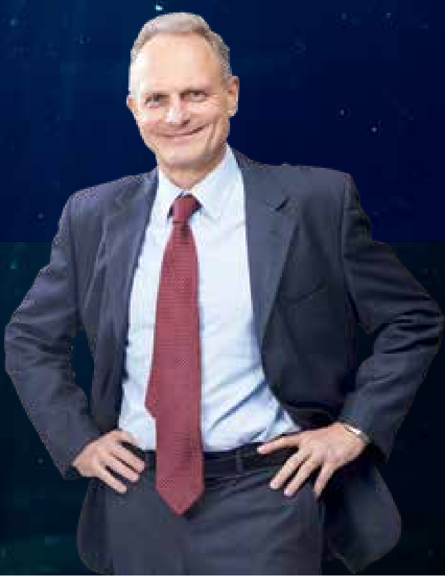
Executive Director,
Chief Executive Officer and
Chief Operating Officer

EDDY NEO CHIANG SWEE

Executive Director
(Development)

TAN SWEE LING

Independent Director



JENS RASMUSSEN

Non-Executive Director

BOARD OF DIRECTORS

ONG BENG CHYE

Non-Executive Chairman
and Independent Director

Ong Beng Chye is our Non-Executive Chairman. He was appointed to our Board on 22 November 2018 as our Independent Director and was re-designated as our Non-Executive Chairman on 26 April 2019. Mr Ong has more than twenty seven years of experience in areas such as accounting, auditing, public listings, due diligence, mergers and acquisitions, and business advisory. Mr Ong is a director of Appleton Global Pte Ltd, a business management and consultancy services firm. He is also an independent director of four other companies listed on the SGX-ST (namely Hafary Holdings Limited, Geo Energy Resources Limited, IPS Securex Holdings Limited and CWX Global Limited). In addition, from January 2016 to April 2018, Mr Ong also served as the non-executive chairman and independent director of Heatec Jietong Holdings Ltd., an offshore marine company listed on the Catalist Board of SGX-ST. Mr Ong is a Fellow of The Institute of Chartered Accountants in England and Wales, a Chartered Financial Analyst conferred by The Institute of Chartered Financial Analysts and a Fellow Chartered Accountant of Singapore. Mr Ong obtained a Bachelor of Science with Honours from City, University of London in 1990.

LOW CHEE WEE

Executive Director,
Chief Executive Officer
and Chief Operating Officer

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

EDDY NEO CHIANG SWEE

Executive Director
(Development)

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

BOARD OF DIRECTORS

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

TAN SWEE LING

Independent Director

JENS RASMUSSEN

Non-Executive Director

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

KEY MANAGEMENT

KOAY SWEE HENG

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

TEOH HAN CHONG

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

LOU TIN BOANG

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

TEH TEONG LAY

Teh Teong Lay is our Financial Controller. He joined our Group in July 2019 and oversees the overall finance and accounting functions of our Group. Prior to joining our Group, Mr Teh held several key finance positions in various organizations, including Financial Controller of Fast Offshore Supply Pte Ptd, Group Financial Controller of KLW Holdings Limited, Financial Controller of Hoe Leong Corporation Ltd and Financial Controller of UMW Marine and Offshore Ptd Ltd. He holds a Bachelor of Business degree majoring in Accounting and Finance and is a member of CPA Australia, Malaysian Institute of Accountant and an associate member of the Institute of Singapore Chartered Accountants.

CORPORATE MILESTONES

1975

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

1977

Registered as a resident subcontractor of Sembawang Shipyard Pte Ltd

1992

Eng Soon Investment Pte Ltd was formed

1997

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

1999

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

2001

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

2003

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

2006

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

2007

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

2009

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

2010

July, IPO listing on the Catalist board of the SGX-ST as ES Group (Holdings) Limited August, secured first direct order from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A. October, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People's Republic of China

2011

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

2012

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

2013

Successfully delivered the two bunker vessels Incorporated a new subsidiary – ES Energy Pte. Ltd. Set-up Loyang workshop which designs and fabricates a range of offshore structures, such as geotechnical drilling rigs, as well as provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services

2014

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

2015

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

2017

Incorporated 2 new subsidiaries - ES Chartering Pte. Ltd. and ES Aspire Pte. Ltd. Purchase of vessel, ES Aspire, in end FY 2016. Created ship chandling/ marine supplies division to broaden customer and supplier base.

2020

Disposal of ES Bristol, completed in February 2020

CORPORATE INFORMATION

BOARD OF DIRECTORS

Ong Beng Chye
Non-Executive Chairman and Independent Director

Low Chee Wee
Executive Director, Chief Executive Officer & Chief Operating Officer

Eddy Neo Chiang Swee
Executive Director (Development)

Tan Swee Ling
Independent Director

Jens Rasmussen
Non-Executive Director

AUDIT AND RISK COMMITTEE

Tan Swee Ling
Chairman

Jens Rasmussen
Ong Beng Chye

NOMINATING COMMITTEE

Ong Beng Chye
Chairman

Tan Swee Ling
Jens Rasmussen

REMUNERATION AND COMPENSATION COMMITTEE

Tan Swee Ling
Chairman

Jens Rasmussen
Ong Beng Chye

COMPANY SECRETARY

Adrian Chan Pengee

REGISTERED OFFICE

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Singapore 408538
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Fax: +65 6284 3005
Website: www.esgroup.com.sg
Email: eng_soon@esgroup.com.sg

COMPANY REGISTRATION NUMBER

200410497Z

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

SPONSOR

ZICO Capital Pte. Ltd.
8 Robinson Road #09-00 ASO Building
Singapore 048544

INDEPENDENT AUDITORS

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

LEGAL ADVISER

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

BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation, Limited
Singapura Finance Limited

FINANCIAL HIGHLIGHTS

Financial Performance	FY2019 $'000	FY2018 $'000	FY2017 $'000
Revenue	**27,844**	**27,972**	**23,455**
Cost of Services	(15,899)	(19,467)	(19,279)
Gross Profit	**11,945**	**8,325**	**4,176**
Other operating income	1,142	950	981
Administrative expenses	(6,227)	(5,530)	(6,070)
Other operating expenses	(2,346)	(2,564)	(2,438)
Reversal of loss allowance / (Loss allowance) made for third party trade receivables	547	(594)	(72)
Finance costs	(328)	(422)	(301)
Profit / (Loss) before income tax	**4,733**	**165**	**(3,724)**
Income tax expense	(902)	-	(14)
Profit / (Loss) for the year	**3,831**	**165**	**(3,738)**

Financial Position	As at 31 December 2019 $'000	As at 31 December 2018 $'000	As at 31 December 2017 $'000
Shareholder's equity (excluding non-controlling interests)	31,656	26,969	26,258
Total assets	45,446	46,522	49,035
Total liabilities	14,213	19,175	21,624

Financial Ratios	FY2019	FY2018	FY2017
Net asset value (cents), per share	22.42	19.10	18.60
Basic and diluted earnings / (loss) (cents), per share	3.30	0.69	(1.83)
Gearing	0.19	0.39	0.53
Interest Coverage	14.42	0.39	N.A.
Current Ratio	3.23	2.21	2.37

FINANCIAL CONTENTS

CORPORATE **GOVERNANCE REPORT**

ES Group (Holdings) Limited (the "**Company**" and together with its subsidiaries, the "**Group**") believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation that can in turn focus on sustaining good business performance and safeguarding the interests of the shareholders of the Company ("**Shareholders**"). The board of directors of the Company (the "**Board**" or the "**Directors**") is committed to continually develop and uphold high standards of corporate governance, guided by the principles and provisions of the Singapore Code of Corporate Governance 2018 (the "**Code**") issued by the Monetary Authority of Singapore.

This report sets out the Group's corporate governance practices with specific reference to each of the principles and provisions in the Code. The Board confirms that, for the financial year ended 31 December ("**FY**") 2019, the Group has generally adhered as closely as possible to the principles and provisions set out in the Code. Where the Group's practices vary from any provisions of the Code, this is stated with an explanation of the reason for the variation and an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with management for the long-term success of the Company.

The Board is responsible for the overall management of the Group and is collectively responsible for the Group's long-term success. All Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company. The Directors recuse themselves and refrain from participating in discussions and decisions in which the Director has an interest or is conflicted. Apart from its statutory responsibilities, the role of the Board is to, among other things:-

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- review the Group's investments and divestments and the performance of the business;
- review the Group's management's ("**Management**") performance;
- hold Management accountable for performance;
- review and approve the release of the Group's half year and full year financial results;
- identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- consider corporate governance matters;
- review internal policies and procedures and establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding Shareholders' interests and the Group's assets;
- put in place a code of conduct and ethics, which sets an appropriate tone-from-the-top and desired organisational culture and ensures proper accountability within the Company;
- ensure that obligations to Shareholders and other stakeholders are understood and met;

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- consider sustainability issues, for example, environmental and social factors, as part of its strategic formulation; and
- deliberate on other transactions and matters that require its direction or approval.

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

The Directors understand the Company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Upon the appointment of a new Director, the Company will provide a formal letter to the Director, setting out his or her duties and obligations. The Board will ensure that all incoming Directors receive relevant induction on joining the Board, including briefing on their duties as Directors and how to discharge those duties, and a comprehensive orientation programme to ensure that they are familiar with the business activities of the Group, its strategic plans and direction and corporate governance practices. The orientation programme will also allow the new Directors to get acquainted with the Management which aims to facilitate interaction and ensures that all Directors have independent access to the Management. The Company will also arrange for any new first-time Director to attend the relevant training in relation to roles and responsibilities of a director of a listed company, organised by the Singapore Institute of Directors as required under Rule 406(3)(a) of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**"), as well as other courses relating to areas such as accounting, legal and industry-specific knowledge as appropriate, organised by other training institutions. The training of Directors will be arranged and funded by the Company. Directors may request to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and corporate governance practices. No new Director was appointed during FY2019.

Trainings will be arranged and funded by the Company for all Directors as and when required to keep them up to date on relevant new laws, regulations and changing commercial risks, as well as to provide Directors with opportunities to develop and maintain their skills and knowledge. During FY2019, the Directors were briefed and updated in areas such as their duties and responsibilities and particularly on risk management (taking into account, the changing commercial risks), corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Directors.

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

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

- material acquisitions and disposals of assets;
- corporate or financial restructuring;
- corporate strategies;
- share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to Shareholders;

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- approval of annual audited financial statements for the Group and the Directors' Statement thereto;
- any public report or press release reporting the results of operations and all other announcements to be made on the SGXNet; and
- matters involving a conflict or potential conflict of interest involving a substantial Shareholder or a Director or any interested person transaction.

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

During FY2019, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

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

* Attendance by invitation.

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company. The Nominating Committee is satisfied that all Directors gave sufficient time and attention to the affairs of the Company and were able to and have adequately carried out their duties as a Director of the Company for FY2019.

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

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

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

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

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

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

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

The appointment and the removal of the company secretary is a decision of the Board as a whole.

To enable the Directors to make informed decisions and discharge their duties and responsibilities, the Management provides all Directors with the appropriate financial accounts and complete, adequate and timely information detailing the Group's performance, financial position and prospects prior to meetings and on an ongoing basis.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

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

Directors[(1)]	Board Membership	Date of First Appointment	Date of Last Re-Appointment	Audit and Risk Committee[(2)]	Nominating Committee[(2)]	Remuneration and Compensation Committee[(2)]
Mr. Ong Beng Chye	Non-Executive Chairman and Independent Director	23 November 2018	26 April 2019	Member	Chairman	Member
Mr. Low Chee Wee	Executive Director, Chief Executive Officer ("**CEO**") and Chief Operating Officer ("**COO**")	25 November 2009	26 April 2019	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director (Development)	25 November 2009	27 April 2018	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010	20 April 2017	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010	27 April 2018	Member	Member	Member

Notes:-

(1) Please refer to pages 7 to 8 of this annual report for information regarding the Directors' profiles, present directorships or chairmanships in other listed companies and other principal commitments. Please refer to pages 39 and 112 to 113 of this annual report for information regarding the Directors' shareholdings in the Company and its related corporations.

(2) Please refer to Principles 4, 6 and 10 on pages 20, 23 and 28 respectively of this report for information regarding the composition of the Board Committees, names of the respective Board Committee chairman and members and their primary responsibilities.

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The respective chairmen of the Board Committees are Independent Directors and are considered by the Board to be well qualified to chair the Board Committees with their many years of relevant experience and expertise. The independence of each Independent Director is reviewed annually by the Nominating Committee based on the definition of independence as set out in the Code, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Independent Directors, who are members of the Nominating Committee, have abstained from voting on any resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the evaluation of his or her independence. There is no policy to prohibit or require the Non-Executive and Independent Directors to hold shares in the Company. Mr. Ong Beng Chye holds 1,925,000 shares in the Company amounting to 1.4% of the total issued shares in the Company. The Nominating Committee and the Board are of the view that the holding of shares by Non-Executive and Independent Directors of less than 5.0% of the total issued shares in the Company encourages the alignment of their interests with the interests of Shareholders without compromising their independence. Taking into account the views of the Nominating Committee, the Board is satisfied as to the independence of Ms. Tan Swee Ling and Mr. Ong Beng Chye. Ms. Tan Swee Ling and Mr. Ong Beng Chye are independent in conduct, character and judgment, and do not have any relationship with the Company, its related corporations, its Shareholders who have an interest of at least 5% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company, and does not fall under any of the circumstances pursuant to Rule 406(3)(d) of the Rules of Catalist.

The independence of a Director who has served on the Board beyond nine years from the date of his or her first appointment will be subject to more rigorous review. Save for Ms. Tan Swee Ling (who was appointed on the Board since 8 June 2010, and who will be retiring and is not seeking re-election at the upcoming annual general meeting of the Company (the "**AGM**")), none of the Independent Directors has served on the Board beyond nine years from the date of his or her first appointment.

Taking into account the views of the Nominating Committee, the Board concurs with the Nominating Committee that a Non-Executive Director's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of a Non-Executive Director, the Nominating Committee and the Board consider it more appropriate to have regard to the substance of the Non-Executive Director's professionalism, integrity, objectivity, and ability to exercise independence of judgment in his or her deliberation in the interest of the Company, and not merely based on form. The Board considers that continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of Ms. Tan Swee Ling who has, over the years, developed significant and valuable insights in the Group's business, operations and markets, and can continue to provide significant and valuable contribution objectively to the Board as a whole.

Rigorous review is conducted by the Board to assess the continuing independence of Non-Executive Directors having served for over nine years, with attention to ensuring that they remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the Management and the Board. The Board's rigorous review includes, inter alia, critical examination of any conflicts of interest, as well as other factors such as their review and scrutiny of matters and proposals put before the Board, and the effectiveness of their oversight role as check and balance on the acts of the Board and the Management and their role in enhancing and safeguarding the interest of the Company and that of its Shareholders.

The Board has determined that Ms. Tan Swee Ling has continued to demonstrate strong independence in conduct, character and judgement in the manner in which she has discharged her duties and responsibilities as a Director of the Company. Ms. Tan Swee Ling has continued to express her individual viewpoints, debated issues and objectively scrutinised and challenged the Management. Ms. Tan Swee Ling has also sought clarification and amplification as she considered necessary, including through direct access to the Management.

Taking into account the above factors and the views of the Nominating Committee, the Board is of the view that Ms. Tan Swee Ling continues to be considered an Independent Director for FY2019, notwithstanding she has served on the Board beyond nine years from the date of her first appointment.

Ms. Tan Swee Ling has decided not to seek re-election at the forthcoming AGM. The Company will appoint a new Independent Non-Executive Director immediately or within one month after Ms. Tan Swee Ling's retirement.

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During FY2019, out of the five Directors, three were Non-Executive Directors. As such, the Non-Executive Directors make up a majority of the Board. The Board has considered that the size of the Board and the Board Committees are appropriate for effective debate and decision-making, based on the Group's present circumstances and taking into account the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

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

The Company has a board diversity policy to set out its approach to achieve diversity on the Board. In terms of the Board's composition, the Company seeks to have a Board that comprises directors who as a group provide an appropriate balance and have diversity from a number of aspects, including gender, age, professional experience, skills and knowledge.

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

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered power of decision-making.

The Chairman and the CEO are separate persons in order to ensure an appropriate balance of power and authority, increase accountability of the Board for independent decision-making. There is a clear division of responsibilities, as set out in writing and agreed by the Board, between the Chairman and the CEO. The Chairman, Mr. Ong Beng Chye, an Independent Director, and the CEO, Mr. Low Chee Wee, are not related to each other.

The responsibilities of the Chairman include:-

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

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- facilitating the effective contribution of the Non-Executive Directors in particular; and
- promoting high standards of corporate governance for the Group.

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

The Company did not appoint a lead Independent Director in FY2019 as the Chairman and the CEO are not related to each other and do not have any business relationship between them. In respect of Provision 3.3 of the Code, the Chairman, who is an Independent Director, functions as a lead Independent Director in that he is available to Shareholders where they have concerns and for which contract through the normal channels of communication with the CEO or Management are inappropriate or inadequate.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

In accordance with the terms of reference of the Nominating Committee, the duties and responsibilities of the Nominating Committee include, among others:-

(a) making recommendations to the Board on relevant matters relating to:

  (i) the review of succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, the CEO and key management personnel;

  (ii) the process and criteria for evaluation of the performance of the Board, its Board Committees and Directors;

  (iii) the review of training and professional development programmes for the Board and its Directors; and

  (iv) the appointment and re-appointment of Directors (including alternate directors, if any);

(b) determining annually, and as and when circumstances require, if a Director is independent, having regard to the circumstances set forth in Provision 2.1 of the Code and any other salient factor;

(c) prior to 1 January 2022, conducting a rigorous review of the independence of any Director who has served on the Board for more than nine years from the date of his or her first appointment and the reasons for considering him or her as independent;

(d) ensuring that new Directors are aware of their duties and obligations; and

(e) deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company, and where a Director holds a significant number of listed company directorships and principal commitments[1], assessing the ability of such a Director to diligently discharge his or her duties; and

(f) without limiting the effect of sub-paragraph (a)(ii) above, recommending for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual Director to the Board, in order for the Board to undertake a formal annual assessment of the performance of the Board as a whole, each board committee and each individual Director.

[1] The term "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

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The Nominating Committee comprises three Non-Executive Directors, namely, Mr. Ong Beng Chye ("**NC Chairman**"), Ms. Tan Swee Ling and Mr. Jens Rasmussen, the majority of whom, including the NC Chairman, are independent.

The Nominating Committee ensures that new Directors are aware of their duties and obligations. Newly appointed Directors will receive appropriate training and orientation programmes to familiarise themselves with the operations of the Group and its major business processes. On the appointment of a new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations.

The Nominating Committee also decides if a Director is able to and has been adequately carrying out his or her duties as a Director of the Company. The Nominating Committee will have regard to whether each Director has adequate time and attention to devote to the Company, in the case of Directors with multiple listed board representations and other principal commitments.

The listed company directorships and principal commitments of each Director are disclosed in the Annual Report. In the event a Director holds a significant number of such directorships and commitments, the Company provides the Nominating Committee and Board an assessment of the ability of the Director to diligently discharge his or her duties. Although some of the Directors have other listed board representations and other principal commitments, the Nominating Committee is satisfied that all Directors are able to devote adequate time and attention to the affairs of the Company to fulfil his or her duties effectively as a Director. The Nominating Committee monitors and determines annually whether Directors who have multiple listed board representations and other principal commitments are able to devote sufficient time and attention to the affairs of the Company and adequately carry out his or her duties as a Director. The Nominating Committee assesses the contribution by each Director to the effectiveness of the Board and takes into account his or her actual conduct on the Board in making this determination. There is no alternate Director on the Board.

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

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

In accordance with Rule 720(4) of the Rules of Catalist, all Directors need to submit themselves for re-nomination and re-appointment at least once every three years. In addition, in accordance with the Company's Constitution, all Directors, including the CEO, are subject to re-nomination and re-appointment at regular intervals of at least once every three years. At each AGM, at least one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, are required to retire and to submit themselves for re-election. The Company's Constitution also provides that a newly appointed Director must retire and submit himself or herself for re-election at the AGM following his or her appointment. In making the recommendation, the Nominating Committee has considered each of the said Directors' overall contributions and performances. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

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Pursuant to the one-third rotation rule, Mr. Jens Rasmussen and Ms. Tan Swee Ling shall retire at the forthcoming AGM and shall be eligible for re-election.

The Nominating Committee has recommended to the Board that Mr. Jens Rasmussen and Ms Tan Swee Ling be nominated for re-election at the forthcoming AGM. The Board has accepted the Nominating Committee's recommendation. Mr. Jens Rasmussen will, upon re-election as a Director at the forthcoming AGM, remain as Non-Executive Director and continue as a member of the Audit and Risk Committee, the Remuneration and Compensation Committee and the Nominating Committee. Ms. Tan Swee Ling, who has served on the Board for more than nine years, has indicated to the Board her intention to retire at the forthcoming AGM. Accordingly, Ms. Tan Swee Ling will, upon retirement as a Director at the forthcoming AGM, cease as Chairman of the Audit and Risk Committee and the Remuneration and Compensation Committee, and a member of the Board and the Nominating Committee. Please refer to pages 35 to 37 of this annual report for the additional information regarding Mr. Jens Rasmussen, pursuant to Rule 720(5) of the Rules of Catalist.

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

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

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board approved the objective performance criteria and process recommended by the Nominating Committee for the evaluation of the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual Director to the Board. Each member of the Nominating Committee shall abstain from voting on any resolution and making any recommendation and/or participating in any deliberation of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

An annual evaluation of the Board's performance for FY2019 was conducted to assess and identify areas for continuous improvement to the Board's overall effectiveness. The evaluation was carried out by way of a Board assessment checklist through which each Director was required to complete and assess individually the Board as a whole on several parameters namely, the board structure, conduct of meetings or affairs, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with Shareholders. Attendance at the meetings of the Board and Board Committees, effectiveness of discussions at such meetings and the discharge of the Board's duties in relation to the affairs of the Group were also evaluated. The consolidated findings were then reported and recommendations were made to the Board for consideration for further improvements to assist the Board in discharging its duties more effectively. The performance criteria, which allows for comparison with industry peers, are approved by the Board and they address how the Board has enhanced long-term Shareholders' value by allowing the Board to further improve on discharging their duties more effectively. The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The performance criteria has been amended for FY2019 to reflect the amendments made to the Code. The Nominating Committee has assessed the Board's performance and effectiveness to-date and is of the view that the performance and effectiveness of the Board as a whole was satisfactory. The Code recommends that individual evaluation should be conducted to assess the effectiveness of the Board Committees and whether each Director continues to contribute effectively and demonstrate commitment to the role. The Board, together with the Nominating Committee, have taken cognizance of the recommendations under the Code, but is of the view that due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director and the Board Committees as well as the effectiveness of the Board Committees and the contribution by each Director to the effectiveness of the Board.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

In accordance with the terms of reference of the Remuneration and Compensation Committee, the duties and responsibilities of the Remuneration and Compensation Committee include, among others:-

(a) reviewing and recommending to the Board:

 (i) a framework of remuneration for the Board and key Management personnel; and

 (ii) the specific remuneration packages for each Director as well as for the key Management personnel,

 and in doing so, the Remuneration and Compensation Committee considers all aspects of remuneration, including termination terms, to ensure they are fair;

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

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

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

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

The Remuneration and Compensation Committee comprises three Non-Executive Directors, namely, Ms. Tan Swee Ling ("**RC Chairman**"), Mr. Jens Rasmussen and Mr. Ong Beng Chye, the majority of whom, including the RC Chairman, are independent.

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

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

The Remuneration and Compensation Committee will, from time to time, and where necessary, seek advice from external remuneration consultant(s) in structuring the remuneration policy and determine the level and mix of remuneration for the Directors and key Management personnel. No external remuneration consultant has been engaged for FY2019.

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Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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

From FY2019, the Company has adopted and used contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key Management personnel in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Company.

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

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

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

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

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. Executive Directors do not receive any Directors' fee. At the last AGM held on 26 April 2019, Shareholders had approved the payment of the Non-Executive Directors' fees of S$146,800 for FY2019. At the forthcoming AGM, Shareholders' approval will be sought for the payment of the Non-Executive Directors' fees of up to S$128,500 for the financial year ending 31 December 2020.

CORPORATE **GOVERNANCE REPORT**

Disclosure on Remuneration

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Group sets the remuneration policy for (i) each individual Director and the CEO; and (ii) the top five key Management personnel (who are not directors or the CEO) in bands no wider than S$250,000.

A breakdown, showing the level and mix of the remuneration of each individual Director in bands no wider than S$250,000 for FY2019, is as follows:-

	Directors' Fees (%)	Fixed Salary[1] (%)	Bonus (%)	Benefits (%)	Total (%)
Executive Directors					
S$250,000 to S$500,000					
Mr. Low Chee Wee	-	87	12	1	100
Below S$250,000					
Mr. Eddy Neo Chiang Swee	-	76	10	14	100
Non-Executive Directors					
Below S$250,000					
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100
Mr. Ong Beng Chye	100	-	-	-	100

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

A breakdown, showing the level and mix of the remuneration of each of the top six key Management personnel (who are not Directors or the CEO) in bands no wider than S$250,000 for FY2019, is as follows:-

	Fixed Salary[1] (%)	Bonus (%)	Benefits (%)	Total (%)
S$250,000 to S$500,000				
Mr. Christopher Low Chee Leng	81	12	7	100
Below S$250,000				
Ms. Lim Fei Yen[2]	93	7	-	100
Mr. Teh Teong Lay[3]	91	9	-	100
Mr. Koay Swee Heng	80	17	3	100
Mr. Teoh Han Chong	91	9	-	100
Mr. Lou Tin Boang	92	8	-	100

Notes:-
(1) Includes mainly employers' contributions to the Central Provident Fund and allowances.
(2) Ms. Lim Fei Yen ceased to be the Financial Controller of the Company on 6 July 2019.
(3) Mr. Teh Teong Lay was appointed as the Financial Controller of the Company on 18 July 2019.

CORPORATE **GOVERNANCE REPORT**

The total remuneration, in aggregate, paid to the above top six key Management personnel (who are not Directors or the CEO) for FY2019 was approximately S$731,000.

Mr. Low Chee Wee and Mr. Christopher Low Chee Leng are brothers. The remuneration paid to Mr. Christopher Low Chee Leng for FY2019 was between S$250,000 and S$300,000.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded S$100,000 during FY2019, was a substantial Shareholder, an immediate family member of a Director, the CEO or a substantial Shareholder.

The Board has, on review, decided not to disclose the remuneration of the Directors to the nearest thousand dollars and the remuneration of the top six key Management personnel (who are not Directors or the CEO) to the nearest thousand dollars given the competitive pressure and disadvantages that this might bring. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this corporate governance report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as the level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

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

The Company currently has in place the Eng Soon Employee Share Option Scheme ("**ESOS**") and the Eng Soon Performance Share Plan ("**PSP**"), which will expire on 24 June 2020. The ESOS and PSP comply with the relevant rules as set out in Chapter 8 of the Rules of Catalist and are administered by the Remuneration and Compensation Committee. The Board has decided not to extend the validity of the ESOS and PSP, and accordingly, both the ESOS and PSP will cease on 24 June 2020.

Since the commencement of the ESOS and the PSP to the end of FY2019, no options and/or awards were granted and no shares were issued under the ESOS and the PSP respectively.

The Board will evaluate as and when there is a need for on an alternative long-term incentive and reward plan to ensure employees focus on generating Shareholders' value over a longer term. Entitlement to such long-term incentives will include assessment and recognition of potential progressive performance and enhancement to asset value and Shareholders' value over time, taking into consideration current and future plans of the Company.

A separate annual remuneration report has not been included in this annual report as the Board is of the view that the matters which are required to be disclosed in such annual remuneration report have already been sufficiently disclosed in this annual report and in the financial statements of the Company.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

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

CORPORATE **GOVERNANCE REPORT**

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

The Board monitors the Group's risks through the Audit and Risk Committee as well as the external and internal auditors. The Audit and Risk Committee reviews the audit plans of the external and internal auditors at least once annually, including the results of the external and internal auditors' review and evaluation of the system of internal controls. During FY2019, the Group's external and internal auditors have conducted their annual review respectively on the adequacy and effectiveness of the Group's material internal controls procedures, including financial, operational, compliance and information technology controls as well as risk management system and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of risk management and internal controls in light of the key business and financial risks affecting its business.

The Board has received assurance from:

(a) the CEO and COO and the Financial Controller ("**FC**") that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the CEO and COO and other key Management personnel who are responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Commentaries are provided to Shareholders in the Company's annual reports to enable them to make an informed assessment of the Company's risk management framework and internal control systems.

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

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

CORPORATE GOVERNANCE REPORT

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

Audit Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

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

In accordance with the terms of reference of the Audit and Risk Committee, the duties and responsibilities of the Audit and Risk Committee include, among others:-

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

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

 (i) changes in accounting policies and practices;

 (ii) major risk areas;

 (iii) significant adjustments resulting from the audit;

 (iv) going concern statement;

 (v) compliance with accounting standards; and

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

(c) reviewing the adequacy and effectiveness of the Company's internal controls and risk management systems;

(d) reviewing the assurance from the CEO and the FC on the financial records and financial statements;

(e) making recommendations to the Board on: (i) the proposals to Shareholders on the appointment and removal of the external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(f) reviewing the adequacy, effectiveness, independence, scope and results of the external audit;

(g) reviewing the adequacy, effectiveness, independence, scope and results of the Company's internal audit function;

(h) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;

(i) reviewing and advising the Board on any interested person transaction;

CORPORATE **GOVERNANCE REPORT**

(j) reviewing with the external auditors:-

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

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

    (iii) their audit report; and

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

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

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

The Audit and Risk Committee comprises three Non-Executive Directors, namely Ms. Tan Swee Ling ("**AC Chairman**"), Mr. Jens Rasmussen and Mr. Ong Beng Chye, the majority of whom, including the AC Chairman, are independent. Members of the Audit and Risk Committee are appropriately qualified and have recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities.

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

(a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case,

(b) for as long as they have any financial interest in the auditing firm or auditing corporation.

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group has therefore appointed a professional internal audit firm to undertake the functions of its internal audit. For the financial year under review, the Group's internal auditor is SCAA. The internal auditors' primary line of reporting is to the Audit and Risk Committee. The Audit and Risk Committee also decides on the appointment, termination and remuneration of the professional firm to which the internal audit function is outsourced. On a yearly basis, the Audit and Risk Committee reviews whether the internal audit function is independent, effective and adequately resourced.

For FY2019, the Audit and Risk Committee has reviewed and ensured that the internal auditors are adequately resourced with persons with the relevant qualifications and experience and have appropriate standing within the Group, and the internal audit function is independent and effective. The internal auditors have carried out their function according to the Committee of Sponsoring Organisation of the Treadway Commission Framework which is consistent with the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

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

- to review the effectiveness of the Group's system of internal controls to address key business and operational risks;

- to review compliance to the system of internal controls; and

- to assess whether operations are conducted in an effective and efficient manner.

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

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

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

The Audit and Risk Committee has also conducted an annual review of the independence of the external auditors, and has satisfied itself on the independence and objectivity of the external auditors. The total amount of audit fees paid to the external auditors for audit services rendered for FY2019 was S$106,000. No non-audit services were rendered by the external auditors for FY2019, and accordingly no non-audit fees were paid to the external auditors for FY2019.

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

The Board and the Audit and Risk Committee are satisfied that the Company is in compliance with Rule 715 of the Rules of Catalist. The external auditors appointed for the Company's significant subsidiaries for FY2019 are set out in the notes to financial statements at pages 77 to 81 of this annual report. For FY2019, the Company is in compliance with Rules 712 and 715 of the Rules of Catalist in relation to the appointment of auditing firms for the Group.

To achieve a high standard of corporate governance for the operations of the Group, the Group has put in place a whistle-blowing policy which encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. The objective of such policy is to provide for procedures to validate concerns and to ensure independent investigation of such matters and for appropriate follow-up action. The Audit and Risk Committee will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. The whistle-blowing policy has been circulated to all employees. No whistle-blowing reports were received in FY2019.

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SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the Company explains the reasons and material implications in the notice of meeting. The Company will put all resolutions to vote by poll and make an announcement on the detailed results showing the number of votes cast for and against each resolution and the respective percentages for general meetings.

All Directors endeavour to attend the general meetings of shareholders to address any questions that the shareholders may have. The external auditors of the Company are also present at annual general meetings to address shareholders queries about the conduct of audit and the preparation and content of the auditors' report.

Name of Director	AGM held on 26 April 2019
Wee Siew Kim[(1)]	Present
Low Chee Wee	Present
Eddy Neo Chiang Swee	Absent
Tan Swee Ling	Present
Ong Beng Chye	Present
Jens Rasmussen	Present

(1) Mr. Wee Siew Kim retired as a Director of the Company at the AGM held on 26 April 2019.

Save for the last AGM held on 26 April 2019, there were no other general meetings of the Company held during FY2019.

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

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

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

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General meetings of the Company represent the principal forum for dialogue and interaction with all Shareholders. Resolutions at general meetings of the Company are on each substantially separate issue. At each AGM, the Board presents the progress and performance of the Group's businesses and invites all Shareholders to participate in the questions and answers session. The Directors, including the respective chairman of the Board Committees and the Management are in attendance at the AGMs to allow Shareholders the opportunity to air their views and ask the Directors or the Management questions regarding the Group. The external auditors also attend the AGMs to assist the Directors in answering any query relating to the conduct of the audit and the preparation and content of the auditors' report. Although the Company does not publish minutes of general meetings of shareholders on its corporate website, such minutes are readily provided to Shareholders upon request. Notwithstanding so, the Board is of the view that the Company complies with Principle 11 of the Code. The minutes of general meetings record substantial and relevant comments or queries from Shareholders relating to the agenda of the general meeting, and responses from the Board and the Management.

The Company currently does not have a formal policy on payment of dividends. The Company may declare dividends by way of an ordinary resolution of Shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of Shareholders. The Directors may also declare an interim dividend without the approval of Shareholders.

Subject to Shareholders' approval at the forthcoming AGM, the Board has proposed a first and final tax-exempt (one-tier) cash dividend of 0.15 Singapore cents per ordinary share and a special tax-exempt (one-tier) cash dividend of 0.30 Singapore cents per ordinary share for FY2019.

Engagement With Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the Company. The Company provides avenues for communication between the Board and all shareholders. To allow the Board to solicit and understand the views of Shareholders, Shareholders are encouraged to attend the annual general meetings and extraordinary general meetings of the Company to ensure high level of accountability and to stay appraised of the Group. Shareholders are given an opportunity to air their views and ask questions regarding the Company and the Group.

In line with continuous disclosure obligations of the Company pursuant to the Rules of Catalist and the Companies Act, the Board's policy is for Shareholders to be informed promptly of all major developments that would, or are likely to, impact the Group. The Company does not practise selective disclosure of material information. Information is communicated to Shareholders on a timely basis through the SGXNet. Communication is also made through the half year and full year financial statements, and annual reports issued to all Shareholders, within the mandatory period. The Company maintains a corporate website at http://www.esgroup.com.sg/ through which Shareholders are able to access up-to-date information on the Group. The website provides corporate announcements, annual reports, sustainability reports and profiles of the Group, the Board and Board Committees.

To actively engage and promote regular, effective and fair communication with Shareholders, the Company actively engages Shareholders and has put in place an effective investor relations policy which allows for an ongoing exchange of views. The investor relations policy sets out a mechanism through which Shareholders may contact the Company with questions and through which the Company may respond to such questions.

CORPORATE **GOVERNANCE REPORT**

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. The Group has also undertaken a process to determine the economic, environmental, social and governance issues, which are important to these stakeholders.

Detailed approach to the stakeholder engagement and materiality assessment will be disclosed in the Group's sustainability report for FY2019, which will be published by end May 2020 to keep stakeholders informed on the Group's business and operations.

To promote regular, effective and fair communication with stakeholders, the Company maintains a corporate website at http://www.esgroup.com.sg/ which provides corporate announcements, annual reports, sustainability reports, press releases and other information pertaining to the Group, through which stakeholders are able to access up-to-date information on the Group.

MATERIAL CONTRACTS

Save as disclosed below in the section entitled "Interested Person Transactions", there were no material contracts or loans entered into by or taken up by the Group involving the interests of the CEO or any Director or controlling Shareholder either still subsisting at the end of FY2019 or if not then subsisting, entered into since the end of FY2018.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees payable or paid to ZICO Capital Pte. Ltd. in FY2019.

DEALINGS IN SECURITIES

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

CORPORATE **GOVERNANCE REPORT**

INTERESTED PERSON TRANSACTIONS

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

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the Rules of Catalist. The aggregate value of interested person transactions entered into during FY2019 as required for disclosure pursuant to Rule 1204(17) of the Rules of Catalist is as follows:-

Name of Interested Person	Nature of Relationship	Aggregate value of all interested person transaction during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Mr. Low Chye Hin - Provision of consultancy services and allowance	Mr. Low Chye Hin, the Group's consultant, is the father of Mr. Low Chee Wee (Executive Director, CEO and COO of the Company).	204	-
Mr. Eric Neo Chiang Yee - Insurance broker services	Mr. Eric Neo Chiang Yee is the brother of Mr. Eddy Neo Chiang Swee (Executive Director of the Company) and the cousin of Mr. Low Chee Wee (Executive Director, CEO and COO of the Company).	231	-
Total		**435**	**-**

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

APPENDIX

Additional Information on Director nominated for re-election – Appendix 7F to the Rules of Catalist

The following table sets out the additional information on Mr Jens Rasmussen, being the Director which is retiring in accordance with the Company's Constitution and is seeking re-appointment at the forthcoming AGM, pursuant to Rule 720(5) of the Rules of Catalist.

Name of Director	Jens Rasmussen
Date of first appointment	1 January 2010
Date of last re-appointment (if applicable)	27 April 2018
Age	65
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Jens Rasmussen as a Director of the Company was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration Mr Rasmussen's qualifications, past experiences, as well as overall contribution and performance since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Non-Executive Director and a member of the Nominating Committee, the Audit and Risk Committee and the Remuneration and Compensation Committee
Professional qualifications	Master of Science in Engineering, Technical University of Denmark, Copenhagen
Working experience and occupation(s) during the past 10 years	2006 to Present: Owner, Raza Service January 2007 to February 2016: Managing Director, Floatel Singapore Pte Ltd
Shareholding interest in the listed issuer and its subsidiaries	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil
Conflict of interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 702(1) has been submitted to the listed issuer	Yes
Other Principal Commitments including Directorships	
Past (for the last 5 years)	Floatel Singapore Pte Ltd
Present	Nil

APPENDIX

Name of Director		Jens Rasmussen
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No
(c)	Whether there is any unsatisfied judgment against him?	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No

APPENDIX

Name of Director		Jens Rasmussen
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No

Name of Director	Jens Rasmussen
Disclosure applicable to the appointment of Director only	
Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Yes. Mr Jens Rasmussen is currently a director of the Company.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	Not applicable. This is a re-election of a Director and Mr Jens Rasmussen has prior experience as a director of an issuer listed on the SGX-ST.

DIRECTORS' STATEMENT

The Directors of ES Group (Holdings) Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2019 and the statement of financial position as at 31 December 2019 and statement of changes in equity of the Company for the financial year ended 31 December 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company and the statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended; and

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

2. Directors

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

Ong Beng Chye
Low Chee Wee
Eddy Neo Chiang Swee
Tan Swee Ling
Jens Rasmussen

3. Arrangements to enable Directors to acquire shares or debentures

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

DIRECTORS' **STATEMENT**

4. Directors' interests in shares or debentures

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

Name of directors and companies in which interest are held	Shareholdings registered in name of Director or nominee			Shareholdings in which Director is deemed to have an interest		
	At beginning of year	At end of year	At 21/1/2020	At beginning of year	At end of year	At 21/1/2020
ES Group (Holdings) Limited						
(Ordinary shares)						
Low Chee Wee	33,655,000	33,655,000	33,655,000	53,540,000	53,540,000	53,540,000
Eddy Neo Chiang Swee	6,000,000	6,000,000	6,000,000	3,600,000	3,600,000	3,600,000
Ong Beng Chye	1,925,000	1,925,000	1,925,000	-	-	-

By virtue of Section 7 of the Act, Low Chee Wee is deemed to have an interest in all ordinary shares of the Company's related corporations. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2020 in the shares or debentures of the Company is listed above.

5. Share options

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

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

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

DIRECTORS' **STATEMENT**

6. Audit and risk committee

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

Tan Swee Ling	AC Chairman and Independent Director
Jens Rasmussen	Non-Executive Director
Ong Beng Chye	Independent Director

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

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

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

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

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

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

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

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

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

DIRECTORS' **STATEMENT**

7. Subsequent developments

There are no significant developments subsequent to the release of the Group's preliminary financial statements, as announced on 28 February 2020, which would materially affect the Group's and the Company's operating and financial performance as at the date of this report, except as disclosed below:

(a) Subsequent to the financial year ended 31 December 2019, the World Health Organisation announced that the Coronavirus 2019 ("Covid-19") as a global health emergency.

The Group has initiated business continuity measures to prevent the spread of the Covid-19. The management continues to monitor closely the situation of the Covid-19 and carried out necessary measures to keep the operation remain steadily.

Due to the ongoing outbreak of Covid-19, the Group is unable to reasonably estimate the financial impact on the Group's business, results of operations and cash flows for the financial year ending 31 December 2020.

(b) On 11 February 2020, the Company completed the disposal of a vessel, which has been classified as non-current assets held for sale as at 31 December 2019, for a cash consideration of approximately $5,467,000.

8. Independent auditor

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

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

9. Additional disclosure requirements of the Catalist Rules of the SGX-ST

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

On behalf of the Board of Directors

Low Chee Wee
Director

Eddy Neo Chiang Swee
Director

Singapore
27 March 2020

INDEPENDENT **AUDITOR'S REPORT**

To the Members of ES Group (Holdings) Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ES Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 47 to 111, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

INDEPENDENT **AUDITOR'S REPORT**

To the Members of ES Group (Holdings) Limited

Key Audit Matters

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

KEY AUDIT MATTER	AUDIT RESPONSE
1 Revenue recognition arising from new building and repair operating segment	
The Group's revenue streams are mainly from new building and repair of vessels, which account for 77% of the Group's total revenue. It involves long term contracts and revenue is recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation. The stage of completion is measured using the input method by actual costs incurred to-date. Significant management judgements and estimation are required in determining the estimated project recovery rates which take into account various factors, including the recoverability of variation works. We focused on this area as a key audit matter due to the significant judgements and estimation involved. Refer to notes 2.15, 3.2 and 21 of the accompanying financial statements.	Our audit procedures include, amongst others, the following: ▪ Tested the operating effectiveness of the key controls identified for the revenue and receipt cycle and the direct wages and payment cycle. ▪ On selected samples, evaluated the reasonableness of management's estimated project recovery rates, by checking against costing sheets, payroll information, engineers' certified documents and historical rates of similar projects. ▪ Evaluated the reasonableness of the revenue recognised for completed projects by checking against customer acknowledged documents, on a sample basis. ▪ Assessed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

To the Members of ES Group (Holdings) Limited

<table>
<tr><th>KEY AUDIT MATTER</th><th>AUDIT RESPONSE</th></tr>
<tr><td colspan="2">2 Impairment assessment of property, plant and equipment</td></tr>
<tr><td>As at 31 December 2019, the Group's property, plant and equipment amounted to $14,146,215 which accounted for 31% of the Group's total assets.

During the financial year, management carried out an impairment assessment on one of the Group's vessels as there were indicators that it may be impaired.

For the purposes of impairment assessment, management has determined the recoverable amount of the vessel based on value-in-use computation. This requires management's assumption and estimation of the future cash flows of the vessel, revenue growth rate, gross profit margin and discount rate to be applied to the future cash flow projections. Based on management's assessment, there is an impairment of $800,000 recognised on the vessel.

We focused on this area as a key audit matter because of the significant management judgement involved in estimating the recoverable amounts of the vessel based on assumptions that are affected by future expected market and economic conditions.

Refer to notes 2.8, 3.2 and 13 of the accompanying financial statements.</td>
<td>Our audit procedures include, amongst others, the following:

▪ Assessed management's determination as to whether there is an indication of impairment of the property, plant and equipment.

▪ Evaluated the key assumptions used in the impairment assessment by assessing the revenue growth rate and gross profit margin against historical performance.

▪ Compared the previous financial year's cash flow forecasts against current year's performance to assess the historical accuracy of management's forecasting process and consider the nature of any significant differences.

▪ Engaged our internal valuation specialist to evaluate the reasonableness of the relevant discount rates.

▪ Assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.</td></tr>
</table>

Other Information

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

To the Members of ES Group (Holdings) Limited

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

To the Members of ES Group (Holdings) Limited

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019	2018	2019	2018
		$	$	$	$
ASSETS					
Current assets					
Cash and cash equivalents	4	15,471,363	7,027,243	55,982	96,089
Fixed deposit pledged	4	448,235	100,753	-	-
Trade receivables	5	7,121,885	15,005,181	1,507	1,378
Contract assets	7	2,805,935	3,721,551	-	-
Other receivables	8	846,331	1,087,295	26,800,607	16,216,076
Inventories	9	513,220	416,050	-	-
Income tax receivables		-	2,471	-	-
Total current assets		27,206,969	27,360,544	26,858,096	16,313,543
Non-current assets classified as held for sale	6	4,035,730	-	-	-
		31,242,699	27,360,544	26,858,096	16,313,543
Non-current assets					
Deposits	8	7,355	4,155	-	-
Investments in subsidiaries	10	-	-	19,003,142	19,169,153
Investment in an associate	11	-	-	-	-
Club membership	12	49,500	49,500	-	-
Property, plant and equipment	13	14,146,215	19,108,130	-	-
Total non-current assets		14,203,070	19,161,785	19,003,142	19,169,153
Total assets		45,445,769	46,522,329	45,861,238	35,482,696
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	14	1,337,123	3,552,794	-	-
Trade payables	15	1,177,943	1,950,318	-	-
Other payables	16	6,100,938	6,779,927	20,150,452	10,258,622
Lease liabilities	17	144,064	125,128	-	-
Income tax payable		902,665	-	-	-
Total current liabilities		9,662,733	12,408,167	20,150,452	10,258,622

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019	2018	2019	2018
		$	$	$	$
Non-current liabilities					
Bank loans	14	3,663,231	5,818,941	-	-
Lease liabilities	17	886,852	947,564	-	-
Total non-current liabilities		4,550,083	6,766,505	-	-
Capital, reserves and non-controlling interests					
Share capital	18	23,698,348	23,698,348	23,698,348	23,698,348
Statutory surplus reserve	19	451,250	419,660	-	-
Retained earnings		26,281,559	21,654,667	2,012,438	1,525,726
Currency translation reserve		(204,344)	(233,015)	-	-
Merger reserve	20	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		31,656,345	26,969,192	25,710,786	25,224,074
Non-controlling interests		(423,392)	378,465	-	-
Total equity		31,232,953	27,347,657	25,710,786	25,224,074
Total liabilities and equity		45,445,769	46,522,329	45,861,238	35,482,696

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 $	Group 2018 $
Revenue	21	27,843,743	27,972,463
Cost of services	22	(15,898,981)	(19,646,954)
Gross profit		11,944,762	8,325,509
Other operating income	23	1,142,087	949,720
Administrative expenses		(6,227,066)	(5,530,311)
Other operating expenses	24	(2,346,112)	(2,564,232)
Reversal of loss allowance/(Loss allowance) made for third party trade receivables		547,165	(594,317)
Finance costs	25	(328,175)	(421,338)
Profit before income tax		4,732,661	165,031
Income tax expense	26	(902,281)	-
Profit for the year	27	3,830,380	165,031
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss</u>			
Exchange differences on translating foreign operations, representing other comprehensive income for the financial year, net of tax		54,916	40,508
Total comprehensive income for the year		3,885,296	205,539
Profit attributable to:			
Owners of the parent		4,658,482	969,022
Non-controlling interests		(828,102)	(803,991)
		3,830,380	165,031
Total comprehensive income attributable to:			
Owners of the parent		4,687,153	989,071
Non-controlling interests		(801,857)	(783,532)
		3,885,296	205,539
Basic and diluted earnings per share (cents)	28	3.30	0.69

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $	Statutory surplus reserve $	Retained earnings $	Currency translation reserve $	Merger reserve $	Equity attributable to owners of the Company $	Non-controlling interests $	Total $
Group									
Balance at 1 January 2019		23,698,348	419,660	21,654,667	(233,015)	(18,570,468)	26,969,192	378,465	27,347,657
Total comprehensive income for the year:									
Profit for the year		-	-	4,658,482	-	-	4,658,482	(828,102)	3,830,380
Other comprehensive income for the year		-	-	-	28,671	-	28,671	26,245	54,916
Total		-	-	4,658,482	28,671	-	4,687,153	(801,857)	3,885,296
Transactions with owners, recognised directly in equity									
appropriations		-	31,590	(31,590)	-	-	-	-	-
Total		-	31,590	(31,590)	-	-	-	-	-
Balance at 31 December 2019		23,698,348	451,250	26,281,559	(204,344)	(18,570,468)	31,656,345	(423,392)	31,232,953
Balance at 1 January 2018		23,698,348	408,980	20,696,325	(253,064)	(18,570,468)	25,980,121	1,153,565	27,133,686
Total comprehensive income for the year:									
Profit for the year		-	-	969,022	-	-	969,022	(803,991)	165,031
Other comprehensive income for the year		-	-	-	20,049	-	20,049	20,459	40,508
Total		-	-	969,022	20,049	-	989,071	(783,532)	205,539
Transactions with owners, recognised directly in equity									
appropriations		-	10,680	(10,680)	-	-	-	-	-
Incorporation of a subsidiary		-	-	-	-	-	-	8,432	8,432
Total		-	10,680	(10,680)	-	-	-	8,432	8,432
Balance at 31 December 2018		23,698,348	419,660	21,654,667	(233,015)	(18,570,468)	26,969,192	378,465	27,347,657

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

STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Share capital $	Retained earnings $	Total $
Company				
Balance at 1 January 2019		23,698,348	1,525,726	25,224,074
Profit for the year, representing total comprehensive income for the year		-	486,712	486,712
Balance at 31 December 2019		23,698,348	2,012,438	25,710,786
Balance at 1 January 2018		23,698,348	2,322,521	26,020,869
Loss for the year, representing total comprehensive income for the year		-	(796,795)	(796,795)
Balance at 31 December 2018		23,698,348	1,525,726	25,224,074

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	**2018**
	$	**$**
Operating activities		
Profit before income tax	4,732,661	165,031
Adjustments for:		
Bad debts written off	33,320	-
Interest income	(41,113)	(43,984)
Interest expense	328,175	421,338
Property, plant and equipment written off	-	739,699
Impairment of property, plant and equipment	800,000	-
(Reversal of loss allowance)/Loss allowance made for third party trade receivables	(547,165)	594,317
Depreciation of property, plant and equipment	1,554,935	2,182,306
Gain on disposal of property, plant and equipment	(7,207)	(29,123)
Operating cash flows before movements in working capital	6,853,606	4,029,584
Trade receivables	8,514,145	(4,111,918)
Contract assets	916,126	3,650,533
Other receivables	243,436	(242,094)
Inventories	(87,769)	206,951
Trade payables	(790,858)	191,503
Other payables	(1,176,707)	441,421
Cash from operations	14,471,979	4,165,980
Interest received	41,113	43,984
Income tax paid	(7)	(2,919)
Net cash from operating activities	14,513,085	4,207,045
Investing activities		
Proceeds on disposal of property, plant and equipment	7,207	109,599
Purchases of property, plant and equipment (Note 13)	(971,813)	(1,931,166)
Net cash used in investing activities	(964,606)	(1,821,567)

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	**2018**
	$	**$**
Financing activities (Note A)		
Fixed deposit pledged	(347,482)	(250)
Interest paid	(328,175)	(421,338)
Proceeds from:		
Short term loans	1,000,000	2,000,000
Repayments of:		
Term loans	(5,371,381)	(5,262,194)
Principal element of lease payments	(127,176)	(107,509)
Net cash used in financing activities	(5,174,214)	(3,791,291)
Net change in cash and cash equivalents	8,374,265	(1,405,813)
Cash and cash equivalents at beginning of the year	7,027,243	8,405,622
Effects of exchange rate changes on the balance of cash held in foreign currencies	69,855	27,434
Cash and cash equivalents at end of the year (Note 4)	15,471,363	7,027,243

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Note A: Reconciliation of liabilities arising from financing activities

	2018	Cash flows	Non-cash changes: Additions of property, plant and equipment under leases	Non-cash changes: Foreign exchange differences	2019
	$	$	$	$	$
Bank loans (Note 14)	9,371,735	(4,371,381)	-	-	5,000,354
Lease liabilities (Note 17)	1,072,692	(127,176)	85,400	-	1,030,916
Loan from a director of subsidiary (Note 16)	3,231,382	-	-	243,243	3,474,625
	13,675,809	(4,498,557)	85,400	243,243	9,505,895

	2017	Cash flows	Non-cash changes: Additions of property, plant and equipment under leases	Non-cash changes: Foreign exchange differences	2018
	$	$	$	$	$
Bank loans (Note 14)	12,633,929	(3,262,194)	-	-	9,371,735
Lease liabilities (Note 17)	1,067,930	(107,509)	112,271	-	1,072,692
Loan from a director of subsidiary (Note 16)	3,150,011	-	-	81,371	3,231,382
	16,851,870	(3,369,703)	112,271	81,371	13,675,809

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

1. General

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

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

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

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

The consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019 were authorised for issue by the Board of Directors on 27 March 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting policies below.

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I)s issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s that may be relevant to the Group were issued but not yet effective.

		Effective date (annual periods beginning on or after)
SFRS(I) 1-1, and SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, and SFRS(I) 7 (Amendments)	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 10 and SFRS(I) 1-28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Various	: Amendments References to the Conceptual Framework in SFRS (I) Standards	1 January 2020

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

The management anticipates that the adoption of the above SFRS(I)s, where relevant, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

2.2 Basis of consolidation

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

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

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

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

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

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

When the Group loses control of a subsidiary it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration transferred also includes any contingent consideration measured at the fair value at the acquisition date. Subsequent changes in fair value of contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

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

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

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

Where a business combination involves entities or businesses under common control, it is outside the scope of SFRS(I) 3 and may be accounted for using the pooling of interest method or the acquisition method (when the transaction has substance from the perspective of the reporting entity). The following is an illustrative accounting policy where the pooling of interest method is applied:

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts.
- No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.
- No goodwill is recognised as a result of the combination.
- Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.
- The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.
- Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.4 Merger reserve

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

2.5 Property, plant and equipment

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

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

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

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

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.5 Property, plant and equipment (Continued)

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

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

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

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

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

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

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

2.6 Intangible assets

Club membership

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

2.7 Associates

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.8 Impairment of non-financial assets

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

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

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

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

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

2.9 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets as measured at amortised cost, depending on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off in profit or loss.

At each reporting date, the Group assesses whether trade receivables are credit-impaired. Trade receivables is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that trade receivables have occurred.

Evidence that a trade receivables is credit-impaired includes observable data about the following events:

- significant financial difficulty of debtor;
- a breach of contract, such as a default or past due event; or
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Impairment provisions for receivables from subsdiaries are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at each reporting date, there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables, (excluding prepayment and value-added tax receivables), contract assets and cash and cash equivalents and deposits in the statements of financial position.

Derecognition of financial assets

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Trade and other payables

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

Borrowings

Interest-bearing bank loans are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.16).

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Offsetting financial instruments

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

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.11 Cash and cash equivalents

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

2.12 Leases

Leases are recognised as right-of-use assets and corresponding lease liabilities at the date of which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed lease payments. Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liabilities.

The right-of-use assets are included in property, plant and equipment (Note 13). The right-of-use asset is subject to testing for impairment if there is an indicator for impairment. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

	Useful life	**Lease term**
Motor vehicles	5 to 7 years	5 to 7 years
Leasehold land	22 years	22 years
Other assets	5 years	5 years

The Group has elected not to recognise right-of-use assets and lease liabilities for leases where the total lease term is less than or equal to 12 months and lease contracts for which the underlying asset has a low value. The payments for such leases are recognised in the profit or loss on a straight-line basis over the lease term.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.13 Contingencies

A contingent liability is:

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

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

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

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

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

2.14 Government grants

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

2.15 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Rendering of services

Rendering of services relates to services on new building, conversion and repair of offshore and marine structures and vessels as well as provision of labour supply. Each promise to deliver services to the customer relates to a single performance obligation, and therefore each transaction price negotiated relates to the performance obligation's standalone price.

Revenue from rendering of services are recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation. The stage of completion is measured using the input method by actual costs incurred to-date. The Group progressively invoices the customer on progress claims, where the Group has right over payment over the value of services transferred to the customer. In the event where the value of services exceeds the rights of payments from the customer, a contract asset is recognised. Where the payments exceed the value of services transferred, a contract liability is recognised.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.15 Revenue recognition (Continued)

Rendering of services (Continued)

Estimates of revenue or extent of progress toward completion are revised if circumstances changed. Any resulting increase or decrease in estimated revenue are reflected in the profit or loss in the period in which the circumstances give rise to the revision become known by management.

The costs of fulfilling contracts by the customer do not result into a recognition of contract assets if such costs falls within the scope of other SFRS(I)s. The Group will recognise these costs of fulfilling as contract asset only if:

- these costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- these costs generate or enhance resources that will be used in satisfying performance obligations in the future; and
- these costs are expected to be recovered.

Marine supplies income

Revenue from marine supplies relates to the supply of goods delivered to the customer, where revenue is recognised at a point in time when the performance obligation to delivered goods to the customer is fulfilled, based on the transaction price stated in the contract, net of any discounts given. Each good delivered to the customer is a single performance obligation.

Charter income

Revenue from charter income relates to the provision of ship charter services to customer.

Revenue generated from short term time charter is recognised over time on a straight-line basis over the period of the charter based on the transaction price stated in the contract, as the performance obligations relates to a series of distinct services that are the same and have the same pattern of transfer to the customer.

Revenue generated from spot charter is recognised at a point in time upon completion of shipment at discharge port based on the transaction price stated in the contract, as the single performance obligation is fulfilled upon the completion of the charter. Variable consideration may arise in the event that the customer has exceeded an agreed period, where the variable consideration is based on a demurrage rate agreed in the contract. Variable consideration is recognised based on the expected value method.

Rental income

Revenue are recognised over time on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest rate method.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.16 Borrowing costs

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

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

2.17 Retirement benefit costs

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

2.18 Employee leave entitlements

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

2.19 Taxes

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

<u>Current income tax</u>

Current income tax expense is the amount of income tax payable in respect of the taxable profit for a period. Current income tax liabilities for the current and prior periods shall be measured at the amount expected to be paid to the taxation authorities, using the tax rates and interpretation to applicable tax laws in the countries where the Group operates, that have been enacted or substantively enacted by the end of the reporting period. Management evaluates its income tax provisions on periodical basis.

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

<u>Deferred tax</u>

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

2.19 Taxes (Continued)

Deferred tax (Continued)

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

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

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

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

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

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

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

Sales tax

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

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

- receivables and payables that are stated with the amount of sales tax included.

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

2.20 Dividends

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

2. Summary of significant accounting policies (Continued)

2.21 Foreign currency transactions and translation

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

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

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

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

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

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

2.22 Segment reporting

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2. Summary of significant accounting policies (Continued)

2.23 Non-current assets classified as held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less cost to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less cost to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

<u>Control over ES Offshore and Marine Engineering (Thailand) Co., Ltd.</u>

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty

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

Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets are determined by the management based on value-in-use.

Value-in-use of the asset is determined based on present value of the projected cash flows expected to be derived over the useful life of the asset. The carrying amounts of property, plant and equipment of the Group as at 31 December 2019 were $14,146,215 (2018: $19,108,130). During the financial year, an impairment loss of $800,000 (2018: Nil) was recognised. Further information was disclosed in Note 13 to the financial statements.

Revenue recognition

Revenue from rendering of services are recognised over time by reference to engineers' estimates of project recovery rates and the Group's progress towards complete satisfaction of each performance obligation.

In deriving an estimated project recovery rate for each project, management has performed the cost studies, the actual rates for similar contracts and recoverability of variation works by taking into account engineers' estimate. The recovery rate is regularly reviewed and revised, as appropriate.

Where the actual project recovery rate is different from the original estimate, such difference will impact revenue in the period in which such estimate has been changed. Service revenue is disclosed in Note 21 to the financial statements.

Loss allowance for trade receivables

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

The carrying amounts of trade receivables at the end of the reporting period are disclosed in Note 5 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

3.2 Key sources of estimation uncertainty (Continued)

Impairment of investments in subsidiaries

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

Management has estimated the recoverable amount based on fair value less cost of disposal. The fair value less cost of disposal is determined by reference to the fair value of the subsidiaries. The assessment has led to the recognition of impairment loss of $1,239,528 (2018: $989,000) and reversal of impairment loss of $1,073,517 (2018: $Nil) during the year.

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

4. Cash and cash equivalents

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Cash at banks and on hand	8,495,449	5,362,339	55,982	96,089
Fixed deposits	7,424,149	1,765,657	-	-
	15,919,598	7,127,996	55,982	96,089
Fixed deposits pledged	(448,235)	(100,753)		
Cash and cash equivalents on consolidated statement of financial position	15,471,363	7,027,243		
Cash and cash equivalents on consolidated statement of cash flows	15,471,363	7,027,243		

Fixed deposits bore an effective interest rate from a range of 0.1% to 2.4% (2018: 0.10% to 2.33%) per annum and was for a tenure of approximately 30 to 365 days (2018: 30 to 365 days).

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

Fixed deposit of the Group amounting to $448,235 (2018: $100,753) was pledged to a bank to secure credit facilities granted to a certain subsidiary.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4. Cash and cash equivalents (Continued)

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore dollar	10,591,317	3,907,305	55,982	96,089
Thai baht	539,482	951,424	-	-
United states dollar	4,647,043	2,194,586	-	-
Malaysia Ringgit	27,514	23,140	-	-
Others	114,242	51,541	-	-
	15,919,598	7,127,996	55,982	96,089

5. Trade receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Third parties	7,984,878	16,415,339	1,507	1,378
Less: Loss allowance for trade receivables	(862,993)	(1,410,158)	-	-
Total trade receivables	7,121,885	15,005,181	1,507	1,378
Add: Cash and cash equivalents (Note 4)	15,919,598	7,127,996	55,982	96,089
Add: Contract assets (Note 7)	2,805,935	3,721,551	-	-
Add: Other receivables (Note 8)	853,686	1,091,450	26,800,607	16,216,076
Less: Prepayments (Note 8)	(182,512)	(409,757)	(53,659)	(79,977)
Less: Value-added tax receivables (Note 8)	(21,414)	(38,676)	-	-
Total financial assets carried at amortised cost	26,497,178	26,497,745	26,804,437	16,233,566

The average credit period granted to customers is 30 days (2018: 30 days). No interest is charged on the outstanding balances.

Movements in the loss allowance for trade receivables are as follows:

	Group	
	2019	**2018**
	$	**$**
At 1 January	1,410,158	815,841
Loss allowance during the financial year	191,313	637,888
Amount recovered during the financial year	(738,478)	(43,571)
At 31 December	862,993	1,410,158

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5. Trade receivables (Continued)

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Singapore dollar	6,781,355	14,933,302	1,507	1,378
United states dollar	150,365	65,229	-	-
Malaysia Ringgit	153,476	6,650	-	-
Others	36,689	-	-	-
	7,121,885	15,005,181	1,507	1,378

6. Non-current assets classified as held for sale

	Group
	Vessel
	$
At 1 January 2019	-
Reclassified from property, plant and equipment	4,035,730
At 31 December 2019	4,035,730

On 28 November 2019, a Memorandum of Agreement was signed with a buyer in connection with the sale of a vessel for a consideration of approximately $5,467,000. As at 31 December 2019, the vessel was pledged with the bank (Note 14) for banking facilities. The sale of the asset was classified as held for sale on the consolidated statement of financial position as at 31 December 2019. The vessel was part of the Group's shipping segment. The sale of the vessel was completed on 11 February 2020 (Note 35).

7. Contract assets

	Group	
	2019	2018
	$	$
New building and repair	2,805,935	3,721,551

Significant changes in contract assets

	Group	
	2019	2018
	$	$
At 1 January	3,721,551	7,366,061
Amount transferred to trade receivables	(3,721,551)	(7,366,061)
Excess of revenue recognised over cash or rights of cash	2,805,935	3,721,551
At 31 December	2,805,935	3,721,551

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7. Contract assets (Continued)

The contract assets mainly relate to the Group's rights to consideration for work completed but not yet billed at reporting date on the contracts for new building and repair operating segment. The contract assets are transferred to trade receivables when the rights become unconditional. The Group has assessed credit risk for contract assets based on 12-month expected loss basis which reflects the low credit risk of the exposures. The management is of the view that the amount of the allowance on these balances is insignificant.

8. Other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Third parties	742,360	703,692	328,706	328,716
Less: Loss allowance for third parties other receivables	(328,706)	(328,706)	(328,706)	(328,706)
Subsidiaries	-	-	27,879,462	17,505,364
Less: Loss allowance for amount due from subsidiaries	-	-	(1,143,214)	(1,379,975)
Associate	306,491	306,491	-	-
Less: Loss allowance for amount due from an associate	(306,491)	(306,491)	-	-
Prepayments	182,512	409,757	53,659	79,977
Deposits	236,106	268,031	10,700	10,700
Value-added tax receivables	21,414	38,676	-	-
Total other receivables	853,686	1,091,450	26,800,607	16,216,076
Less: Deposits (shown under non-current assets)	(7,355)	(4,155)	-	-
	846,331	1,087,295	26,800,607	16,216,076

The amount due from subsidiaries and associate which are non-trade in nature are unsecured, interest free, repayable on demand and are to be settled in cash.

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

	Group and Company	
	2019	**2018**
	$	**$**
At 1 January/31 December	328,706	328,706

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8. Other receivables (Continued)

Movements in the loss allowance for amount due from subsidiaries are as follows:

	Company	
	2019	**2018**
	$	**$**
At 1 January under	1,379,975	1,298,881
Loss allowance during the financial year	68,636	81,094
Amount recovered during the financial year	(305,397)	-
At 31 December	1,143,214	1,379,975

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

	Group	
	2019	**2018**
	$	**$**
At 1 January/31 December	306,491	306,491

In determining the recoverability of receivable from an associate, the Group considers the financial strength and performance of the associate.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore dollar	659,669	991,163	23,326,018	12,984,728
Thai baht	33,862	49,158	3,474,589	3,231,348
United states dollar	41,203	36,283	-	-
Malaysia Ringgit	113,159	8,894	-	-
Others	5,793	5,952	-	-
	853,686	1,091,450	26,800,607	16,216,076

9. Inventories

	Group	
	2019	**2018**
	$	**$**
Raw materials, at cost	128,006	86,284
Consumables, at cost	385,214	329,766
Total	513,220	416,050

The cost of inventories recognised as expense are included in "Cost of services" line item in the Group's profit or loss for the financial year ended 31 December 2019 amounted to $2,241,323 (2018: $4,725,470).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Investments in subsidiaries

	Company	
	2019	2018
	$	$
Unquoted equity shares, at cost	21,680,828	21,680,828
Less: Allowance for impairment loss	(2,677,686)	(2,511,675)
Total	19,003,142	19,169,153

Movements in the allowance for impairment loss are as follows:

	Company	
	2019	2018
	$	$
At 1 January	2,511,675	1,522,675
Allowance made during the financial year	1,239,528	989,000
Reversal made during the financial year	(1,073,517)	-
At 31 December	2,677,686	2,511,675

As at 31 December 2019, the Company carried out a review on the recoverable amount of its investments in certain subsidiaries, Wang Fatt Oil & Gas Construction Pte. Ltd., ES Offshore and Marine Engineering (Thailand) Co., Ltd. and ES Chartering Pte. Ltd., having regards for indicators of impairment on investments in subsidiaries based on the existing performance of subsidiaries. These subsidiaries are in new building and repair segment.

The assessment resulted in the recognition of an impairment loss of $1,239,528 (2018: $989,000) recognised in the Company's profit or loss.

The carrying amount of the investment in ES Offshore and Marine Engineering (Thailand) Co., Ltd and ES Chartering Pte. Ltd. had been fully impaired based on its fair value less cost of disposal.

The carrying amounts of the investments in Wang Fatt Oil & Gas Construction Pte. Ltd was partially impaired. The recoverable amount of $10,369,760 had been determined on the basis of the subsidiary's fair value less cost to sell (Level 3 hierarchy).

A reversal of an allowance for impairment loss of $1,073,517 was recognised relating to the investment in ES Offshore Engineering Pte. Ltd. following an improvement in its performance. The recoverable amount of $1,691,809 had been determined on the basis of the subsidiary's fair value less costs to sell (Level 3 hierarchy).

10. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2019	2018	2019	2018	2019	2018	2019	2018
		$	$	%	%	%	%	%	%
Held by the Company									
Eng Soon Investment Pte Ltd[(1)]	Repair of vessel and related engineering services/Singapore	5,275,859	5,275,859	100	100	100	100	-	-
Wang Fatt Oil & Gas Construction Pte Ltd[(1)]	Repair of vessel and related engineering services and building construction/ Singapore	10,400,088	10,400,088	100	100	100	100	-	-
Eng Soon Marine Pte Ltd[(1)]	Sale of consumables/ Singapore	782,272	782,272	100	100	100	100	-	-
ES Offshore Engineering Pte. Ltd.[(1)]	Repairs of vessel and related engineering services/ Singapore	1,073,517	1,073,517	100	100	100	100	-	-
Eng Soon Engineering (1999) Pte Ltd[(1)]	Repair of vessel and related engineering services/ Singapore	1,401,732	1,401,732	100	100	100	100	-	-
ES Shipping Pte. Ltd.[(1)]	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew/ Singapore	100,000	100,000	100	100	100	100	-	-

10. Investments in subsidiaries (Continued)

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

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2019	2018	2019	2018	2019	2018	2019	2018
		$	$	%	%	%	%	%	%
Held by the Company (Continued)									
ES Energy Pte. Ltd.[1]	Offshore support services and investment holding/ Singapore	1	1	100	100	100	100	-	-
ES Oil & Gas Pte. Ltd.[1]	Repair of vessels and related engineering services/Singapore	1	1	100	100	100	100	-	-
ES Chartering Pte. Ltd.[1]	Freight water transport/ Singapore	50,000	50,000	100	100	100	100	-	-
Dalian ES Marine & Offshore Engineering Co., Ltd.[6]	Technical development, design, and consultancy service for ship and offshore project/People's Republic of China ("PRC")	449,158	449,158	100	100	100	100	-	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd.[2][4][5]	Vessel building and repair and steel construction/ Thailand	2,148,200	2,148,200	50	50	51	51	50	50
		21,680,828	21,680,828						

10. Investments in subsidiaries (Continued)

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

Name of subsidiary	Principal activities/ Country of incorporation and principal place of business	Cost of investment		Proportion of ownership interest		Proportion of voting power held		Proportion of ownership interest held by non-controlling interests	
		2019	2018	2019	2018	2019	2018	2019	2018
		$	$	%	%	%	%	%	%
Held by ES Oil & Gas Pte. Ltd.									
ESW Automation Pte. Ltd.[1]	Provide electrical and installation services for vessels/ Singapore	100,000	100,000	100	100	100	100	-	-
ES Offshore and Engineering (Myanmar) Company Limited[6] [7]	Provide consultancy and engineering services/ Myanmar	17,824	17,824	50	50	50	50	-	-
		117,824	117,824						
Held by ES Offshore Engineering Pte. Ltd.									
ES Offshore and Engineering (Myanmar) Company Limited[6] [7]	Provide consultancy and engineering services/ Myanmar	17,825	17,825	50	50	50	50	-	-
		17,825	17,825						
Held by ES Chartering Pte. Ltd.									
ES Aspire Pte. Ltd.[1]	Freight water transport/ Singapore	50,000	50,000	100	100	100	100	-	-
		50,000	50,000						
Held by Eng Soon Marine Pte Ltd									
ES Nautilus (M) Sdn. Bhd. [3] [8]	Building and construction of ships, floating structures as well as other engineering projects/ Malaysia	8,101	8,101	49	49	51	51	51	51
		8,101	8,101						

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

10. Investments in subsidiaries (Continued)

Notes:

(1) Audited by BDO LLP, Singapore.

(2) Audited by BDO Limited, Thailand.

(3) Audited by YYC & Co., Malaysia.

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

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

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

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

(8) The Group owns 49% equity shares of ES Nautilus (M) Sdn. Bhd.. However, based on contractual agreements between the Group and other investor, the Group holds 51% of voting power that gives it the ability to direct the relevant activities of ES Nautilus (M) Sdn. Bhd. based on simple majority votes. The non-controlling interest owns 51% equity shares and 49% of voting power of ES Nautilus (M) Sdn. Bhd.. Therefore, the directors of the Group determined that the Group has control over ES Nautilus (M) Sdn. Bhd. and accordingly ES Nautilus (M) Sdn. Bhd. is consolidated in these financial statements.

Incorporation of a subsidiary

In 2018, the Company's wholly-owned subsidiary, Eng Soon Marine Pte Ltd incorporated a partially-owned subsidiary in Malaysia, ES Nautilus (M) Sdn. Bhd. with an issued and paid-up capital of 50,000 ordinary shares at RM1.00 per share. The Company has 49% equity share in ES Nautilus (M) Sdn. Bhd. with capital contribution of $8,101.

ES Nautilus (M) Sdn. Bhd. was consolidated into these financial statements as a subsidiary in view that the Company had control over it through majority voting right, and as a result, a non-controlling interest of $8,432 was recognised within equity.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11. Investment in an associate

	Group 2019 $	Group 2018 $
Cost of investment in an associate	200,000	200,000
Share of post-acquisition loss, net of dividend received	(132,155)	(132,155)
Allowance for impairment loss	(67,845)	(67,845)
Total	-	-

Movements in the allowance for impairment loss are as follows:

	Group 2019 $	Group 2018 $
At 1 January/31 December	67,845	67,845

Name of associate	Principal activities/ Country of incorporation and principal place of business	Proportion of ownership interest 2019 %	Proportion of ownership interest 2018 %	Proportion of voting power held 2019 %	Proportion of voting power held 2018 %
Karnot Technology Pte. Ltd.[1]	Provide engineering services/Singapore	20	20	20	20

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

The above associate is accounted for using the equity method in these consolidated financial statements. The Group's share of current year's losses is $Nil (2018: $Nil) as the associate is no longer in operation.

12. Club membership

	Group 2019 $	Group 2018 $
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Total	49,500	49,500

Movements in the allowance for impairment loss are as follows:

	Group 2019 $	Group 2018 $
At 1 January/31 December	15,500	15,500

13. Property, plant and equipment

	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction-in-progress	Vessel	Dry dock	Right-of-use assets (Note A)	Other assets	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Group												
Cost												
At 1 January 2019	5,598,757	3,776,673	1,389,502	854,886	9,905,956	1,151,953	1,735,763	8,204,685	853,790	1,773,211	2,278,760	37,523,936
Exchange translation	-	284,289	104,595	64,351	592,958	8,323	-	-	-	-	17,746	1,072,262
Additions	12,750	-	-	-	-	5,415	673,912	140,000	-	184,524	40,612	1,057,213
Disposals	-	-	-	-	-	(117,154)	-	-	-	-	-	(117,154)
Reclassified as held for sale	-	-	-	-	-	-	-	(4,158,354)	(440,776)	-	-	(4,599,130)
Transfer from asset under construction	-	-	-	-	-	-	(2,409,675)	1,750,406	659,269	-	-	-
Write-off	-	-	-	-	(155,815)	-	-	-	-	-	(19,141)	(174,956)
At 31 December 2019	5,611,507	4,060,962	1,494,097	919,237	10,343,099	1,048,537	-	5,936,737	1,072,283	1,957,735	2,317,977	34,762,171
Accumulated depreciation and accumulated impairment losses												
At 1 January 2019	2,468,909	-	886,107	783,470	9,376,909	798,235	-	559,136	498,076	861,834	2,183,130	18,415,806
Exchange translation	-	-	67,008	59,060	547,187	8,807	-	-	-	-	18,663	700,725
Charge for the year	226,615	-	65,181	18,021	339,265	64,282	-	393,585	220,011	156,181	71,794	1,554,935
Impairment	-	-	-	-	-	-	-	800,000	-	-	-	800,000
Disposals	-	-	-	-	-	(117,154)	-	-	-	-	-	(117,154)
Reclassified as held for sale	-	-	-	-	-	-	-	(385,542)	(177,858)	-	-	(563,400)
Write-off	-	-	-	-	(155,815)	-	-	-	-	-	(19,141)	(174,956)
At 31 December 2019	2,695,524	-	1,018,296	860,551	10,107,546	754,170	-	1,367,179	540,229	1,018,015	2,254,446	20,615,956
Carrying amount												
At 31 December 2019	2,915,983	4,060,962	475,801	58,686	235,553	294,367	-	4,569,558	532,054	939,720	63,531	14,146,215

13. Property, plant and equipment (Continued)

Group	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction-in-progress	Vessel	Dry dock	Rights-of-use assets (Note A)	Other assets	Total
	$	$	$	$	$	$	$	$	$	$	$	$
Cost												
At 1 January 2018	5,598,757	3,680,559	1,354,140	833,129	9,705,487	1,422,629	509,942	9,018,354	1,009,590	1,636,913	2,245,450	37,014,950
Exchange translation	-	96,114	35,362	21,757	200,469	4,879	-	-	-	-	5,379	363,960
Additions	-	-	-	-	-	128,804	1,735,763	-	-	136,298	42,572	2,043,437
Disposals	-	-	-	-	-	(404,359)	(69,166)	-	-	-	(5,500)	(479,025)
Reclassification	-	-	-	-	-	-	(440,776)	-	440,776	-	-	-
Write-off	-	-	-	-	-	-	-	(813,669)	(596,576)	-	(9,141)	(1,419,386)
At 31 December 2018	5,598,757	3,776,673	1,389,502	854,886	9,905,956	1,151,953	1,735,763	8,204,685	853,790	1,773,211	2,278,760	37,523,936
Accumulated depreciation and accumulated impairment losses												
At 1 January 2018	2,243,586	-	773,328	716,584	8,707,910	1,134,872	-	243,488	467,248	729,824	2,066,614	17,083,454
Exchange translation	-	-	21,345	19,312	178,504	3,635	-	-	-	-	5,486	228,282
Charge for the year	225,323	-	91,434	47,574	490,495	52,777	-	389,618	627,404	132,010	125,671	2,182,306
Disposals	-	-	-	-	-	(393,049)	-	-	-	-	(5,500)	(398,549)
Write-off	-	-	-	-	-	-	-	(73,970)	(596,576)	-	(9,141)	(679,687)
At 31 December 2018	2,468,909	-	886,107	783,470	9,376,909	798,235	-	559,136	498,076	861,834	2,183,130	18,415,806
Carrying amount												
At 31 December 2018	3,129,848	3,776,673	503,395	71,416	529,047	353,718	1,735,763	7,645,549	355,714	911,377	95,630	19,108,130

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Property, plant and equipment (Continued)

Note A: Right-of-use assets

	Right-of-use assets			
	Motor vehicles	**Leasehold land**	**Other assets**	**Total**
	$	**$**	**$**	**$**
Group				
Cost				
At 1 January 2019	457,193	1,279,810	36,208	1,773,211
Additions	184,524	-	-	184,524
At 31 December 2019	641,717	1,279,810	36,208	1,957,735
Accumulated depreciation				
At 1 January 2019	166,656	664,280	30,898	861,834
Charge for the year	85,049	67,149	3,983	156,181
At 31 December 2019	251,705	731,429	34,881	1,018,015
Carrying amount				
At 31 December 2019	390,012	548,381	1,327	939,720
Cost				
At 1 January 2018	320,895	1,279,810	36,208	1,636,913
Additions	136,298	-	-	136,298
At 31 December 2018	457,193	1,279,810	36,208	1,773,211
Accumulated depreciation				
At 1 January 2018	108,204	597,131	24,489	729,824
Charge for the year	58,452	67,149	6,409	132,010
At 31 December 2018	166,656	664,280	30,898	861,834
Carrying amount				
At 31 December 2018	290,537	615,530	5,310	911,377

The land lease is negotiated for a term of 22 years from April 2006 and the lease payment is subject to periodic revision by JTC Corporation. The incremental borrowing rate applied to the lease liability on inception date of the lease was 5.12%.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Property, plant and equipment (Continued)

During the year, the Group carried out a review of the recoverable amount of the vessel in shipping segment owned by a subsidiary, as management had determined that indicators of impairment existed at the end of the reporting period due to the deteriorating operating results of the subsidiary. The review led to the recognition of an impairment loss of $800,000 that had been recognised in "Other operating expenses" line item in the Group's profit or loss. The recoverable amount of the vessel amounting to $4,569,558 had been determined on the basis of its value in use calculations using the following key assumptions:

	Group
	2019
	%
Discount rate	9.4
Revenue growth rate	0
Gross profit margin	17

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

Leasehold land and property comprises:

- 4 office units at 8 Ubi Road 2 #06-23 to #06-26 Zervex Singapore 408538, leased for 57 years from 29 June 2011; and

- a workshop, repair facilities and worker dormitory at 10 Kwong Min Road Singapore 628712, leased for 22 years from April 2006.

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of $2,915,983 (2018: $3,129,848) have been pledged with a bank for banking facilities (Note 14).

Freehold land and property comprise of:

- a shipyard and branch office at 161/2 Moo 7 Tambon Nahukwang, Amphur Thapsakae, Prachupkirikhan 77130, Thailand; and

- a worker dormitory at 136/76 Moo 5, Tambon Thapsakae, Amphur Thapsakae, Prachupkirikhan 77130, Thailand.

As at 31 December 2019, the Group's vessels (classified in property, plant and equipment and non-current assets classified as held for sale) with carrying amounts of $8,605,288 (2018: $7,645,549) have been pledged with a bank for banking facilities (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13. Property, plant and equipment (Continued)

Restrictions

Motor vehicles with carrying amounts of $390,012 (2018: $290,537) are secured over the lease liabilities of $346,993 (2018: $367,381) as at 31 December 2019. Motor vehicles will be seized and returned to lessor in the event of default by the Group.

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

	2019 $	2018 $
Purchases of property, plant and equipment	1,057,213	2,043,437
Less: Property, plant and equipment acquired under lease arrangements	(85,400)	(112,271)
Net cash payments made	971,813	1,931,166

14. Bank loans

	Group	
	2019 $	2018 $
Bank loans		
- Term loan 1[(a)]	938,373	995,226
- Term loan 2[(a)]	-	1,120,000
- Term loan 3[(a)]	1,600,000	2,200,000
- Term loan 4[(b)]	2,461,981	5,056,509
Total bank loans	5,000,354	9,371,735
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,337,123)	(3,552,794)
Amount due for settlement after 12 months	3,663,231	5,818,941

Notes:

(a) The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 2.22% to 4.90% (2018: 4.42% to 4.67%) per annum, and will be fully repaid by August 2022 and November 2033.

(b) The term loan was arranged at floating interest rate, thus exposing the Group to cash flow risk. The term loan has an average effective interest rate of 6.75% (2018: 3.46% to 6.75%) per annum, and will be fully repaid by April 2023.

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

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

(ii) a pledge over vessels (Note 13); and

(iii) corporate guarantees by the Company for all the monies owing (Note 30).

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14. Bank loans (Continued)

As at the end of the financial year, the Group has available $7,291,063 (2018: $6,344,671) of undrawn committed borrowing facilities in respect of which all conditions precedent have been met.

As at the end of the financial year, the fair value of the Group's bank loans is approximately $3,589,274 (2018: $7,543,074).

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

The bank loans are denominated in Singapore dollar.

15. Trade payables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Third parties	1,177,943	1,950,318	-	-
Total trade payables	1,177,943	1,950,318	-	-
Add: Bank loans (Note 14)	5,000,354	9,371,735	-	-
Add: Other payables (Note 16)	6,100,938	6,779,927	20,150,452	10,258,622
Add: Lease liabilities (Note 17)	1,030,916	1,072,692	-	-
Less: Goods and service tax payable	(201,547)	(336,038)	-	-
Total financial liabilities carried at amortised cost	13,108,604	18,838,634	20,150,452	10,258,622

The average credit period of trade payables is 30 days (2018: 30 days). No interest is charged on the outstanding balances.

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Singapore dollar	982,249	1,746,895	-	-
Thai baht	70,413	110,785	-	-
United States dollar	24,801	20,580	-	-
Malaysia Ringgit	30,346	-	-	-
Others	70,134	72,058	-	-
	1,177,943	1,950,318	-	-

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16. Other payables

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Director of subsidiary[(a)]	3,474,625	3,231,382	-	-
Subsidiaries[(b)]	-	-	20,079,446	10,163,021
Third parties[(b)]	209,353	1,171,474	14,016	36,018
Accruals[(c)]	1,291,248	1,206,249	56,990	59,583
Workers' guarantee payables[(d)]	403,776	538,822	-	-
Deposit received	721,936	632,000	-	-
	6,100,938	6,779,927	20,150,452	10,258,622

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

[(b)] The amount due to third parties and subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand.

[(c)] Accruals principally comprise amounts outstanding for on-going costs.

[(d)] Workers' guarantee payables comprise rewards payable to workers.

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Singapore dollar	1,676,180	3,290,490	20,150,452	10,258,622
Thai baht	3,714,105	3,419,355	-	-
United States dollar	548,622	21,179	-	-
Malaysia Ringgit	115,687	9,223	-	-
Others	46,344	39,680	-	-
	6,100,938	6,779,927	20,150,452	10,258,622

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17. Lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	2019	**2018**	**2019**	**2018**
	$	**$**	**$**	**$**
Group				
Amounts payable under leases:				
Within one year	189,966	173,478	144,064	125,128
In the second to fifth years inclusive	1,011,992	681,100	584,859	553,638
After five years	6,844	431,574	301,993	393,926
Total lease payables	1,208,802	1,286,152	1,030,916	1,072,692
Less: Future finance charges	(177,886)	(213,460)	-	-
Present value of lease obligations	1,030,916	1,072,692	1,030,916	1,072,692
Less: Amount due for settlement within 12 months (shown under current liabilities)			(144,064)	(125,128)
Amount due for settlement after 12 months			886,852	947,564

It is the Group's policy to lease certain property, plant and equipment. The average lease terms ranged from 5 to 22 years (2018: 5 to 22 years). The average effective borrowing rate was 4.96% (2018: 4.80%) per annum. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments, except for:

The lease of land which is located at 10 Kwong Min Road Singapore 628712 has been negotiated for a term of 22 years from April 2006 and the lease payment is subject to periodic revision by JTC Corporation. The incremental borrowing rate applied to the lease liability on inception date of the lease was 5.12%.

The fair value of the Group's lease liabilities approximates their carrying amount as the leases are subject to market borrowing rate.

The lease liabilities are denominated in Singapore dollar.

18. Share capital

	Group and Company			
	2019	**2018**	**2019**	**2018**
	Number of ordinary shares		**$**	**$**
Issued and paid up:				
At beginning and at end of year	141,200,000	141,200,000	23,698,348	23,698,348

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19. Statutory surplus reserve

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

20. Merger reserve

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

21. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 32 to the financial statements.

	Group		
Segments	**New building and repair $**	**Shipping $**	**Total $**
Type of goods and services			
2019			
Service revenue	21,496,385	-	21,496,385
Marine supplies	-	1,152,095	1,152,095
Ship charter	-	5,195,263	5,195,263
	21,496,385	6,347,358	27,843,743
2018			
Service revenue	21,333,225	-	21,333,225
Marine supplies	-	1,212,276	1,212,276
Ship charter	-	5,426,962	5,426,962
	21,333,225	6,639,238	27,972,463

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21. Revenue (Continued)

Disaggregation of revenue (Continued)

Segments	**Group** New building and repair $	Shipping $	Total $
Timing of transfer of goods and services			
2019			
At a point in time	-	4,829,026	4,829,026
Over time	21,496,385	1,518,332	23,014,717
	21,496,385	6,347,358	27,843,743
2018			
At a point in time	-	5,265,173	5,265,173
Over time	21,333,225	1,374,065	22,707,290
	21,333,225	6,639,238	27,972,463

22. Cost of services

	Group 2019 $	2018 $
Cost of projects (include labour costs and other direct costs)	12,364,793	13,085,694
Depreciation of property, plant and equipment (Note 27)	1,292,865	1,835,790
Materials	2,241,323	4,725,470
	15,898,981	19,646,954

23. Other operating income

	Group 2019 $	2018 $
Reimbursement of expenses from foreign workers	297,467	351,557
Rental income	178,425	182,226
Interest income	41,113	43,984
Gain on disposal of property, plant and equipment	7,207	29,123
Scrap income	9,211	76,761
Government grant	50,640	100,448
Foreign exchange gain – net	60,993	109,114
Forfeiture of deposit	460,000	-
Others	37,031	56,507
	1,142,087	949,720

Forfeiture of deposit in respect to a corporate guarantee issued by a bank for a legal case which has been settled during the financial year.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24. Other operating expenses

	Group	
	2019	**2018**
	$	**$**
Short-term lease expense:		
- Workshop lease	-	19,961
- Dormitory	565,972	522,360
- Others	-	180,744
Repair and maintenance	159,971	113,730
Travelling expense	185,786	180,780
Staff training and welfare	69,999	103,830
Food and refreshment	35,937	50,578
Water and electricity	123,673	192,665
Transportation	54,618	75,379
Depreciation on property, plant and equipment (Note 27)	150,351	206,157
Property, plant and equipment written off (Note 27)	-	739,699
Impairment of property, plant and equipment	800,000	-
Others	199,805	178,349
	2,346,112	2,564,232

25. Finance costs

	Group	
	2019	**2018**
	$	**$**
Interest on bank borrowings	279,125	371,847
Interest on bank overdrafts	-	10
Interest on lease liabilities	49,050	49,481
	328,175	421,338

26. Income tax expense

	Group	
	2019	**2018**
	$	**$**
Income tax:		
- Current year	900,475	-
- Underprovision in respect of prior years	1,806	-
	902,281	-

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. Income tax expense (Continued)

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

	Group	
	2019	**2018**
	$	**$**
Profit before income tax	4,732,661	165,031
Income tax expense at statutory rate of 17% (2018: 17%)	804,553	28,055
Effect of different tax rates of overseas operations	(16,038)	(54,751)
Effect of income that is exempt from taxation	(924,107)	(718,825)
Effect of expenses that are not deductible in determining taxable profit	925,715	991,338
Tax exemptions	(30,940)	-
Tax incentives	(1,020)	(1,293)
Underprovision in respect of prior years	1,806	-
Utilisation of deferred tax assets previously not recognised	(101,310)	(649,335)
Deferred tax assets not recognised in profit or loss	249,402	404,811
Others	(5,780)	-
Total income tax expense	902,281	-

Subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates at the end of the reporting period, the Group has unutilised tax losses of approximately $11,986,000 (2018: $11,115,000) available for offset against future profits. Included in unutilised tax losses are amounts of approximately $4,894,000 (2018: $4,551,000), $634,000 (2018: $589,000), $1,868,000 (2018: $1,737,000), $1,989,000 (2018: $1,850,000) and $1,467,000 (2018: Nil) arising in certain foreign tax jurisdictions which will expire in 2020, 2021, 2022, 2023 and 2024 respectively. No deferred tax asset has been recognised in accordance with the accounting policy in Note 2.19 to the financial statements due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

The Group has unutilised capital allowances of approximately $74,000 (2018: $74,000) available for offset against future profits, indefinitely and subject to provisions of the tax legislation of the Singapore tax authority at the end of the reporting period.

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

According to the promotional certificate no. 1279(2)/2550 dated 16 March 2007, the promotional certificate no. 2000(2)/2554 dated 16 August 2011 and the promotional certificate no. 1569(2)/2558 dated 7 May 2015, the Company's subsidiary is entitled to the following privileges:

- deduction of import duty on certain imported machinery as approved by the Board of Investment;
- deduction of import duty on the raw and essential materials import in producing products for export for a period of 5 years from the date such materials are first imported;
- exemption of import duties on items which imports for re-export for a period of 5 years from the date such items are first imported;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26. Income tax expense (Continued)

- deduct an amount of 25 percent of the cost of installation of machines and facilities, in addition to normal depreciation;
- exemption of corporate income tax on the net profit derived from the promoted activity with the total amount not exceeding 100 percent of the investment capital, excluding cost of land and working capital for a period of not more than 8 years from the date income was derived from such activity; and utilisation of net loss incurred during the exemption period as a deduction from net income incurred subsequent to the expired date up to 5 years; and
- tax-exempt dividends derived from the Promoted Activity to the shareholders within the income tax exemption period.

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

27. Profit for the year

Profit for the year is arrived at after charging/(crediting):

	Group	
	2019	**2018**
	$	**$**
Depreciation of property, plant and equipment:		
- cost of services (Note 22)	1,292,865	1,835,790
- administrative expenses	111,719	140,359
- other operating expenses (Note 24)	150,351	206,157
	1,554,935	2,182,306
Directors' remuneration:		
- of the Company	339,500	399,250
- of the subsidiaries	165,100	86,514
Audit fee:		
- paid/payable to auditors of the Company	93,520	93,000
- paid/payable to other auditors	12,664	12,879
Employee benefits expense (including directors' remuneration)	10,168,566	10,049,340
Costs of defined contribution plans (included in employee benefits expense)	466,633	448,857
Cost of inventories recognised as expense (Note 9)	2,241,323	4,725,470
(Reversal of loss allowance)/Loss allowance made for third party trade receivables, net	(547,165)	594,317
Impairment of property, plant and equipment	800,000	-
Property, plant and equipment written off (Note 24)	-	739,699

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28. Earnings per share

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

	2019 $	2018 $
Profit for the year attributable to owners of the Company	4,658,482	969,022
Weighted average number of ordinary shares for basic and diluted profit per share computation	141,200,000	141,200,000
Basic profit per share (cents)	3.30	0.69
Diluted profit per share (cents)	3.30	0.69

Basic profit per share are calculated by dividing the profit for the year attributable to the owners of the parent by the weighted average number of ordinary shares in issue of 141,200,000 (2018: 141,200,000) during the financial year.

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

29. Dividends

The Directors of the Company recommended a final tax-exempt (one-tier) and special tax-exempt (one tier) dividend of $0.0015 per ordinary share and $0.003 per ordinary share respectively, amounting to approximately $635,400 in total be paid for the financial year ended 31 December 2019. The dividends have not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the Annual General Meeting of the Company.

The Company did not recommend any dividend in respect of the financial year ended 31 December 2018.

30. Contingent liabilities

The Company has given corporate guarantees to certain banks and insurers in respect of banking facilities and foreign worker bonds granted to certain subsidiaries. The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is $5,257,155 (2018: $9,683,396). The earliest period that the guarantee could be called is within 1 year (2018: 1 year) from the end of the reporting period.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

31. Significant related party transactions

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

	Group	
	2019	2018
	$	$
Professional fee paid to immediate family member of directors/shareholders	204,180	205,080
Insurance broker services premium paid to immediate family member of directors/shareholders	231,248	187,303

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

Key management personnel remuneration

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Short-term benefits	1,508,143	1,401,830	590,054	553,250
Post-employment benefits	148,980	140,756	34,680	31,255
	1,657,123	1,542,586	624,734	584,505

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

32. Segment information

Services from which reportable segments derive their revenues

For the purpose of resource allocation and assessment of segment performance, the Group's chief operating decision maker has focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under SFRS(I) 8.

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

NOTES TO THE **FINANCIAL STATEMENTS**
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Segment information (Continued)

Services from which reportable segments derive their revenues (Continued)

The Group's reportable operating segments under SFRS(I) 8 are as follows:

Segment	Principal activities
New building and repair	New building, conversion and repair of offshore and marine structures and vessels, and labour supply
Shipping	Ship chartering, marine supplies and related activities

The accounting policies of the reportable segments are described in Note 2.15. Segment revenue represents revenue generated from external customers. Segment results consist of costs directly attributable to a segment as well as those that can be allocated on a reasonable basis. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The segment assets comprise trade receivables, contract assets, finance lease receivable, certain inventories, non-current assets classified as held for sale and property, plant and equipment. The remaining assets are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Segment information (Continued)

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

	New building and repair $	Shipping $	Total $
31 December 2019			
Revenue			
Segment revenue	21,496,385	6,347,358	27,843,743
Results			
Gross profit	12,154,781	(210,019)	11,944,762
Other operating income			1,142,087
Administrative expenses			(6,227,066)
Other operating expenses			(2,346,112)
Reversal of loss allowance			547,165
Finance costs			(328,175)
Profit before income tax			4,732,661
Income tax expense			(902,281)
Profit for the year			3,830,380
Other information			
Capital expenditure			1,057,213
Impairment of property, plant and equipment	-	800,000	800,000
Depreciation of property, plant and equipment	-	[(a)]613,596	1,554,935
Assets and Liabilities			
Segment assets	14,614,362	9,610,695	24,225,057
Unallocated corporate assets			21,220,712
Total assets			45,445,769
Segment liabilities	70,413	1,673,061	1,743,474
Unallocated corporate liabilities			12,469,342
Total liabilities			14,212,816

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Segment information (Continued)

	New building and repair $	Shipping $	Total $
31 December 2018			
Revenue			
Segment revenue	21,333,225	6,639,238	27,972,463
Results			
Gross profit	8,205,827	119,682	8,325,509
Other operating income			949,720
Administrative expenses			(5,530,311)
Other operating expenses			(2,564,232)
Loss allowance made for third party trade receivables			(594,317)
Finance costs			(421,338)
Profit before income tax			165,031
Income tax expense			-
Profit for the year			165,031
Other information			
Capital expenditure			2,043,437
Property, plant and equipment written off		739,699	739,699
Depreciation of property, plant and equipment	-	[a]1,017,022	2,182,306
Assets and Liabilities			
Segment assets	23,466,475	10,106,765	33,573,240
Unallocated corporate assets			12,949,089
Total assets			46,522,329
Segment liabilities	284,846	3,527,731	3,812,577
Unallocated corporate liabilities			15,362,095
Total liabilities			19,174,672

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32. Segment information (Continued)

Geographical information

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

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

	Revenue		Non-current assets#	
	2019	2018	2019	2018
	$	$	$	$
Geographical segments				
Singapore	27,386,390	27,711,912	9,218,824	14,129,530
Thailand	-	-	4,933,864	4,981,399
PRC	188,320	260,551	5,072	5,211
Malaysia	180,088	-	5,622	-
Myanmar	88,945	-	32,333	41,490
	27,843,743	27,972,463	14,195,715	19,157,630

\# Non-current assets other than financial instruments.

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

Information about major customers

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

	New building and repair		Shipping	
	2019	2018	2019	2018
	$	$	$	$
Customer A	18,351,077	13,995,138	-	-
Customer B	-	-	3,596,512	1,180,180
	18,351,077	13,995,138	3,596,512	1,180,180

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33. Financial instruments, financial risks and capital risks management

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

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

(a) Categories of financial instruments

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Financial assets				
Financial assets carried at amortised cost	26,497,178	26,497,745	26,804,437	16,233,566
Financial liabilities				
Financial liabilities carried at amortised cost	13,108,604	18,838,634	20,150,452	10,258,622

(b) Credit risk

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

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

As at the end of the reporting period, the Group has 1 (2018: 1) major customer which accounted for 73% (2018: 72%) of the net trade receivable balances.

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Credit risk (Continued)

Trade receivables and contract assets

The Group applies the simplified approach, using a provision matrix, to measure the expected credit losses for trade receivables and contract assets. To measure expected credit losses on a collective basis, trade receivables and contract assets are grouped based on similar credit risk and aging.

The expected loss rates are based on the Group's historical credit losses experienced over the three year period prior to the period end. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers.

The lifetime expected credit losses, on collective basis, for the Group's trade receivables and contract assets at each reporting date are as follows:

		Past due				
	Current	More than 30 days	More than 120 days	More than 210 days	More than 365 days	Total
	$	$	$	$	$	$
31 December 2019						
Gross carrying amount						
- Trade receivables	1,261,710	3,624,686	2,049,905	296,687	751,890	7,984,878
- Contract assets	2,805,935	-	-	-	-	2,805,935
	4,067,645	3,624,686	2,049,905	296,687	751,890	10,790,813
Less: Loss allowance	-	(81,974)	(38,366)	(125,530)	(617,123)	(862,993)[#]
	4,067,645	3,542,712	2,011,539	171,157	134,767	9,927,820

		Past due				
	Current	More than 30 days	More than 120 days	More than 210 days	More than 365 days	Total
	$	$	$	$	$	$
31 December 2018						
Gross carrying amount						
- Trade receivables	1,118,008	3,814,586	2,238,949	5,435,634	3,808,162	16,415,339
- Contract assets	3,721,551	-	-	-	-	3,721,551
	4,839,559	3,814,586	2,238,949	5,435,634	3,808,162	20,136,890
Less: Loss allowance	-	(95,365)	(67,168)	(325,289)	(922,336)	(1,410,158)[#]
	4,839,559	3,719,221	2,171,781	5,110,345	2,885,826	18,726,732

[#] This amount includes $733,680 (2018: $1,080,258) which is related to credit-impaired balances from several customers who are not likely to repay the outstanding balances mainly due to economic circumstances or who have defaulted in payment terms.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(b) Credit risk (Continued)

Non-trade amounts due from third parties

The Group adopts a policy of dealing with high credit quality counterparties. The Group monitors and assess at each reporting date on any indicator of significant increase in credit risk on these receivables. As at 31 December 2019, the Group has assessed it's non-trade third parties' financial performance to meet the contractual cash flow obligation and is of the view that expected credit losses of $328,706 (2018: $328,706) for non-trade amounts due from third parties are credit impaired.

Non-trade amounts due from subsidiaries

Management has taken into account information that it has available internally about these subsidiaries' past, current and expected operating performance and cash flow position. Management monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from the respective subsidiaries, by considering their performance ratio and any default in external debts. As at 31 December 2019, the Company has assessed its subsidiaries' financial performance to meet the contractual cash flow obligations and is of the view that total expected credit loss allowance is $1,143,214 (2018: $1,379,975) for non-trade amounts due from subsidiaries, where $1,074,578 (2018: $1,074,578) are credit impaired.

Cash and cash equivalents

The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A3 to Aa1, based on Moody's rating. The Board of Directors monitors the credit ratings of counterparties regularly. Impairment on cash and cash equivalents has been measured on the 12-month expected loss model. As at 31 December 2019, the Group and the Company did not expect any credit losses from non-performance by the counterparties.

(c) Foreign exchange risk

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(c) Foreign exchange risk (Continued)

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

	Monetary assets $	Monetary liabilities $	Net financial assets/ (liabilities) $	Net assets/ (liabilities) denominated in the respective entities' functional currencies $	Currency exposure $
Group					
2019					
Singapore dollars	20,838,276	(8,689,699)	12,148,577	(11,423,413)	725,164
Thai baht	573,344	(3,784,518)	(3,211,174)	6,685,763	3,474,589
United States dollars	4,838,611	(573,423)	4,265,188	(119,940)	4,145,248
Malaysia Ringgit	294,149	(146,033)	148,116	(83,845)	64,271
Company					
Thai baht	3,474,589	-	3,474,589	-	3,474,589
2018					
Singapore dollars	23,553,321	(15,481,812)	8,071,509	(7,158,170)	913,339
Thai baht	996,427	(3,530,140)	(2,533,713)	5,396,538	2,862,825
United States dollars	2,296,098	(41,759)	2,254,339	(41,262)	2,213,077
Malaysia Ringgit	38,684	(9,223)	29,461	(23,718)	5,743
Company					
Thai baht	3,231,348	-	3,231,348	-	3,231,348

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(c) Foreign exchange risk (Continued)

Foreign currency sensitivity

The following table details the sensitivity to a 5% (2018: 5%) increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign exchange rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

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

	2019	2018
	$	$
Group		
Singapore dollars	36,258	45,667
Thai baht	173,729	143,141
United States dollars	207,262	110,653
Malaysia Ringgit	3,214	287
Company		
Thai baht	173,729	161,567

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

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

(d) Interest rate risk

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

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

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

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

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

(d) Interest rate risk (Continued)

Interest rate sensitivity

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2019 would decrease/increase by $25,002 (2018: decrease/increase by $46,859). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

(e) Liquidity risk

As at 31 December 2019, the Group's cash and cash equivalents amounted to $15,471,363 (2018: $7,027,243). Management is of the view that there is sufficient cash and cash equivalents and internally generated cash flows to finance the Group's activities. If required, financing can be obtained from its existing lines of banking facilities. As at 31 December 2019, the Group had available $7,291,063 (2018: $6,344,671) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

In addition, the Company enters into financial guarantee contracts on behalf of its subsidiaries as disclosed in Note 30.

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

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(e) Liquidity risk (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate %	On demand or within 1 year $	Within 2 to 5 years $	After 5 years $	Adjustment $	Total $
Group						
31 December 2019						
Non-interest bearing						
Trade and other payables	-	7,077,334	-	-	-	7,077,334
Interest bearing						
Lease liabilities	4.96%	189,966	1,011,992	6,844	(177,886)	1,030,916
Variable interest rate instruments	5.31%	1,591,570	3,279,528	889,831	(760,575)	5,000,354
		8,858,870	4,291,520	896,675	(938,461)	13,108,604
31 December 2018						
Non-interest bearing						
Trade and other payables	-	8,394,207	-	-	-	8,394,207
Interest bearing						
Lease liabilities	4.80%	173,478	681,100	431,574	(213,460)	1,072,692
Variable interest rate instruments	4.70%	3,972,245	5,707,372	960,568	(1,268,450)	9,371,735
		12,539,930	6,388,472	1,392,142	(1,481,910)	18,838,634

Company

All financial liabilities of the Company in 2019 and 2018 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

Non-derivative financial assets

All financial assets of the Group and Company in 2019 and 2018 are repayable on demand or due within 1 year from the end of the reporting period, except for certain deposits as disclosed in Note 8.

NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(f) Offsetting financial assets and financial liabilities

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

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

Financial assets

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets $	Gross amounts of financial liabilities $	Net amount $
Company			
31 December 2019			
Amount due from subsidiaries	31,164,092	(3,284,630)	27,879,462
31 December 2018			
Amount due from subsidiaries	20,162,025	(2,656,661)	17,505,364

Financial liabilities

	Related amounts set off in the statement of financial position		
	Gross amounts of financial assets $	Gross amounts of financial liabilities $	Net amount $
Company			
31 December 2019			
Amount due to subsidiaries	3,288,544	(23,367,990)	(20,079,446)
31 December 2018			
Amount due to subsidiaries	947,002	(11,110,023)	(10,163,021)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

(g) Capital risks management policies and objectives

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

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

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

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

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

	Group	
	2019	**2018**
	$	**$**
Total borrowings	6,031,270	10,444,427
Total equity	31,656,345	26,969,192
Gearing ratio	19%	39%

Externally imposed capital requirements

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

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

All of the above subsidiaries have complied with the externally imposed capital requirements for financial years ended 31 December 2019 and 2018.

34. Fair value of financial assets and financial liabilities

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

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

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

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

35. Events after the report period

35.1 Subsequent to the financial year ended 31 December 2019, the World Health Organisation announced that the Coronavirus 2019 ("Covid-19") as a global health emergency.

The Group has initiated business continuity measures to prevent the spread of the Covid-19. The management continues to monitor closely the situation of the Covid-19 and carried out necessary measures to keep the operation remain steadily.

Due to the ongoing outbreak of Covid-19, the Group is unable to reasonably estimate the financial impact on the Group's business, results of operations and cash flows for the financial year ending 31 December 2020.

35.2 On 11 February 2020, the Company completed the disposal of a vessel, which has been classified as non-current assets held for sale as at 31 December 2019, for a cash consideration of approximately $5,467,000.

STATISTICS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2020

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

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

SIZE OF SHAREHOLDINGS			NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1	-	99	0	0.00	0	0.00
100	-	1,000	9	4.95	7,400	0.01
1,001	-	10,000	40	21.98	338,000	0.24
10,001	-	1,000,000	122	67.03	19,590,000	13.87
1,000,001	AND ABOVE		11	6.04	121,264,600	85.88
TOTAL			**182**	**100.00**	**141,200,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

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

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	53,540,000	37.92
2.	LOW CHEE WEE	33,655,000	23.83
3.	YVONNE LOW-TRIOMPHE	7,540,000	5.34
4.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANGSHUI)	6,000,000	4.25
5.	LEOW MEI LEE	3,600,000	2.55
6.	TING SEE PING (CHEN SHIPING)	3,500,000	2.48
7.	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,021,500	2.14
8.	UOB KAY HIAN PRIVATE LIMITED	3,003,000	2.13
9.	ALBERT SUSILO	2,505,000	1.77
10.	DBS NOMINEES (PRIVATE) LIMITED	2,500,100	1.77
11.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
12.	SIAH CHYE HOCK (XIE CAIFU)	1,000,000	0.71
13.	CITIBANK NOMINEES SINGAPORE PTE LTD	925,100	0.66
14.	RSM (LOW CHEE LENG CHRISTOPHER - B1595/2018)	905,000	0.64
15.	LOH WING WAH	894,000	0.63
16.	SERM TANTASATIEN	835,000	0.59
17.	TAN SZE HONG	800,000	0.57
18.	PHILLIP SECURITIES PTE LTD	793,500	0.56
19.	OCBC SECURITIES PRIVATE LIMITED	739,000	0.52
20.	RHB SECURITIES SINGAPORE PTE. LTD.	736,000	0.52
		128,892,200	**91.28**

STATISTICS OF **SHAREHOLDINGS**

AS AT 20 MARCH 2020

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	DIRECT INTEREST		DEEMED INTEREST		TOTAL INTEREST	
NAME	**NO. OF SHARES**	**%**	**NO. OF SHARES**	**%**	**NO. OF SHARES**	**%**
Low Chee Wee [(1)]	33,655,000	23.83	53,540,000	37.92	87,195,000	61.75
Low Chee Leng Christopher [(1)]	905,000	0.64	53,540,000	37.92	54,445,000	38.56
Yvonne Low-Triomphe [(1)]	7,540,000	5.34	53,540,000	37.92	61,080,000	43.26
Neo Peck Keow @ Ng Siang Keng [(1)]	53,540,000	37.92	-	-	53,540,000	37.92
Eddy Neo Chiang Swee (Eddy Liang Jiang Shui) [(2)]	6,000,000	4.25	3,600,000	2.55	9,600,000	6.80

Notes:

(1) Low Chee Wee, Low Chee Leng Christopher and Yvonne Low-Triomple are siblings. Their mother is Neo Peck Keow @ Ng Siang Keng. Each of Low Chee Wee, Low Chee Leng Christopher and Yvonne Low-Triomphe is deemed interested in the 53,540,000 Shares held by their mother, Neo Peck Keow @ Ng Sinang Keng, by virture of Section 7 of the Companies Act.

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

SHAREHOLDINGS HELD BY THE PUBLIC

Based on the information available to the Company as at 20 March 2020 and to the best knowledge of the Directors of the Company, approximately 21.47% of the issued ordinary shares of the Company was held by the public as defined in the Rules of Catalist. Accordingly, Rule 723 of the Rules of Catalist which requires at least 10% of a listed issuer's equity securities to be held by the public is complied with.

PROPOSED **RESOLUTIONS**

FOR FORTHCOMING ANNUAL GENERAL MEETING

As announced by ES Group (Holdings) Limited (the "**Company**") on 3 April 2020 and 15 April 2020, the Annual General Meeting ("**AGM**") of the Company for the financial year ended 31 December 2019 ("**FY2019**") has been postponed and will be convened on or before 29 June 2020. Accordingly, this Annual Report is not accompanied by the Notice of AGM and the Proxy Form. The Notice of AGM, together with the Proxy Form and any relevant supporting documents, will be sent to shareholders of the Company at a later date. Shareholders are advised to refer to further announcement(s) to be made by the Company via SGXNet.

Following are the proposed resolutions to be voted/passed at the AGM of the Company for FY2019.

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for FY2019 and the Independent Auditor's Report thereon.

Resolution 1

2. To approve a first and final tax-exempt (one-tier) cash dividend of 0.15 cents per ordinary share for FY2019.

Resolution 2

3. To approve a special tax-exempt (one-tier) cash dividend of 0.30 cents per ordinary share for FY2019.

Resolution 3

4. To re-elect Mr Jens Rasmussen, a Director of the Company retiring pursuant to Article 98 of the Constitution of the Company and who, being eligible, offers himself for re-election, as a Director of the Company.
(See Explanatory Notes)

Resolution 4

5. To note that Ms Tan Swee Ling will be retiring pursuant to Article 98 of the Constitution of the Company and she will not be seeking re-election at this Annual General Meeting.

6. To approve the payment of Directors' fees of up to S$128,500 for the financial year ending 31 December 2020, payable quarterly in arrears (2019: S$146,800).

Resolution 5

7. To re-appoint Messrs BDO LLP as auditors of the Company and to authorise the Directors of the Company to fix their remuneration.

Resolution 6

AS SPECIAL BUSINESS

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

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

8. That:

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

(i) on-market purchases (each a "**Market Purchase**"), transacted on the Catalist through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or

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

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

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

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

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

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

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

(c) in this Resolution 7:

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

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

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

(ii) n the case of an Off-Market Purchase pursuant to an equal access scheme, the price per Share which is not more than 20% above the Average Closing Price of the Shares; and

PROPOSED **RESOLUTIONS**
FOR FORTHCOMING ANNUAL GENERAL MEETING

For the purposes above:

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

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

"**Offer Date**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, 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.

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

(See Explanatory Notes)

Resolution 7

ORDINARY RESOLUTION: AUTHORITY TO ALLOT AND ISSUE SHARES

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

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

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

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

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

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

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

(ii) the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings), after adjusting for:

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

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

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

and provided also that adjustments under (a) and (b) are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time this Resolution is passed;

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

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

(See Explanatory Notes)

Resolution 8

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

PROPOSED **RESOLUTIONS**
FOR FORTHCOMING ANNUAL GENERAL MEETING

Explanatory Notes:-

Resolution 4

Mr Jens Rasmussen, if re-appointed as a Director of the Company, will remain as a Non-Executive Director of the Company and will continue to serve as a member of the Audit and Risk Committee, the Remuneration and Compensation Committee and the Nominating Committee. Detailed information (including information as required pursuant to Rule 720(5) of the Catalist Rules) on Mr Jens Rasmussen can be found under the sections entitled "Board of Directors", "Corporate Governance Report", "Appendix" and "Directors' Statement" of the Company's Annual Report 2019. Mr Jens Rasmussen is considered non-independent by the Board of Directors of the Company for the purpose of Rule 704(7) of the Catalist Rules.

Resolution 7

The Ordinary Resolution 7 proposed above if passed, will empower the Directors of the Company, (i) from the date of the above Annual General Meeting of the Company until the date of the next Annual General Meeting of the Company to be held or is required by law to be held; or (ii) the date on which the purchases of acquisitions of Shares are carried out to the full extent mandated by the Share Buy-back Mandate; or (iii) such authority is revoked or varied by shareholders of the Company in a general meeting, whichever is the earlier, to make purchases or acquisitions (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for the Share Buy-back Mandate, the authority and limitation on the purchase or acquisition of Shares under the Share Buy-back Mandate, the source of funds to be used for the purchase or acquisition of Shares including the amount of financing, and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-back Mandate are set out in greater detail in the Addendum to shareholders of the Company.

Resolution 8

The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting of the Company until the next Annual General Meeting of the Company, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from shareholders of the Company in a general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors of the Company may consider would be in the best interests of the Company. The number of Shares and convertible securities that the Directors of the Company may allot and issue under this Resolution would not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution. For issue of Shares and convertible securities other than on a *pro rata* basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be issued shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time of the passing of this Resolution.

Designed
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ENG SOON

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