ENG SOON

ES Group (Holdings) Limited

Company Registration No.: 200410497Z

VISION

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

MISSION

To provide world-class services in ship building, repair and conversion without compromising on safety.

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

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

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Corporate *Profile*

ES Group (Holdings) Limited ("the Company") and together with its subsidiaries ("ES Group" or "the Group") is a Singapore-headquartered marine and offshore group that was established in 1975.

Listed on the Catalist board of the SGX-ST on 9 July 2010, ES Group builds, converts and repairs a wide range of ocean-going vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers and cargo ships.

With operating experience of more than 30 years, ES Group has been a prominent sub-contractor of marine and offshore structures and vessels of all types and sizes, whether afloat or drydocked for prominent Singaporean shipyard operators including Sembawang Shipyard Pte Ltd, Keppel FELS Ltd and Singapore Technologies Marine Ltd.

Recently ES Group undertook strategic shifts to diversify revenue streams.

In August 2010, the Group entered into Engineering, Procurement and Construction ("EPC") and vessel owning and chartering; all concerted efforts expected to ensure a relatively stable stream of recurring revenue in the medium to longer term. Similarly, ES Group has also made a maiden shift towards securing direct contracts to increase the Group's revenue and profitability.

In addition to underscoring the recognition of the Group's turnkey engineering, procurement and fabrication capability and uncompromising quality and safety standard, ES Group believes that these new businesses will complement the traditional ship building and repair operations.

Besides having site offices at the premises of its shipyard customers, ES Group operates out of its workshop and repair facilities within Singapore.

At the same time, ES Group also owns a 70,000 square metre shipyard with fabrication grounds in Thailand (through our 50% owned subsidiary in Thailand), providing new building and conversion services and enjoys multiple advantages in terms of lower cost geographical location and skilled labour.

The Group has an impressive safety track record and holds the BizSAFE Star certification which is the highest standard conferred by the Workplace Safety and Health Council in Singapore.

Moving forward, the Group intends to accelerate its latest strategic growth initiatives already put in place while maintaining the momentum in its ongoing core businesses to tap on their significant growth potential and generate long-term value to shareholders.

Chairman's Message

Dear Shareholders,

It gives me great pleasure to present to you ES Group (Holdings) Limited inaugural annual report for the financial year ended 31 December 2010 ("FY2010").

Our successful listing on the SGX-ST Catalist board on 9 July 2010, marks a new chapter in our growth. We raised net proceeds of S$3.8 million from the issue of 21.2 million new shares at S$0.24 per share. The proceeds were utilised for EPC projects and for general working capital purposes. The listing took place in a year when the Group initiated significant strategies to grow to a new level. Following 30 years of successful operations and growth, ES Group has become a marine and offshore contractor with capabilities in new building, conversion and repair a wide range of ocean-going vessels, such as tugs, barges, rigs, offshore support vessels, oil tankers and cargo ships.

Business strategy and financial performance

2010 was a year of general downturn and contraction in the offshore and marine industry. Very few new orders were placed at yards globally. Despite this downturn we managed to record a net profit of S$1.6 million on a turnover of S$41.1 million in FY2010. This was lower than the S$6.3 million net profit on revenue of S$52.7 million in the financial year ended 31 December 2009 ("FY2009"). FY2009 was a very good year for the industry and ES Group benefited primarily from deliveries off a large backlog of orders. The Group completed several higher margin projects for a major customer in FY2009, which were not repeated in FY2010. In addition, our Thailand subsidiary was focused on building our own vessels and contributed less to the Group's bottom-line in FY2010. Apart from lower revenues, we also incurred one-off expenses related to our public listing in FY2010 which further reduced our profits.

Coincident with the 2010 public listing is the repositioning of Company to build a new business pillar. The Group invested in vessel ownership and chartering with the intention to generate a steady revenue stream in the future, hopefully offsetting the cyclical nature of our core offshore and marine ship building, repair and conversion business.

Having secured our first two sale/charter contracts in FY2010, we believe we are positioned to tap into Singapore's bunkering sector. Owning and chartering of bunker vessels will complement ES Group's core ship building and repair activities.

Chairman's *Message*

In August 2010, our wholly owned subsidiary, Eng Soon Investment Pte Ltd secured its first EPC barge contract from Subsea 7 S.A, an international offshore engineering and construction contractor and vessel owner. This contract was initially awarded by Acergy S.A. prior to its merger with Subsea 7 Inc. in January 2011, to form the newly combined enitity Subsea 7 S.A.. This barge is due for delivery on schedule in April 2011. This project is significant because it is the first order secured directly from an international customer, underscoring our turnkey EPC capabilities and uncompromising quality and safety standard.

To mark our first year as a listed company, we are pleased to propose a final dividend of 0.336 SG cents per share representing 30.1% of our FY2010 net profit.

FY2011 Group outlook

Rising crude oil prices have led to larger Exploration and Production budgets for the oil companies. Offshore and marine contractors are beginning to order new vessels leading to heightened activities at shipyards in general. With this pick up in activities, our traditional business will likely see better performance in 2011 versus 2010.

With the successful completion of the Subsea 7 S.A. project, we will try to secure more direct orders and to take on the expanded workscope of value-added EPC projects.

The first two vessels will start contributing revenue to our new pillar of ship chartering- from FY2012 onwards. We will look out for more such opportunities.

We will continue to push for improvements to ES Group's operational and financial efficiency in our yards in Singapore and Thailand.

For sustained growth, we will continue to explore strategic alliances, as well as mergers and acquisitions opportunities.

Appreciation

On behalf of my fellow Directors, I would like to thank all shareholders for your loyal support. My sincere appreciation goes to our customers, business associates and suppliers without whom the success we enjoyed in 2010 would not have been possible. Much thanks also go to the CEO, Management and staff for their dedication and hard work.

Last but not least, I would like to thank my fellow Directors on the Board for their invaluable guidance in a year marked by significant developments.

We have begun a dramatic new chapter in the corporate development of Eng Soon Group and I look forward to your continued support.

Yours faithfully,
Wee Siew Kim
Chairman

Corporate *Structure*

ES Group (Holdings) Limited
Singapore

- **Eng Soon Engineering (1999) Pte Ltd** — 100% SUBSIDIARY
- **Eng Soon Investment Pte Ltd** — 100% SUBSIDIARY
- **ES Offshore Engineering Pte. Ltd.** — 100% SUBSIDIARY
- **ES Shipping Pte. Ltd.** — 100% SUBSIDIARY
- **Wang Fatt Oil & Gas Construction Pte Ltd** — 100% SUBSIDIARY
- **Dalian ES Marine & Offshore Engineering Co., Ltd.** — 100% SUBSIDIARY
- **ES Offshore and Marine Engineering (Thailand) Co., Ltd.** — 50% SUBSIDIARY

Corporate *Milestones*

1975	Eng Soon Engineering Pte Ltd was first established by Low Chye Hin
1977	Registered as a resident sub-contractor in 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 in 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 service in Keppel Fels Ltd
2006	Acquired a piece of land in Thailand, Thapsakae covering 70,000 square meters land space undertaking EPC projects and providing new building services such as offshore modules and oil rigs structures
2007	Built a 2-storey building at No. 10 Kwong Min Road having 4700 square feet office space and 43000 square feet workshop space. Therein also accommodate 440 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 Level Star
2010	July, IPO listing on SGX-ST Catalist Board as ES Group (Holdings) Limited Oct, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People's Republic of China ("PRC")

Board Of Directors

Left to right: Eddy Neo Chiang Swee, Christopher Low Chee Leng, Wee Siew Kim, Tan Swee Ling, Low Chee Wee, Jens Rasmussen

Wee Siew Kim

Wee Siew Kim is our Non-Executive Chairman and Independent Director and was appointed to our Board on 8 June 2010. Mr Wee has been the group CEO of the NIPSEA group of companies (manufacturers of paints under the "Nippon" brand) since August 2009, and a non-executive director of SBS Transit Ltd (a company listed on the Main Board of the SGX-ST) since April 2003. Mr Wee started his career in 1984, joining the aerospace arm ("ST Aero") of Singapore Technologies Engineering Ltd ("ST Engineering") as an engineer. He was subsequently promoted to president of ST Aero in December 1997, a position he held until July 2001, when he became president of ST Engineering's European operations. He was later appointed president of ST Engineering's defence business from May 2002 to August 2009; before he went on to join the NIPSEA group of companies. Mr Wee obtained a Bachelor of Science (Engineering) from the Imperial College of Science and Technology, University of London, in 1984, and a Master of Business Administration from the Leland Stanford Junior University in 1991. In 2008, he was awarded a Fellowship by the Council of the City & Guilds of London Institute, a United Kingdom examining and accreditation body for vocational, managerial and engineering training. As part of his public service, Mr Wee has also been a Member of Parliament for the Ang Mo Kio Group Representative Constituency since 2001.

Low Chee Wee

Low Chee Wee is our Executive Director and was appointed to our Board on 25 November 2009. His primary function is to formulate and oversee the corporate and strategic development of our Group. Mr Low joined our Group in 2001 as our CFO, and has been responsible for all finance-related aspects of our Group since then. 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 Harringdale International Pte Ltd, a project management company, where he was in charge of the finance and accounting matters of the company. Mr Low obtained a Bachelor of Accountancy from Nanyang Technological University of Singapore in 1994 and is a non-practising member of the Institute of Certified Public Accountants in Singapore.

Christopher Low Chee Leng

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

Eddy Neo Chiang Swee

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

Tan Swee Ling

Tan Swee Ling is our Independent Director and was appointed to our Board on 8 June 2010. Ms Tan was appointed as an Independent Director of Sinobest Technology Holdings Ltd (a company listed on the Main Board of the SGX-ST) in 2009. She is also currently a director of Want Want Holdings Ltd (a company listed on the Main Board of the SGX-ST from 1996 to 2007) as well as its subsidiary, Want Want Food Pte Ltd. Prior to joining Want Want Holdings Ltd, she was a treasurer at the investment banking arm of DBS Bank Ltd from 1994 to 1996. In 2000, she was also the group financial controller for JK Yaming International Holdings Ltd (a company listed on the Main Board of SGX-ST), 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 from the National University of Singapore in 1991 and is a Fellow of the Association of Chartered Certified Accountants.

Jens Rasmussen

Jens Rasmussen is our Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been the site manager for a new building project at Keppel FELS by Floatel International Ltd, an owner and operator of modern accommodation and construction support vessels. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 28 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 semi-submersibles, 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. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.

Management Profile

Chuah Keng Len Alice

Chuah Keng Len Alice is our CFO and has overall responsibility for, and reports to our Executive Director, Low Chee Wee, on all finance-related matters of our Group. Aside from overseeing the finance department, she is in charge of public relation and investor relation matters and human resource management of our Group. Ms Chuah started her career in 1997 as an audit assistant at Deloitte & Touche (now known as "Deloitte & Touche LLP"), where she was promoted to an audit senior in 1998 and an audit supervisor in 1999. Ms Chuah subsequently joined our Group in 2000 as our finance manager, a position she held until 2005. She was responsible for setting up our accounting systems and internal controls, overseeing our finance, human resources and administrative operations, management reports and coordination of tax and audit queries. Ms Chuah left our Group briefly to join Akai Sales Pte Ltd, an electronics distributor, from 2005 to 2006 as its financial controller. During her time there, she prepared consolidated management reports, budget reports and audit reports.

In 2006, Ms Chuah re-joined our Group as our finance and administrative manager and resumed responsibility of our finance, administrative and human resource departments as well as general corporate matters. Ms Chuah was appointed as our CFO in November 2009. Ms Chuah obtained a Diploma in Accountancy from Ngee Ann Polytechnic, Singapore, in 1992 and is a Fellow of the Association of Chartered Certified Accountants, as well as a non-practising member of the Institute of Certified Public Accountants of Singapore.

Koay Swee Heng

Koay Swee Heng is our General Manager (Operations / Commercial), reporting directly to our CEO, Christopher Low Chee Leng. Mr Koay is largely in charge for overseeing our projects with Sembawang Shipyard 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 us, 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 1988 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 assistant general manager in 2007, a position he held until January 2010. Mr Koay obtained his Certificate for Architectural Course conducted by the Ministry of Education (Malaysia) in 1988, Certificate in Introduction to Prime Medusa 2D Basic Drafting conducted by Singapore Polytechnic in 1989, Certificate in Basic Shipbuilding from Ngee Ann Polytechnic in 1990, Certificate of Quality Work Group Training conducted by FELS (now known as Keppel FELS Ltd) in 1991 and Certificate in Shipyard Supervisors Safety Course conducted by the MOM in 1999.

Teoh Han Chong

Teoh Han Chong is our Assistant General Manager, reporting directly to our General Manager (Operations / Commercial), Koay Swee Heng. 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.

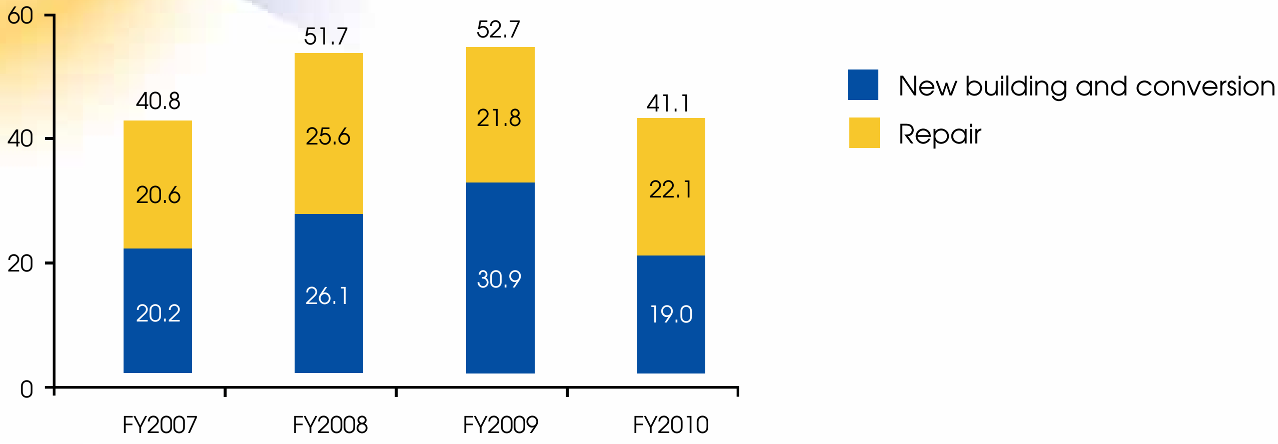
Prior to joining our Group in 2005, Mr Teoh was a manager at Symphony Engineering Pte. Ltd., a company in the business of steelworks repair and fabrication, where he was in charge of project tenders, reports and billings from 2000 to 2005. From 1997 to 2000, Mr Teoh was a project coordinator at Oakwell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

Lou Tin Boang

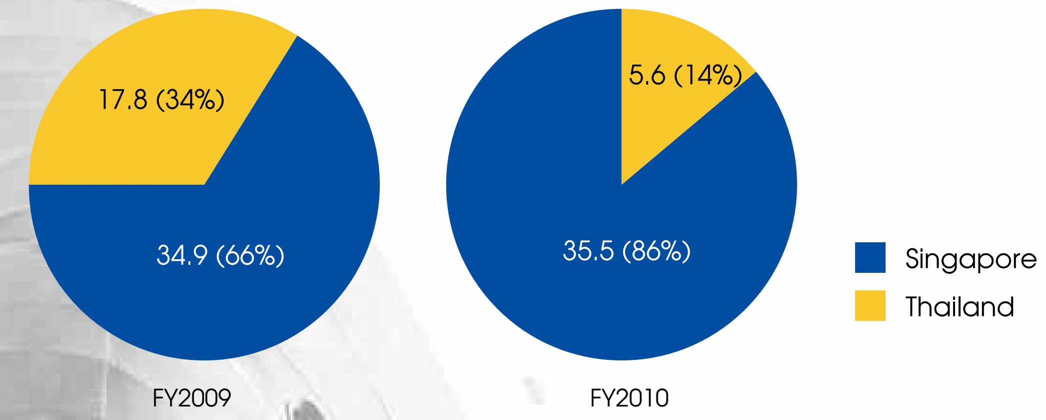
Lou Tin Boang is our General Manager (Thailand) and has been in charge of overseeing the day-to-day operations of our Thailand operations since 2007. Mr Lou joined our Group in 1995 as a commercial executive and was promoted to commercial manager in 1997. In 2000, he became our general manager and took 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.

Financial Highlights

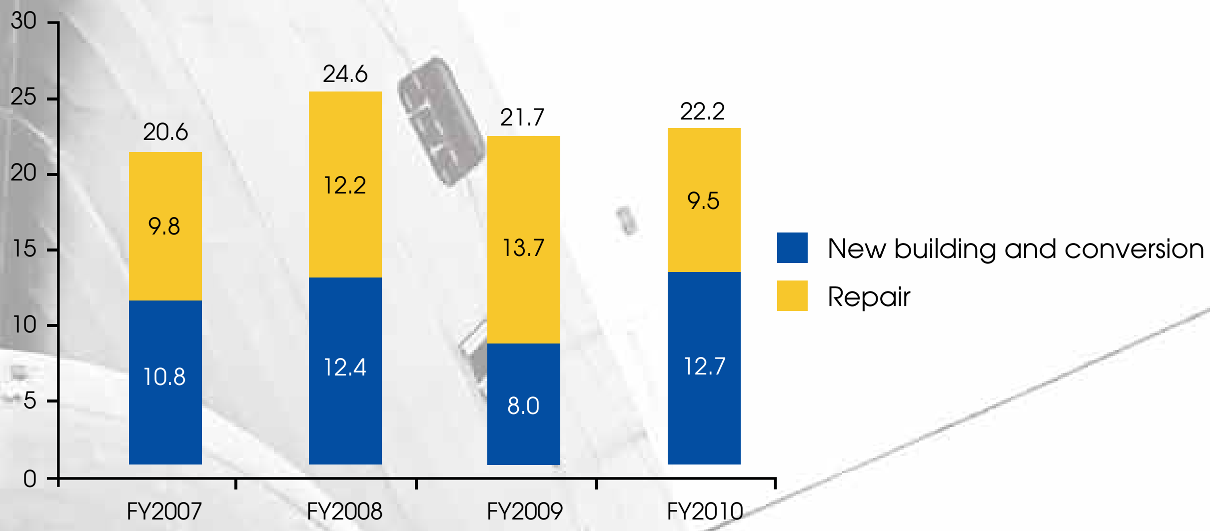
Revenue by Business Segment



Revenue by Geographical Segment



Segment Assets



Financial Review

For the year under review, the Group recorded a net profit before income tax of S$1.7 million on the back of S$41.1 million revenue. This was lower compared to S$9.1 million and S$52.7 million, respectively, due mainly to the completion of projects in FY2009 for a major customer and the lower revenue contribution from our Thailand subsidiary in FY2010 as the Group consciously focused its resources in Thailand to build the two bunker vessels for chartering out to third parties. The Group incurred expenses of S$1.3 million in respect of its listing on the Singapore Exchange Catalist Board which raised gross proceeds of S$5.1 million from the issue of 21.2 million shares at S$0.24 each.

In FY2010, gross profit margin ("GPM") declined to 25.1% from 28.3% in FY2009 due mainly to the completion of contracts which yielded lower margins as a result of competitive pricing. Due to lower revenue and lower gross profit margins, the Group's gross profit for FY2010 decreased by S$4.6 million or 30.9% to S$10.3 million, from S$14.9 million in FY2009.

Aside from lower revenue and IPO expenses affecting the bottom-line, other operating income decreased by S$0.3 million due mainly to lower reimbursement of expenses from foreign workers. Administrative expenses increased by S$0.9 million due to higher professional fees, staff costs and bonuses, advertisement and printing costs. Other operating expenses also increased by S$1.6 million due to higher depreciation expenses, bonuses and staff costs resulting from the increase of foreign worker levy rates that took effect in July 2010.

The Group's earnings per share ("EPS") for FY2010 (based on weighted average of 130.2 million shares) was 1.21 SG cents. Net asset value per share as at 31 December 2010 was 20.47 SG cents. As at 31 December 2010, the Group's total net asset increased by S$3.5 million to S$31.8 million from S$28.3 million as at end of FY2009. The increase was largely due to the higher work-in-progress of S$5.5 million as most projects were still ongoing. These include the first direct order secured from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A.– to engineer, construct and deliver an offshore barge (completed in April 2011) .

Additionally, the total net asset included an increase in property, plant and equipment of S$1.9 million due mainly to the S$2.7 million increase in construction-in-progress, partly offset against depreciation for the year. This construction-in-progress includes the cost of construction of the two maiden bareboat bunker vessels which was secured on 11 August 2010, a month after the public listing in July 2010.

As at 31 December 2010, cash and cash equivalents stood at S$7.8 million, an increase of S$0.7 million compared to a year earlier from S$7.1 million. The increase resulted from net cash generated from operating activities of S$2.2 million, net cash provided from financing activities of S$1.5 million, and offset by net cash used in investing activities of S$3.0 million.

Net cash used in investing activities includes S$0.1 million cash inflow for the 100% acquisition on 15 October 2010 of the registered share capital in Dalian ES Marine & Offshore Engineering Co., Ltd. ("Dalian ES") – a company incorporated in Dalian, PRC.

The Group announced a final dividend 0.336 SG cents per share for FY2010, in addition to the interim dividend of 2.33 SG cents paid in May 2010 prior to the IPO.

Operations Review

Review by Business Segments

Repair Segment

The Group's main business driver in FY2010 was the repair segment which contributed 53.9% or S$22.1 million of total revenue, higher from S$21.8 million in FY2009. Repair revenue has been consistent due to the longstanding relationship with prominent local shipyard operators.

Repair contributed S$4.5 million gross profit at 20.4% gross profit margin which is slightly lower in percentage points of 4.4 from S$4.7 million FY2009.

New Building and Conversion Segment

Previously, the Group's main business driver was the new building and conversion which contributed S$30.9 million or 58.6% of the Group revenue in FY2009 was down to S$11.9 million or 46.1% in FY2010 as the Group focused on building the two bunker vessels for its chartering business to commence on financial year 2012 ("FY2012").

This segment contributed a gross profit of S$5.8 million with gross profit margin of 30.5%, 43.2 percentage points lower from S$10.2 million in FY2009.

Review by Geographical Segments

Singapore

Singapore being the domicile of ES Group, contributed 86.3% or S$35.5 million of the Group's revenue in FY2010 which increased by S$0.6 million from S$34.9 million in FY2009 due to having consistent orders from being a first priority subcontractor of Sembawang Shipyard Pte Ltd.

Major projects completed in FY2010 include the conversion project of Dynamic Producer with an approximate contract value of S$10.5 million which was awarded by Sembawang Shipyard Pte Ltd. This project was clinched in FY2009 and was completed before the Group's listing in July 2010.

Other projects include major repair of trench/pipelay vessel of S$1.9 million, repair of container vessel damaged by collision of S$1.2 million, conversion to car carrier to passenger vessel of S$1.2 million, and S$1.0-million major repair of heavy lift crane vessel.

Thailand

ES Offshore and Marine Engineering (Thailand) Co., Ltd, a 50%-subsidiary of the company operates a 70,000 square meters shipyard in Thapsakae in Prachupkirikhan Province in southeastern Thailand.

Revenue contributions from Thailand fell by 68.2% to S$5.6 million in FY2010 from S$17.8 million in FY2009 as the Group focused its resources in Thailand to build two bunker vessels for its own chartering business, for which revenue is expected to kick in from FY2012. The Group utilised 30% of its resources (capacity) in Thailand to construct two vessels of 3,400 dead weight tonnes ("dwt") each. Work commenced in the second half of FY2010 and delivery to ES Shipping Pte. Ltd. is due in FY2012.

These charter agreements which were signed on 11 August 2010 mark a major milestone of ES Group's foray into vessel owning and chartering to provide a relatively stable stream of recurring revenue that will complement the core ship building and repair activities.

In FY2010, the revenue contributed includes the construction of a new build 4,500 dwt deck cargo vessel for Tongbao (Singapore) Shipping Pte. Ltd. amounting to S$4.2 million which was delivered on 30 September 2010 and confirmed on 26 November 2010 to set-sail in 2011. This marks the first successful delivery of an ocean-going multi-purpose carrier by our Thailand subsidiary and underscores the Group's capabilities in delivering complicated engineering and construction solutions for the offshore and marine industry.

China

The Group's recently acquired PRC subsidiary is a cost centre for engineering and procurement services and did not contribute revenue in FY2010. However, Dalian ES Marine & Offshore Engineering Co., Ltd. contributed to cost efficiencies of the Group through the VAT refund from import and export of materials which improved the Group's price competitiveness and savings.

During the year under review the following interested person transactions were executed: Dalian ES Marine & Offshore Engineering Co., Ltd. was engaged to design the two bunker vessels at a total contract value of USD177,500. It also sold to ES Offshore Engineering Pte. Ltd. ship plates worth a total contract value of USD580,300 at cost price and bulb flats worth USD92,980 at cost price.

Corporate Information

Board of Directors

Wee Siew Kim (Non-Executive Chairman and Independent Director)
Low Chee Wee (Executive Director)
Christopher Low Chee Leng (CEO)
Eddy Neo Chiang Swee (Executive Director)
Tan Swee Ling (Independent Director)
Jens Rasmussen (Non-Executive Director)

Audit Committee

Tan Swee Ling (Chairman)
Wee Siew Kim
Jens Rasmussen

Nominating Committee

Wee Siew Kim (Chairman)
Tan Swee Ling
Jens Rasmussen

Remuneration Committee

Tan Swee Ling (Chairman)
Wee Siew Kim
Jens Rasmussen

Company Secretaries

Adrian Chan Pengee
Chuah Keng Len Alice

Registered Office

30 Shaw Road
#06-06 Roche Building
Singapore 367957

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

Collins Stewart Pte. Limited
77 Robinson Road
#21-02 Singapore 068896

Independent Auditors

Deloitte & Touche LLP
Certified Public Accountants
6 Shenton Way
#32-00 DBS Building Tower Two
Singapore 068809
Partner-in-charge: Cheung Pui Yuen
(Certified Public Accountants, Singapore)

Legal Adviser

Lee & Lee
5 Shenton Way
#07-00 UIC Building
Singapore 068808

Principal Bankers

United Overseas Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

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Corporate Governance Report

The Company believes that it is important to establish good corporate governance within the Group as this provides the foundation for a well-managed and efficient organisation that can in turn focus on sustaining good business performance and safeguarding the interests of its Shareholders. The Directors are committed to developing and upholding high standards of corporate governance, guided by the principles and guidelines of the Singapore Code of Corporate Governance 2005 (the "Code") issued by the Singapore Council on Corporate Disclosure and Governance. In this Report, we set out the principles, policies and practices of corporate governance which the Group has adopted in line with the principles and guidelines of the Code.

BOARD MATTERS

Board's Conduct of its Affairs

Our Board is responsible for the overall management of our Company and is collectively responsible for the success of the Company. Profiles of the Directors are set out on pages 7 to 8.

All Directors objectively take decisions in the interests of the Company. Apart from statutory responsibilities, the Board's role is to, among other things, provide entrepreneurial leadership, set strategic aims and ensure that the necessary financial and human resources are in place for the Company to meet its objectives, establish a framework of controls for risk-assessment and risk-management, review management performance, set the company's values and standards, and ensure that obligations to Shareholders and others are understood and met, review the financial performance of the Group and review and approve major commitments relating to the Group's operations and major corporate policies.

The Board assumes responsibility for the Company's compliance with the guidelines on corporate governance. To assist the Board in the execution of its responsibilities, the Board delegates specific responsibilities to the Audit Committee, Nominating Committee and Remuneration Committee. Each Board Committee has its own terms of references to address their respective areas of focus and reports its activities regularly to the Board. Specific descriptions of these Board Committees are set out in this Report.

Matters which require the Board's approval include material acquisitions and disposal of assets, corporate or financial restructuring, shares issuances and dividend payments, and financials results and corporate strategies.

The Board meets on a regular basis to review the Group's internal policies and procedures, investments and divestments and the performance of the business, consider corporate governance matters, approve the release of the half year and full year results and deliberate on other transactions and matters. The Board also holds meetings when warranted by particular circumstances, as deemed appropriate by Board members.

The Company's Articles of Association are sufficiently flexible and allow Board meetings to be conducted by way of telephone or video conference.

During the financial year under review, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings were as follows:

Period from 1 January 2010 to 31 December 2010

Board / Board Committees	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	3	3	1	1
Name of Director				
Mr Wee Siew Kim	3	3	1	1
Mr Low Chee Wee	3	-	-	-
Mr Christopher Low Chee Leng	3	-	-	-
Mr Eddy Neo Chiang Swee	3	-	-	-
Ms Tan Swee Ling	3	3	1	1
Mr Jens Rasmussen	3	3	1	1

Upon the appointment of a new Director, the Company will provide him with a formal letter, setting out his duties and obligations. Orientation programmes for new directors are conducted to familiarise them with the business activities of the Group, its strategic plans and direction and corporate governance practices. Appropriate external training will be arranged where necessary.

The Board is updated regularly on risk management, corporate governance and key changes in the relevant regulatory requirements and financial reporting standards.

Board Composition and Balance

In line with the Code, the policy of the Group is to have an appropriate mix of executive and Independent Directors to maintain the independence of the Board.

The Board consists of six members, three of whom are executive Directors, namely Mr Low Chee Wee, Mr Christopher Low Chee Leng and Mr Eddy Neo Chiang Swee and two of whom are Independent Directors, namely Mr Wee Siew Kim and Ms Tan Swee Ling, thereby fulfilling the Code's recommendations that Independent Directors make up at least one-third of the Board.

The independence of each Director is reviewed annually by the Nominating Committee based on the definition of independence as written in the Code. The Nominating Committee is satisfied as to the independence of Mr Wee Siew Kim and Ms Tan Swee Ling, both of whom do not have any relationship with the Company, its related companies 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 interest of the Company.

The Board considers its current size appropriate based on the Company's present circumstances and taking into account the nature and scope of the Group's businesses and operations. The Board also considers that its Directors possess the necessary competencies to lead and govern the Company effectively.

Corporate Governance Report

Chairman and Chief Executive Officer

There is a clear division of responsibilities between the Chairman and the Chief Executive Officer, which ensures there is a balance of power and authority, and that accountability and independent decision-making are not compromised. The Group's policy is to have a separate Chairman and a Chief Executive Officer in order to provide an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. Mr Wee Siew Kim is the Non-Executive Chairman and Mr Christopher Low Chee Leng is the Chief Executive Officer.

The Chairman is responsible for the management of the Board and leads the Board in its oversight of Management. He plays an important role in encouraging constructive relations between the Board and Management and between the executive directors and non-executive directors. He also assumes the formal role of an independent leader that chairs all Board meetings and ensures effective communication by the Board and Management with Shareholders at Shareholders' meetings. In consultation with the Chief Executive Officer, the Chairman approves meeting schedules of the Board, agenda for Board meetings and is advised of the meetings of the Board Committees. The Chairman is also responsible for promoting high standards of corporate governance for the Group.

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

Both the Chairman and the Chief Executive Officer are not related to each other.

BOARD COMMITTEES

To assist the Board in the execution of its duties, the Board has delegated specific functions to the following committees:

Nominating Committee

Board Membership

The Nominating Committee comprises three Directors, namely, Mr Wee Siew Kim, Chairman of the Nominating Committee, Ms Tan Swee Ling and Mr Jens Rasmussen, the majority of whom, including the Chairman, are independent. The Chairman of the Nominating Committee is an Independent Director who is not directly associated with any substantial shareholder of the Company.

The Nominating Committee is guided by its Terms of Reference, which sets out its functions and responsibilities. Its principal functions are to review and make recommendations to the Board on all appointments, re-appointment and re-election of Directors, to evaluate the effectiveness and performance of the Board and to review the independence of each Director annually.

In evaluating the effectiveness and performance of the Board as a whole, the performance criteria which the Nominating Committee has used include performance criteria and evaluation procedures as elaborated in the section below on "Board Performance".

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. The search and nomination process for new Directors, if any, will be through contacts and recommendations that go through the normal selection process to cast its net as wide as possible for the right candidate. Upon the review and recommendation of the Nominating Committee to the Board, new Directors will be appointed by way of board resolution.

All Directors are subject to re-nomination and re-election at regular intervals of at least once every three years. At each Annual General Meeting (the "AGM"), at least one-third of the Directors are required to retire and to submit themselves for re-election. The Company's Articles of Association also provides that a newly appointed Director must retire and submit himself for re-election at the next AGM following his appointment. In addition, Directors above the age of 70 are required under the Companies Act, Chapter 50 (the "Companies Act") to retire and offer themselves for re-appointment by Shareholders at every AGM.

Internal guidelines have been established to address the competing time commitments faced by Directors due to multiple board representations, as elaborated below. The Directors' attendance at Board and Board Committee meetings are set out on page 16.

Board Performance

The Board has implemented a process to be carried out by the Nominating Committee to assess the performance and effectiveness of the Board as a whole. The Board together with the Nominating Committee has decided that, due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director.

The Nominating Committee has recommended to the Board and the Board has adopted performance criteria and evaluation procedures for evaluation and assessment of the effectiveness of the Board, including any recommendation in respect of the re-nomination of Directors (if applicable). The evaluation parameters include evaluation of the size and composition of the Board, the Board's access to information and the Board's processes and accountability. The Board will also be evaluated on the attendance of Directors at Board and Committee meetings and the effectiveness of discussions at such meetings and the discharge of the Directors' duties in relation to the affairs of the Group.

The Board is of the opinion that the financial indicators or performance criteria such as return on equity or return on assets as set out in the Code are less appropriate for assessment of non-executive Directors and the Board's performance as a whole.

In addition, the Nominating Committee will have regard to whether a Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations. Although some of the Directors have other board representations, the Nominating Committee is satisfied that each Director is able to devote adequate time and attention to the affairs of the Company to fulfill his duties as a Director of the Company.

The performance criteria will not be changed from year to year but where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision.

On an annual basis, each Director will assess the effectiveness and performance of the Board as a whole based on the performance criteria and evaluation parameters adopted by the Board. The Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. The Chairman of the Company, in consultation with the Nominating Committee, would evaluate and act on the results of the assessment and where appropriate, propose new Directors to be appointed to the Board or seek the resignation of Directors.

Corporate Governance Report

Access To Information

The Board has separate and independent access to the Company's senior management and the Company Secretary at all times. The members of the management team and the personnel of the Group shall be obliged to attend meetings of the Board and to provide assistance and access to information when the Board so requests.

In the furtherance of its duties, the Board may obtain independent professional advice. The Company Secretary will, upon direction by the Board, appoint a professional advisor to render the advice, with cost to be borne by the Company.

The Company Secretary attends all Board and Board Committee meetings and is responsible to ensure that Board procedures are followed and advises the Board and the Management on the Company's compliance with the regulations of the Companies Act, Listing Manual Section B: Rules of Catalist ("Rules of Catalist") of the SGX-ST and all other rules, regulations and governance matters which are applicable to the Group.

Under the direction of the Chairman, the Company Secretary ensures good information flow within the Board and its Board Committees and between them and senior management.

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

REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies
Level and Mix of Remuneration
Disclosure on Remuneration

The Remuneration Committee comprises three non-executive Directors, namely, Ms Tan Swee Ling, Chairman of the Remuneration Committee, Mr Wee Siew Kim and Mr Jens Rasmussen, the majority of whom, including the Chairman, are independent.

The Remuneration Committee is guided by its Terms of Reference, which sets out its functions and responsibilities. It is the Remuneration Committee's responsibility to recommend to the Board a framework of remuneration and the specific remuneration packages for Directors. The Remuneration Committee's recommendations are submitted for endorsement by the entire Board. The Remuneration Committee covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind. The Remuneration Committee will also review the remuneration of senior management and all managerial staff who are related to any of the executive directors or CEO.

In setting remuneration packages, the Remuneration Committee takes into account what is appropriate to attract, retain and motivate the Directors to run the Company successfully, the performance of the Group, as well as individual Directors and key executives, aligning their interest with those of Shareholders and linking rewards to corporate and individual performance. In its deliberations, the Remuneration Committee takes into account industry practices and norms in compensation.

The Independent Directors do not have service agreements with the Company. They are paid fixed directors' fees, which are determined by the Board, appropriate to their level of contribution, taking into account factors such as effort and time spent, and their responsibilities.

Corporate Governance Report

The Company had entered into service agreements with the two Executive Directors, Mr Low Chee Wee and Mr Christopher Low Chee Leng on 1 February 2010, as well as a letter of appointment with Mr Eddy Neo Chiang Swee on 25 November 2009 governing the terms and conditions of their employment by the Company.

If necessary, the Remuneration Committee will seek expert advice inside and/or outside the Company on remuneration of the Directors. All Directors' fees are approved by Shareholders at the AGM of the Company before they are paid. No Director is involved in deciding his own remuneration.

The level and mix of the Directors' remuneration in remuneration bands of S$250,000 for the financial year ended 31 December 2010 are set out below:

	Directors' Fee (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Executive Directors S$250,000 to S$500,000					
Mr Low Chee Wee	-	81	14	5	100
Mr Christopher Low Chee Leng	-	80	14	8	100
Executive Directors Below S$250,000					
Mr Eddy Neo Chiang Swee	-	61	13	26	100
Non-Executive Directors Below S$250,000					
Mr Wee Siew Kim	100	-	-	-	100
Ms Tan Swee Ling	100	-	-	-	100
Mr Jens Rasmussen	100	-	-	-	100

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

Annual remuneration of the top five key executives who are not Directors in remuneration bands of S$250,000 for the financial year ended 31 December 2010 are set out below:

	Directors' Fee (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Below S$250,000					
Ms Chuah Keng Len Alice	-	61	25	14	100
Mr Koay Swee Heng	-	52	31	17	100
Mr Teoh Han Chong	-	64	16	20	100
Mr Lou Tin Boang	-	41	36	23	100
Mr Eric Neo Chiang Yee	-	64	18	18	100

Mr Low Chee Wee is the brother of Mr Christopher Low Chee Leng and Mr Eddy Neo Chiang Swee is the brother of Mr Eric Neo Chiang Yee.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded S$150,000 during the financial year ended 31 December 2010, was an immediate family member of a Director or the Managing Director. "Immediate family" means the spouse, child, adopted child, step-child, brother, sister and parent.

Corporate Governance Report

The Company currently does not have any employee share option scheme or other long-term employee incentive scheme

ACCOUNTABILITY AND AUDIT

Accountability

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects. This responsibility extends to interim and other price-sensitive public reports, and reports to regulators (if required).

In presenting our half year and full year financial results to Shareholders, the Board aims to provide Shareholders with a balanced and clear assessment of the Company's financial position and prospects.

Management provides the Board with a continual flow of relevant information in order that it may effectively discharge its duties which present a balanced and understandable assessment of the Company's performance, position and prospects on a timely basis.

Audit Committee

The Audit Committee comprises three non-executive Directors, namely Ms Tan Swee Ling, Chairman of the Audit Committee, Mr Wee Siew Kim and Mr Jens Rasmussen, the majority of whom, including the Chairman, are independent.

Members of the Audit Committee possess the requisite accounting or related expertise or experience to discharge the Audit Committee's responsibilities. The Audit Committee is guided by its Terms of Reference, which clearly sets out its authority and duties.

Management is responsible for ensuring that the Group maintains a sound system of internal controls to safeguard Shareholders' investments and assets of the Group and the financial reporting processes. The Audit Committee reviews the adequacy of such controls, including financial, operational and compliance controls, risk management policies and systems established by Management.

In performing its functions, the Audit Committee meets with the external auditors and the internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both internal and external audit. At least once a year and on an as and when required basis, the Audit Committee meets with the external auditors and internal auditors, without the presence of Management, to review any matters that might be raised privately.

The external auditors are responsible for performing an independent audit of the Group's financial statements in accordance with the financial reporting standards, and for issuing a report thereon. The Audit Committee's responsibility is to monitor these processes.

The other functions of the Audit Committee includes reviewing the significant financial reporting issues, the half year and full year financial statements, reviewing with the external auditors the audit plan and evaluation of the adequacy of the system of accounting controls, reviewing with the internal auditors the effectiveness of the internal audit function and evaluation of major internal controls, Management's follow-up with the internal auditors and reviewing the results of external and internal audits. The Audit Committee also reviews legal and regulatory changes that may have a material impact on the financial statements and all interested person transactions, if any.

The Audit Committee has reviewed the volume and nature of non-audit services provided by the external auditors during the year under review (details of which are provided on pages 28 to 29 and is satisfied that their independence and objectivity has not been impaired by the provision of those services. The Audit Committee recommends to the Board, the re-appointment of Deloitte & Touche LLP as external auditors.

The Audit Committee is empowered to investigate any matters within its Terms of Reference and has full access to, and the co-operation of Management. It has resources to enable it to discharge its function properly and full discretion to invite any Director or executive to attend its meetings. The minutes of the Audit Committee are regularly submitted to the Board.

The Company has in place a Whistleblowing Policy which serves to encourage and provide 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 Committee. The objective of such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Internal Controls

The Company has instituted a system of internal controls for the Group. While no system can provide absolute assurance against material loss or financial misstatement, 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, Management has had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

The Board has in place a set of internal controls which sets out approval limits for expenditure, investments and divestments and cheque signatory arrangements. Approval sub-limits are also provided at management and committee levels to facilitate operational efficiency.

During the financial year under review, the Company's external and internal auditors conducted annual review of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls as well as risk management policy and these are reported to the Audit Committee. The Audit Committee, on behalf of the Board, also reviewed the effectiveness of the Group's system of internal controls in light of key business and financial risks affecting its business. Based on the reports submitted by the external and internal auditors and the various controls put in place by Management, the Board is satisfied that there are adequate internal controls and risk management processes for the nature and size of the Group's operations and business.

Internal Audit

The Audit Committee is aware of the need to establish a system of internal controls within the Group to safeguard the shareholders' interests and the Group's assets, and to manage risks. The system is intended to provide reasonable but not absolute assurance against material misstatement or loss, and to safeguard assets and ensure maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulation and best practices, and the identification and containment of business risks.

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 firm, BDO Consultants Pte Ltd, to undertake the functions of an internal auditor.

Corporate Governance Report

The scope of the internal audit is:

- to review the effectiveness of the Group's material internal controls;
- to provide assurance that key business and operational risks are identified and managed;
- to determine that internal controls are in place and functioning as intended; and
- to evaluate that operations are conducted in an effective and efficient manner.

The internal auditor's primary line of reporting is to the chairman of Audit Committee, although the internal auditors also submit copies of their reports to the CEO and the relevant senior management officers.

The Audit Committee has reviewed with the internal auditor their audit plan and their evaluation of the system of internal controls, their audit findings and management's processes to those findings; the effectiveness of material internal controls, including financial, operational and compliance controls and overall risk management of the Group for the financial year ended 31 December 2010. The Audit Committee is continually working with the internal auditor to improve on the internal controls which are currently in place.

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 Committee and that the transactions are on an arm's length basis. All interested person transactions are subject to review by the Audit Committee to ensure compliance with established procedures.

The aggregate value of interested person transactions entered into during the financial year under review is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Dalian ES Marine & Offshore Engineering Co., Ltd.	**2010 S$'000**	**2010 S$'000**
Provision of design services	243	-
Purchase of materials	881	-
Acquisition of Dalian ES Marine & Offshore Engineering Co., Ltd.	199	-
Total	1,323	-

Non-audit fees

The nature of these non-audit services that were rendered by our auditors, Deloitte & Touche LLP, to the Group and their related fees for the financial year ended 31 December 2010 are as follows:

Services rendered in connection with the Company's acquisition of Dalian ES Marine & Offshore Engineering Co., Ltd.	S$ 3,000
Services rendered in connection with the initial public offering of the Company	S$ 227,500

Non-sponsor fees

In compliance with Rule 1204(20) of the Rules of Catalist, there was no non-sponsor fee paid to the Sponsor, Collins Stewart Pte. Limited, subsequent to the listing on Catalist to the date of printing of this Annual Report.

Material Contracts

Save as disclosed in above in the section on "Interested Person Transactions", there were no material contracts or loans entered into by or taken up by the Group involving the interest of any Director or controlling shareholder subsisting during the financial year ended 31 December 2010.

Risk Management

Management frequently reviews the Company's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Company's policies and strategies. The significant risk management policies are as disclosed in the audited financial statements.

COMMUNICATION WITH SHAREHOLDERS

In line with continuous disclosure obligations of the Company pursuant to the Rules of Catalist and the Companies Act, the Board's policy is that Shareholders be informed promptly of all major developments that impact the Group.

The Company does not practise selective disclosure of material information. Information is communicated to Shareholders on a timely basis through SGX-ST via SGXNET. Communication is also made through annual reports that are issued to all Shareholders within the mandatory period, half year and full year financial statements, notice of and explanatory memoranda for annual general meetings and extraordinary general meetings and announcements through SGX-ST via SGXNET.

The Company maintains a corporate website at http://www.esgroup.com.sg/ through which Shareholders are able to access up-to-date information on the Group. The website provides corporate announcements, annual reports, and profiles of the Group, the Board and Board Committees.

Corporate Governance Report

The Articles of Association of the Company allows a Shareholder of the Company to appoint proxies to attend and vote in his/her stead at general meetings. The Company has not amended its Articles of Association to provide for absentia voting methods. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of Shareholders through the web is not compromised.

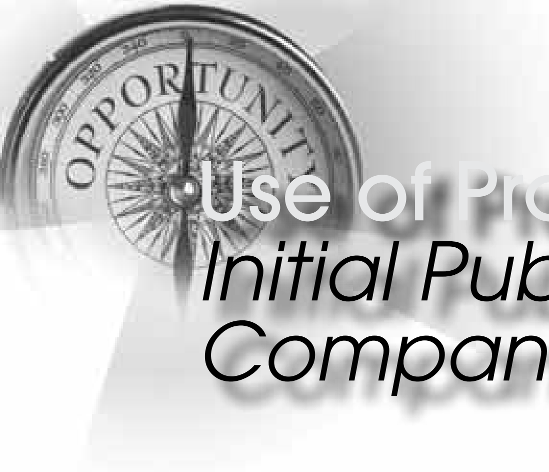
General meetings of the Company represent the principal forum for dialogue and interaction with all Shareholders. At each AGM, the Board presents the progress and performance of the Group's businesses and invites Shareholders to participate in the questions and answers session. The Directors, chairpersons of the Board Committees and the Company's external auditors are normally present to address Shareholders' questions.

Separate resolutions are passed at every general meeting on each distinct issue. All minutes of general meetings are available to Shareholders for inspection upon request.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(18) of the Rules of Catalist on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares 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 shares during the period commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the results.



Use of Proceeds *from the Initial Public Offering of the Company's Shares on the Catalist*

Pursuant to the Company's Offer Document dated 1 July 2010, the Company had allotted and issued 21,200,000 new ordinary shares (the "Subscription Shares") at an issue price of S$0.24 for each Subscription Share.

The Company utilised the total net proceeds of approximately S$3.8 million for engineering, procurement and construction projects and for general working capital purposes.

	S$'000
Gross Proceeds from	
21,200,000 Subscription Shares at S$0.24 per share	5,088
Less: Listing expenses	(1,288)
Net Proceeds	3,800
Use of Proceeds	
i) Engineering, procurement and construction projects	(2,000)
ii) General working capital purposes	(1,800)
Balance	–

Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2010.

1 DIRECTORS

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

Christopher Low Chee Leng	
Eddy Neo Chiang Swee	
Jens Rasmussen	(Appointed on January 1, 2010)
Low Chee Wee	
Tan Swee Ling	(Appointed on June 8, 2010)
Wee Siew Kim	(Appointed on June 8, 2010)

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of directors and Company in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
ES Group (Holdings) Limited (Ordinary shares)	At beginning of year	At end of year	At beginning of year	At end of year
Christopher Low Chee Leng	4,733,368	4,733,368	6,323,780	6,323,780
Eddy Neo Chiang Swee	946,673	946,673	568,004	568,004
Low Chee Wee	5,036,302	4,733,367	6,323,780	6,323,780

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

The directors' interests in the shares of the Company at January 21, 2011 were the same at December 31, 2010.

Report of the Directors

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

(a) Option to take up unissued shares

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

(b) Option exercised

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

(c) Unissued shares under option

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

6 AUDIT COMMITTEE

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

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

The Audit Committee has met three times since the last AGM and has reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(a) the external auditors' plans and evaluation of the Group's systems of internal accounting controls;

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

(c) the statement of financial position and 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;

(d) 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;

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

(f) the re-appointment of the external auditors of the Group.

The Audit 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 auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming AGM of the Company.

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

The auditors of the subsidiary of the company are disclosed in Note 12 of the Financial Statements. In the opinion of the Board of Directors and Audit Committee, Rule 716 of the Listing Manual of SGX-ST has been complied with.

8 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Christopher Low Chee Leng

Eddy Neo Chiang Swee

4 April 2011

Statement of the Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 33 to 79 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Christopher Low Chee Leng

Eddy Neo Chiang Swee

4 April 2011

Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of ES Group (Holdings) Limited and its subsidiaries which comprise the statements of financial position of the Group and the Company as at December 31, 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 33 to 79.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Independent Auditors' Report

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Cheung Pui Yuen
Partner
Appointed on October 22, 2009

4 April 2011

Statements of Financial Position

December 31, 2010

		Group		Company	
	Note	2010 $	2009 $	2010 $	2009 $
ASSETS					
Current assets					
Cash and cash equivalents	7	7,852,658	7,138,763	132,164	-
Trade receivables	8	13,736,250	18,728,048	1,599,529	214,000
Work-in-progress	9	8,490,805	2,943,514	-	-
Other receivables	10	3,013,612	975,246	3,157,968	1,794,306
Inventories	11	531,071	597,997	-	-
Total current assets		33,624,396	30,383,568	4,889,661	2,008,306
Non-current assets					
Restricted cash	7	54,761	36,327	-	-
Deposits	10	57,943	52,395	-	-
Subsidiaries	12	-	-	21,380,564	21,081,668
Club membership	13	49,500	49,500	-	-
Property, plant and equipment	14	13,994,088	12,079,152	-	-
Total non-current assets		14,156,292	12,217,374	21,380,564	21,081,668
Total assets		**47,780,688**	**42,600,942**	**26,270,225**	**23,089,974**

Statements of Financial Position

December 31, 2010

	Note	Group 2010 $	Group 2009 $	Company 2010 $	Company 2009 $
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans (secured)	15	3,912,624	3,896,843	-	-
Trade payables	16	3,251,174	2,612,669	-	-
Other payables	17	7,748,671	6,738,719	2,233,680	4,068,955
Current portion of loan from a third party (secured)	18	-	105,933	-	-
Current portion of finance leases	19	116,468	51,073	-	-
Income tax payable		548,103	552,872	143,066	14,505
Total current liabilities		15,577,040	13,958,109	2,376,746	4,083,460
Non-current liabilities					
Finance leases	19	282,550	139,580	-	-
Deferred tax liabilities	20	148,590	206,390	-	-
Total non-current liabilities		431,140	345,970	-	-
Capital, reserves and non-controlling interest					
Share capital	21	23,698,348	18,933,469	23,698,348	18,933,469
Retained earnings		21,451,194	22,672,699	195,131	73,045
Translation reserve		71,223	(53,075)	-	-
Merger reserve	22	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		26,650,297	22,982,625	23,893,479	19,006,514
Non-controlling interests		5,122,211	5,314,238	-	-
Total equity		31,772,508	28,296,863	23,893,479	19,006,514
Total liabilities and equity		**47,780,688**	**42,600,942**	**26,270,225**	**23,089,974**

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended December 31, 2010

	Note	2010 $	2009 $
Revenue	23	41,131,620	52,688,339
Cost of services		(30,823,719)	(37,774,601)
Gross profit		10,307,901	14,913,738
Other operating income	24	1,303,587	1,564,262
Administrative expenses		(4,301,994)	(3,370,406)
Other operating expenses	25	(5,282,920)	(3,654,709)
Finance costs	26	(299,757)	(299,712)
Profit before income tax		1,726,817	9,153,173
Income tax expense	27	(465,621)	(852,807)
Profit for the year	28	1,261,196	8,300,366
Exchange differences on translation of foreign operations, representing other comprehensive income for the year, net of tax		249,570	132,788
Total comprehensive income for the year		1,510,766	8,433,154
Profit attributable to:			
Owners of the Company		1,578,495	6,343,643
Non-controlling interests		(317,299)	1,956,723
		1,261,196	8,300,366
Total comprehensive income attributable to:			
Owners of the Company		1,702,793	6,410,037
Non-controlling interests		(192,027)	2,023,117
		1,510,766	8,433,154
Basic and diluted earnings per share (cents)	29	1.2	5.3

See accompanying notes to financial statements.

Statement of Changes in Equity

Year ended December 31, 2010

	Share capital	Translation reserve	Merge reserve	Retained earnings	Attributable to owners of the Company	Non-controling Interests	Total
	$	$	$	$	$	$	$
Group							
Balance at January 1, 2009	18,933,469	(119,469)	(18,570,468)	19,829,056	20,072,588	3,291,121	23,363,709
Total comprehensive income for the year	-	66,394	-	6,343,643	6,410,037	2,023,117	8,433,154
Dividends (Note 30)	-	-	-	(3,500,000)	(3,500,000)	-	(3,500,000)
Balance at December 31, 2009	18,933,469	(53,075)	(18,570,468)	22,672,699	22,982,625	5,314,238	28,296,863
Total comprehensive income for the year	-	124,298	-	1,578,495	1,702,793	(192,027)	1,510,766
Initial Public Offering (Note 21)							
- Issue of shares	5,088,000	-	-	-	5,088,000	-	5,088,000
- Share issue expenses	(323,121)	-	-	-	(323,121)	-	(323,121)
Dividends (Note 30)	-	-	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Balance at December 31, 2010	23,698,348	71,223	(18,570,468)	21,451,194	26,650,297	5,122,211	31,772,508
Company							
Balance at January 1, 2009	1	-	-	(3,801)	(3,800)	-	(3,800)
Issue of share capital (Note 21)	18,933,468	-	-	-	18,933,468	-	18,933,468
Total comprehensive income for the year	-	-	-	76,846	76,846	-	76,846
Balance at December 31, 2009	18,933,469	-	-	73,045	19,006,514	-	19,006,514
Total comprehensive income for the year	-	-	-	2,922,086	2,922,086	-	2,922,086
Initial Public Offering (Note 21)							
- Issue of shares	5,088,000	-	-	-	5,088,000	-	5,088,000
- Share issue expenses	(323,121)	-	-	-	(323,121)	-	(323,121)
Dividends (Note 30)	-	-	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Balance at December 31, 2010	23,698,348	-	-	195,131	23,893,479	-	23,893,479

See accompanying notes to financial statements.

Consolidated Statement of *Cash Flows*

Year ended December 31, 2010

	2010 $	2009 $
Operating activities		
Profit before income tax	1,726,817	9,153,173
Adjustments for:		
Interest income	(4,963)	(1,308)
Interest expense	299,757	299,712
Allowance for foreseeable loss on contract work-in-progress	-	108,100
Property, plant and equipment written off	340	48,286
Depreciation of property, plant and equipment	1,717,748	1,632,564
Net foreign exchange losses (gains)	70,036	(59,253)
Gain on disposal of property, plant and equipment	(90,849)	(9,909)
Operating cash flows before movements in working capital	3,713,886	11,171,365
Trade receivables	4,991,798	1,028,159
Other receivables	(1,299,476)	(8,388)
Work-in-progress	(5,547,291)	1,022,478
Inventories	66,926	(143,087)
Trade payables	638,505	(403,690)
Other payables	117,082	(1,112,196)
Cash generated from operations	2,686,430	11,554,641
Interest received	4,963	1,308
Income tax paid	(477,014)	(2,584,943)
Net cash from operating activities	2,214,379	8,971,006
Investing activities		
Acquisition of subsidiaries (Note 31)	84,742	-
Proceeds on disposal of property, plant and equipment	219,849	32,798
Purchases of property, plant and equipment (Note A)	(3,279,921)	(387,832)
Net cash used in investing activities	(2,975,330)	(355,034)

Consolidated Statement of Cash Flows

	2010 $	2009 $
Financing activities		
Restricted cash deposit	(17,568)	(1,661)
Dividends paid	(2,800,000)	(2,500,000)
Interest paid	(299,757)	(299,712)
Proceeds from:		
Issuance of ordinary share capital, net of share issue expenses	4,764,879	-
Term loans	300,000	-
Invoice financing	1,070,360	-
Bridging loan	-	2,000,000
Factoring loans	6,051,510	-
Repayments of:		
Term loans	(521,246)	(211,477)
Bridging loan	(833,333)	-
Factoring loans	(6,051,510)	-
A third party loan	(105,933)	(529,667)
Obligations under finance leases	(82,635)	(64,676)
Net cash from (used in) financing activities	1,474,767	(1,607,193)
Net increase in cash and cash equivalents	713,816	7,008,779
Cash and cash equivalents at beginning of the year	7,085,978	77,199
Cash and cash equivalents at end of the year (Note B)	7,799,794	7,085,978

Note to statement of cash flows

A) During the year, the Group acquired property, plant and equipment with an aggregate cost of $3,570,921 (2009 : $387,832) of which $291,000 (2009 : $Nil) was acquired under finance arrangements. Cash payments of $3,279,921 (2009 : $387,832) were made to purchase property, plant and equipment.

B) Cash and cash equivalents comprise of:

	2010 $	2009 $
Cash at banks and on hand (Note 7)	6,509,794	7,085,978
Fixed deposits (Note 7)	1,290,000	-
	7,799,794	7,085,978

See accompanying notes to financial statements.

Notes to Financial Statements

December 31, 2010

1 GENERAL

The Company (Registration No. 200410497Z) was incorporated in the Republic of Singapore on August 19, 2004 with its principal place of business and registered office at 30 Shaw Road, #06-06 Roche Building, Singapore 367957. The consolidated financial statements are expressed in Singapore dollars, which is the Company's functional currency.

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

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

Pursuant to a Group Restructuring Exercise (the "Restructuring") to rationalise the structure of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") in preparation for the proposed listing of the Company on the Singapore Exchange Securities Trading Limited, the Company underwent a Restructuring involving the following:

(a) Pursuant to share swap agreements dated on December 30, 2009, the Company acquired the entire interest in Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, Eng Soon Engineering (1999) Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Marine Pte Ltd and which are under common control, from the respective shareholders for a consideration of $18,933,468 (based on the net tangible asset value of $18,933,468 as at December 31, 2008). The consideration was satisfied by:

   (i) the issue and allotment of 5,275,859 shares of the Company to the shareholders of Eng Soon Investment Pte Ltd;

   (ii) the issue and allotment of 10,400,088 shares of the Company to the shareholders of Wang Fatt Oil & Gas Construction Pte Ltd;

   (iii) the issue and allotment of 1,401,732 shares of the Company to the shareholders of Eng Soon Engineering (1999) Pte Ltd;

   (iv) the issue and allotment of 1,073,517 shares of the Company to the shareholders of ES Offshore Engineering Pte. Ltd.; and

   (v) the issue and allotment of 782,272 shares of the Company to the shareholders of Eng Soon Marine Pte Ltd.

(b) Pursuant to a share sale and purchase agreement dated on December 30, 2009, the Company also acquired 50% interest in ES Offshore and Marine Engineering (Thailand) Co., Ltd. from its shareholders for a consideration of $2,148,200 (Thai Baht 50 million) by way of capitalisation of a shareholder loan.

The Group resulting from the Restructuring is regarded as a continuing entity as the Group is ultimately controlled by the same shareholders both before and after the Restructuring. This resulted in a negative merger reserve of $18,570,468.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2010 were authorised for issue by the Board of Directors on 4 April 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED STANDARDS - In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2010. The adoption of these new/ revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 103 (2009) Business Combination

FRS 103 (2009) Business Combination has been adopted in the current year and is applied prospectively to business combination for which the acquisition date is on or after January 1, 2010. The main impact of the adoption of FRS 103 (2009) Business Combinations on the Group has been :

- to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as 'minority' interests) either at fair value or at the non-controlling interests' share of the fair value of the identifiable net assets of the acquiree.
- to change the recognition and subsequent accounting requirements for contingent consideration. Under the previous version of the Standard, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were recognised against goodwill. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date, and they occur within the 'measurement period' (a maximum of 12 months from the acquisition date). All other subsequent adjustments are recognised in profit or loss;
- where the business combination in effect settles a pre-existing relationship between the Group and the acquiree, to require the recognition of a settlement gain or loss; and
- to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in consolidated profit or loss as incurred, whereas previously they were accounted for as part of the cost of the acquisition.

The changes in accounting policies for business combination have no effect on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following FRS relevant to the Group and Company was issued but not effective:

- FRS 24 (Revised) Related Party Disclosures
- Improvements to Financial Reporting Standards (issued in October 2010)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) Related Party Disclosures is effective for annual periods beginning on or after January 1, 2011. The revised Standard clarifies the definition of a related party and consequently additional parties may be identified as related to the reporting entity.

In addition, the revised Standard provides partial exemption for government-related entities, in relation to the disclosure transactions, outstanding balances and commitments. Where such exemptions apply, the reporting entity has to make additional disclosures, include the nature of the government's relationship with the reporting entity and information on significant transactions or group of transactions involved.

In the period of initial adoption, the changes to related party disclosures, if any, will be applied retrospectively with restatement of the comparative information.

Management anticipates that the adoption of other FRSs, INT FRSs and amendments to FRS that were issued at the date of authorisation of these financial statements but effective only in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 owner of the Company.

When the Group loses control of a subsidiary, 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 investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and

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

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

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

The accounting policy for initial measurement of non-controlling interests is described above.

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.

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

Effective interest method

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and bank overdrafts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Trade and other receivables

These are measured at initial recognition of fair value and are subsequently measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of the interest would be immaterial. Appropriate allowances for estimated irrecoverable amounts are recognised in the financial statement when there is objective evidence that the asset is impaired. The allowance recognised is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the receivables is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowances account are recognised in profit or loss.

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

Derecognition of financial assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Other financial liabilities

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

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

Derecognition of financial liabilities

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

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

The Group as lessor

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

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

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

Freehold land not used in operations is stated at cost, except in the case where an impairment is deemed to have occurred. Loss on the impairment is recognised in profit or loss.

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

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

Leasehold land and property	-	5%
Freehold property	-	2% to 10%
Land improvement	-	10%
Plant, machinery and equipment	-	10% to 33%
Motor vehicles	-	20%
Other assets	-	20% to 33%

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

Depreciation is not provided on construction-in-progress until the assets are ready for use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOVERNMENT GRANTS - Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Rendering of services

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

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

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

Interest income

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

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

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.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit 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 retirement benefit plan.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group are presented in Singapore dollars.

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

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

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

For the purpose of presenting combined financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. On the disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation accumulated in a separate component of equity, shall be reclassified from equity to profit or loss (as a reclassification adjustment) when the gain or loss on disposal is recognised.

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

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 Board of Directors ("BOD"), who acts the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's chief operating decision makers. All operating segments' operating results are reviewed regularly by the Group's BOD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

There are no critical judgement, apart from those involving estimations (see below) that the management has made in the process of applying the accounting policy for the amounts recognised in the consolidated financial statements.

(ii) Key sources of estimation uncertainty

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

Revenue and costs of contracts

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

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

As at December 31, 2010, a total allowance for foreseeable losses of $Nil (2009 : $108,100) has been made. The carrying amount of work-in-progress is disclosed in Note 9 to the financial statements.

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

Allowance for bad and doubtful debts

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

The carrying amounts of trade and other receivables at the end of the reporting period as disclosed in Notes 8 and 10 to the financial statements respectively, approximate their recoverable amounts as there has not been a significant change in their credit quality since the end of the reporting period.

Useful lives of property, plant and equipment

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial period, the management is satisfied that there is no change in the useful lives of the property, plant and equipment from prior period. The carrying amounts of property, plant and equipment are disclosed in Note 14 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Financial assets				
Loans and receivables (including cash and cash equivalents)	24,274,039	26,437,550	4,830,015	1,978,000
Financial liabilities				
Amortised cost	15,311,487	13,544,817	2,233,680	4,068,955

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (con't)

(b) Financial risk management policies and objectives

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

(i) Foreign exchange risk management

The Group and Company's foreign currency exposure arises from United States dollars and Thai Baht respectively. The Group and Company does not hedge against foreign exchange exposure as the currency risk is not expected to be significant.

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

	Liabilities		Assets	
	2010 $	2009 $	2010 $	2009 $
Group				
United States dollars	-	-	477,143	455,888
Company				
Thai Baht	-	-	1,806,000	1,764,000

Foreign currency sensitivity

The following table details the sensitivity to a 5% increase and decrease in the relevant foreign currencies against the Singapore dollars. 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 currency 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 and equity.

If the relevant foreign currency weakens by 5% against the functional currency of each Group entity, profit or loss and equity will decrease by:

	2010 $	2009 $
Group		
United States dollars	(23,857)	(22,794)
Company		
Thai Baht	(90,300)	(88,200)

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (con't)

If the relevant foreign currency strengthens by 5% there would be an equal and opposite impact on the Group's and Company's profit or loss and equity.

(ii) Interest rate risk management

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

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

The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Notes 15, 18 and 19 to the financial statements.

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

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative 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 instruments that have floating rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit or loss and equity for the year ended December 31, 2010 would decrease/increase by $19,563 (2009 : decrease/increase by $9,484). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group places its cash and bank balances with creditworthy institutions. The Group has adopted procedures in extending credit terms to customers and in monitoring credit risk.

Concentration of credit risk exist 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 total credit exposure.

As at the end of the reporting period, the Group has 4 (2009 : 3) major customers which accounted for 96.44% (2009 : 95.74%) of the net trade receivable balances.

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

Further details of credit risks on trade and other receivables are disclosed in Notes 8 and 10 to the financial statements respectively.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (con't)

(iv) Liquidity risk management

Management is of the view that there is minimal liquidity risk as the Group maintains sufficient cash and bank balances and internally generated cash flows to finance their activities. If required, financing can be obtained from its existing lines of banking facilities.

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Group						
2010						
Non-interest bearing	-	10,274,934	-	-	-	10,274,934
Fixed interest rate instruments	5.25	762,968	-	-	(38,057)	724,911
Finance leases (fixed rate)	3.50	132,694	301,066	-	(34,742)	399,018
Variable interest rate instruments	5.08	4,272,738	-	-	(360,114)	3,912,624
		15,443,334	301,066	-	(432,913)	15,311,487
2009						
Non-interest bearing	-	9,332,154	-	-	-	9,332,154
Fixed interest rate instruments	4.94	1,003,999	1,280,556	-	(159,388)	2,125,167
Finance leases (fixed rate)	3.88	61,127	150,838	2,308	(23,620)	190,653
Variable interest rate instruments	4.98	2,241,148	-	-	(344,305)	1,896,843
		12,638,428	1,431,394	2,308	(527,313)	13,544,817

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (con't)

Company

All financial liabilities of the Company in 2010 and 2009 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 2010 and 2009 are repayable on demand or due within 1 year from the end of the reporting period, except for certain restricted cash and deposits as disclosed in Notes 7 and 10 to the financial statements respectively.

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, and other liabilities 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.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes bank loans, finance leases and loan from a third party and equity, comprising issued capital and retained earnings.

The Group's overall strategy remains unchanged from 2009.

5 RELATED COMPANY TRANSACTIONS

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

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

6 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

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

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

	2010 $	2009 $
Services rendered	-	(1,171,626)
Rental income	-	(12,000)
Acquisition of a subsidiary	198,896	-
Sub-contractor charges	-	1,493,616
Site wages	-	29,248
Travelling expenses	-	2,742
Purchase of goods	-	2,630

Compensation of directors and key management personnel

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

	2010 $	2009 $
Short-term benefits	1,355,436	717,225
Post-employment benefits	93,247	81,967
Total	**1,448,683**	**799,192**

The remuneration of directors and key management is determined by the remuneration committee (2009 : BOD) having regard to the performance of individuals and market trends.

Notes to Financial Statements

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Cash at bank and on hand	6,509,794	7,085,978	132,164	-
Fixed deposits	1,290,000	-	-	-
Restricted cash [(a)]	107,625	89,112	-	-
Total	**7,907,419**	**7,175,090**	**132,164**	-
Less: Restricted cash [(b)] (shown under non-current assets)	(54,761)	(36,327)	-	-
Current assets	**7,852,658**	**7,138,763**	**132,164**	-

Fixed deposit bore an effective interest rate of 1.5% per annum and was for a tenure of approximately 30 days.

Restricted cash include:

(a) Fixed deposits pledged to banks for bank facilities granted to the Group and have an average maturity of 3 months (2009 : 3 months) with weighted effective interest rates of 0.15% (2009 : 0.15%) per annum.

(b) Fixed deposits pledged to bank for bank guarantee granted to the Group and have an average maturity of 12 months (2009 : 12 months) with weighted effective interest rates of 1.75% (2009 : 1.75%) per annum.

The Group and Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
United States dollars	477,143	37,307	-	-

8 TRADE RECEIVABLES

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Third parties	13,736,250	18,728,048	-	-
Subsidiaries (Note 5)	-	-	1,599,529	214,000
	13,736,250	**18,728,048**	**1,599,529**	**214,000**

The average credit period on rendering of services is 30 days (2009 : 30 days). No interest is charged on the outstanding balances.

8 TRADE RECEIVABLES (cont'd)

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

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

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Unbilled receivables	2,040,393	5,604,734	-	-
Not past due and not impaired	5,672,062	2,786,702	1,599,529	214,000
Past due but not impaired	6,023,795	10,336,612	-	-
	13,736,250	**18,728,048**	**1,599,529**	**214,000**
Aging profile of receivables that are past due but not impaired:				
< 3 months	4,743,666	6,117,520	-	-
3 months to 6 months	846,640	1,880,174	-	-
6 months to 12 months	377,782	2,302,498	-	-
> 12 months	55,707	36,420	-	-
	6,023,795	**10,336,612**	**-**	**-**

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

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

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

As at December 31, 2010 the Group's has factored trade receivables with carrying amount of $1,032,386 (2009 : $32,056) to the factoring creditor (Note 17) in exchange for cash. The transaction has been accounted for as a collaterised borrowing as the bank has the full recourse in the event of default by those debtors.

The Group and Company's trade receivable balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
United States dollars	-	418,581	-	-

9 WORK-IN-PROGRESS

	Group	
	2010 $	2009 $
Cost and recognised profit of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits [1]	22,782,144	24,046,449
Less: Progress billings	(14,291,339)	(21,102,935)
Total	**8,490,805**	**2,943,514**

[1] Included in this account balance is allowance for foreseeable loss with the following movement:

	Group	
	2010 $	2009 $
Balance at beginning of the year	108,100	-
Utilised in the year	(108,100)	-
Charged to profit or loss	-	108,100
Balance at end of the year	**-**	**108,100**

10 OTHER RECEIVABLES

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Third parties	2,185,690	228,058	-	-
Subsidiaries (Note 5)	-	-	3,098,322	1,764,000
Prepayments	441,185	437,513	59,646	30,306
Deposits	444,680	306,354	-	-
Income tax recoverable	-	55,716	-	-
Total	**3,071,555**	**1,027,641**	**3,157,968**	**1,794,306**
Less: Deposits (shown under non-current assets)	(57,943)	(52,395)		
Current assets	**3,013,612**	**975,246**	**3,157,968**	**1,794,306**

10 OTHER RECEIVABLES (cont'd)

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

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

The Group and Company's other receivable balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Thai Baht	-	-	1,806,000	1,764,000

11 INVENTORIES

	Group	
	2010 $	2009 $
Consumables – at cost	531,071	597,997

12 SUBSIDIARIES

	Company	
	2010 $	2009 $
Unquoted equity shares, at cost	21,380,564	21,081,668

12 SUBSIDIARIES (cont'd)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activity (Country of incorporation/operation)	Cost of investment		Proportion of ownership interest		Proportion of voting power held	
		2010 $	2009 $	2010 %	2009 %	2010 %	2009 %
Eng Soon Investment Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	5,275,859	5,275,859	100	100	100	100
Wang Fatt Oil & Gas Construction Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	10,400,088	10,400,088	100	100	100	100
Eng Soon Marine Pte Ltd (3)	Supply of labour for vessel repair and sale of consumables / Singapore	782,272	782,272	100	100	100	100
ES Offshore Engineering Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	1,073,517	1,073,517	100	100	100	100
Eng Soon Engineering (1999) Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	1,401,732	1,401,732	100	100	100	100
ES Shipping Pte. Ltd. (3) (5)	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew / Singapore	100,000	-	100	-	100	-
Dalian ES Marine & Offshore Engineering Co., Ltd. (3) (6)	Technical development, design, and consultancy service for ship and offshore project / People's Republic of China	198,896	-	100	-	100	-
ES Offshore and Marine Engineering (Thailand) Co., Ltd. (2) (4)	Vessel building and repair and steel construction / Thailand	2,148,200	2,148,200	50	50	51	51

Notes:

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

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

(3) Audited by other audit firm.

(4) Although the Company does not own more than 50% of the equity shares of subsidiary, the Company holds 51% of the voting power of those shares and hence, the subsidiary is controlled by the Company and is consolidated in these financial statements.

(5) The subsidiary was acquired on March 13, 2010 from a third party for a total cash consideration of $4 (Note 31). Subsequent to the acquisition, the Company subscribed additional 99,998 shares allotted by the subsidiary for a total cash consideration of $99,996.

(6) The subsidiary was acquired on October 15, 2010 from a related party for a total cash consideration of $198,896 (Note 31).

13 CLUB MEMBERSHIP

	Group	
	2010	2009
	$	$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Carrying amount	**49,500**	**49,500**

14 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction in progress	Other assets	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$
Costs:									
At January 1, 2009	3,293,187	3,601,250	1,507,034	646,669	5,493,881	1,222,471	86,838	792,338	16,643,668
Exchange translation	-	87,835	14,846	15,772	85,984	786	2,118	3,876	211,217
Additions	-	-	9,436	13,391	175,786	35,000	79,090	75,129	387,832
Reclassification	-	-	33,275	36,219	29,917	-	(101,158)	1,747	-
Disposals	-	-	-	-	(38,524)	(115,750)	-	(1,400)	(155,674)
Write-off	-	-	-	-	(9,521)	(4,000)	(47,705)	(117,573)	(178,799)
At December 31, 2009	3,293,187	3,689,085	1,564,591	712,051	5,737,523	1,138,507	19,183	754,117	16,908,244
Exchange translation	-	87,835	15,862	16,954	89,964	786	457	4,718	216,576
Acquired on acquisition of a subsidiar (Note 31)	-	-	-	-	-	-	-	13,762	13,762
Additions	-	-	-	12,470	357,435	386,650	2,734,892	79,474	3,570,921
Reclassification	-	-	98,983	-	173,111	-	(272,094)	-	-
Disposals	-	(129,000)	-	-	-	(185,725)	-	-	(314,725)
Write-off	-	-	-	-	-	-	-	(12,186)	(12,186)
At December 31, 2010	3,293,187	3,647,920	1,679,437	741,475	6,358,033	1,340,218	2,482,438	839,885	20,382,592
Accumulated depreciation:									
At January 1, 2009	388,650	-	139,435	36,432	1,485,145	880,908	-	510,080	3,440,650
Exchange translation	-	-	517	889	16,641	272	-	857	19,176
Charge for the year	168,075	-	68,912	68,696	1,065,053	118,645	-	143,183	1,632,564
Disposals	-	-	-	-	(38,168)	(94,150)	-	(467)	(132,785)
Write-off	-	-	-	-	(9,520)	(4,000)	-	(116,993)	(130,513)
At December 31, 2009	556,725	-	208,864	106,017	2,519,151	901,675	-	536,660	4,829,092
Exchange translation	-	-	1,728	2,523	32,820	429	-	1,735	39,235
Charge for the year	168,076	-	72,736	71,409	1,149,572	133,823	-	122,132	1,717,748
Disposals	-	-	-	-	-	(185,725)	-	-	(185,725)
Write-off	-	-	-	-	-	-	-	(11,846)	(11,846)
At December 31, 2010	724,801	-	283,328	179,949	3,701,543	850,202	-	648,681	6,388,504

14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Leasehold land and property	Freehold land	Freehold property	Land improvement	Plant, machinery and equipment	Motor vehicles	Construction in progress	Other assets	Total
	$	$	$	$	$	$	$	$	$
Carrying amount:									
At December 31, 2010	2,568,386	3,647,920	1,396,108	561,526	2,656,490	490,016	2,482,438	191,204	13,994,088
At December 31, 2009	2,736,462	3,689,085	1,355,727	606,034	3,218,372	236,832	19,183	217,457	12,079,152

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

There is no directly attributable interest expense capitalised during the year under construction-in-progress.

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of $2,568,386 (2009 : $2,736,462) and freehold property, an office unit at 30 Shaw Road, #06-06 Roche Building, Singapore 367957 with a carrying amount of $744,157 (2009 : $708,000) have been pledged with a bank for banking facilities (Note 15).

In 2009, the Group's machineries with a carrying amount of $762,124 was secured to a third party loan (Note 18).

The Group has motor vehicles held under finance lease (Note 19) with carrying amount of $426,794 (2009 : $130,025) as at the end of the reporting period.

15 BANK LOANS (SECURED)

	Group	
	2010	2009
	$	$
Bank loans		
- Term loan 1 [(a)]	500,428	575,025
- Term loan 2 [(b)]	813,080	912,564
- Term loan 3 [(c)]	362,089	409,254
- Bridging loan [(d)]	1,166,667	2,000,000
- Invoice financing [(e)]	1,070,360	-
Total	**3,912,624**	**3,896,843**

Notes:

(a) The bank loan has an average effective interest rate of 5.25% (2009 : 5.25%) per annum.

(b) The bank loan has an average effective interest rate of 3.66% (2009 : 4.50%) per annum.

(c) The term loan has an average effective interest rate of 5.08% (2009 : 5.25%) per annum.

(d) Interest is charged at an average effective interest rate of 3.79% (2009 : 5.00%) per annum.

(e) Interest is charged at an average effective interest rate of 1.81% per annum.

15 BANK LOANS (SECURED) (cont'd)

The Group's bank facilities are secured by:

(i) legal mortgage over the Group's leasehold land and property (Note 14);

(ii) legal mortgage over the Group's freehold property (Note 14);

(iii) legal mortgage over the properties of a related party; and

(iv) joint and several personal guarantees of a director and related parties for all the monies owing.

At December 31, 2010, the Group had available $31,422,729 (2009 : $12,270,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

The Group's bank loans are denominated in the functional currencies of the respective entities.

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

16 TRADE PAYABLES

	Group	
	2010 **$**	**2009** **$**
Third parties	3,092,768	2,612,669
Related parties (Note 6)	158,406	-
Total	**3,251,174**	**2,612,669**

The average credit period of trade payables is 30 days (2009: 30 days). No interest is charged on the outstanding balances.

The Group's trade payables are denominated in the functional currencies of the respective entities.

17 OTHER PAYABLES

	Group		Company	
	2010 $	2009 $	2010 $	2009 $
Director of subsidiary (Note 6)	1,806,000	1,764,000	-	-
Subsidiaries (Note 5)	-	-	1,705,528	4,041,093
Related parties (Note 6)	-	58,922	-	865
Accruals	2,447,713	1,978,428	255,222	20,800
Workers' guarantee payables	1,468,530	1,550,923	-	-
Dividend payables	-	1,000,000	-	-
Other payables	1,301,517	367,212	272,930	6,197
Factoring creditor	724,911	19,234	-	-
Total	**7,748,671**	**6,738,719**	**2,233,680**	**4,068,955**

The Group's factoring creditor bear a fixed interest rate of 5.25% (2009 : 5.25%) per annum and is repayable within the next 12 months. It was secured by certain trade receivables amounted to $1,032,386 (2009 : $32,056) (Note 8).

Accruals principally comprise amounts outstanding for ongoing costs.

The Group and Company's other payables are denominated in the functional currencies of the respective entities.

18 LOAN FROM A THIRD PARTY (SECURED)

	Group	
	2010 $	2009 $
Loan from a third party	-	105,933

The loan from a third party is secured by the Group's machineries (Note 14) and is repayable within 3 years in equal quarterly instalments commencing after the date of the first drawdown in January 2007.

In 2009, the loan bears a fixed interest rate of 3.75% per annum.

The Group's loan from a third party is denominated in the functional currencies of the respective entities.

The fair value of the Group's loan approximates its carrying amount as it bears interest at rates which approximate the current incremental borrowing rate for similar types of lending and borrowing arrangements.

19 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2010 $	2009 $	2010 $	2009 $
Group				
Amounts payable under finance leases:				
Within one year	132,694	61,127	116,468	51,073
In the second to fifth years inclusive	301,066	150,838	282,550	137,289
After fifth year	-	2,308	-	2,291
	433,760	214,273	399,018	190,653
Less: Future finance charges	(34,742)	(23,620)	NA	NA
Present value of lease obligations	399,018	190,653	399,018	190,653
Less: Amount due for settlement within 12 months (shown under current liabilities)			(116,468)	(51,073)
Amount due for settlement after 12 months			**282,550**	**139,580**

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease terms ranged from 3 to 7 years (2009 : 6 to 7 years). The average effective borrowing rate was 3.50% (2009 : 3.88%) 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.

All lease obligations are denominated in Singapore dollars.

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

The Group's obligations under finance leases are secured by the lessor's title to the leased assets (Note 14) and joint and several personal guarantees of a director and related parties.

20 DEFERRED TAX LIABILITIES

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

	Group	
	2010 $	2009 $
Accelerated tax depreciation		
At beginning of year	206,390	161,990
(Credited) charged to profit or loss (Note 27)	(57,800)	44,400
At end of year	**148,590**	**206,390**

21 SHARE CAPITAL

	Group and Company			
	2010	2009	2010	2009
	Number of ordinary shares		$	$
Issued and paid up: At beginning of year	18,933,469	1	18,933,469	1
Shares issued pursuant to the Restructuring Exercise (Note 1)	-	18,933,468	-	18,933,468
Subdivision of shares to 120,000,000 shares	101,066,531	-	-	-
Initial Public Offering:				
- Issuance of shares	21,200,000	-	5,088,000	-
- Share issue expenses	-	-	(323,121)	-
At end of year	**141,200,000**	**18,933,469**	**23,698,348**	**18,933,469**

The Group's share capital in consolidated financial statements as at December 31, 2009 represented the pre-Placement paid-up capital of ES Group (Holdings) Limited. For the purpose of this set of consolidated financial statements, the Group's share capital has been presented as if the Restructuring has occurred since the beginning of the earliest financial year presented in these consolidated financial statements.

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.

Included in the share issue expenses is non-audit fees of $227,500 paid to the auditors of the Company in relation to its Initial Public Offering.

22 MERGER RESERVE

For the purpose of preparing this set of consolidated financial statements, the consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity have been prepared using the principle of merger accounting on the basis that the entities under common control have been consolidated since the beginning of the earliest financial year presented in these consolidated financial statements. The consolidated statement of financial position of the Group as at December 31, 2009 have been prepared to present the assets and liabilities of the Group as at those dates as if the current Group structure had been in existence at these dates. This resulted in a negative merger reserve of $18,570,468.

23 REVENUE

These represent service rendered net of estimated rebates and discounts.

24 OTHER OPERATING INCOME

	Group	
	2010 $	2009 $
Reimbursement of expenses from foreign workers	1,124,744	1,349,793
Foreign exchange gain - net	-	121,979
Rental income	-	38,400
Gain on disposal of property, plant and equipment	90,849	9,909
Scrap income	-	5,244
Interest income	4,963	1,308
Others	83,031	37,629
Total	**1,303,587**	**1,564,262**

25 OTHER OPERATING EXPENESES

	Group 2010 $	Group 2009 $
Rental expense	1,485,820	1,400,875
Repair and maintenance	325,116	422,095
Travelling expense	250,500	356,353
Staff training and welfare	655,562	289,358
Food and refreshment	227,972	258,994
Foreign exchange loss - net	264,814	-
Water and electricity	229,121	175,509
Listing expenses	758,065	171,736
Transportation	111,027	129,170
Depreciation on property, plant and equipment	673,353	127,144
Property, plant and equipment written off	339	48,286
Staff uniform	30,045	20,755
Others	271,186	254,434
Total	**5,282,920**	**3,654,709**

26 FINANCE COSTS

	Group 2010 $	Group 2009 $
Interest on bank loans	207,238	125,717
Interest on bank overdrafts	308	96,669
Interest on factoring loan	76,710	49,788
Interest on obligation under finance lease	15,501	13,825
Interest expense to a third party	-	13,713
Total	**299,757**	**299,712**

27 INCOME TAX EXPENSE

	Group 2010 $	Group 2009 $
Income tax:		
- Current tax	521,245	807,505
- Underprovision in prior year	2,176	902
Deferred tax (Note 20)		
- Current	(57,800)	21,700
- Underprovision in prior year	-	22,700
Total	**465,621**	**852,807**

27 INCOME TAX EXPENSE (cont'd)

Domestic income tax is calculated at 17% (2009 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group	
	2010 $	2009 $
Profit before income tax	**1,726,817**	**9,153,173**
Income tax expense at statutory rate of 17%	293,559	1,556,039
Effect of expenses that are not deductible in determining taxable profit	164,070	72,971
Effect of income that exempt from taxation in foreign jurisdiction	-	(665,286)
Effect of unused tax losses not recognised as deferred tax assets	107,881	-
Tax exemption	(118,040)	(140,181)
Underprovision in prior year	2,176	23,602
Others	15,975	5,662
Total income tax expense	**465,621**	**852,807**

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $634,594 (2009 : $Nil) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

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

The Company's subsidiary in Thailand was granted an investment promotion privileges as a promoted industry by virtue of the provision of the Investment Promotion Act B.E. 2520 (1977). According to the promotional certificate No. 1279(2)/2550 dated March 16, 2007, 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;
- exemption of corporate income tax on the net profit derived from the promoted activity with the total amount not exceeding 100 percent of the investment capital excluding cost of land and working capital for a period of not more than 8 years from the date income was derived from such activity; and
- tax-exempt dividends derived from the Promoted Activity to the shareholders within the income tax exemption period.

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

28 PROFIT FOR THE YEAR

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

	Group 2010 $	Group 2009 $
Directors' fee	87,500	-
Directors' remuneration		
- of the Company	689,000	300,468
- of the Subsidiaries	121,661	112,807
Employee benefit expenses (including directors' remuneration)	2,866,816	2,242,165
Costs of defined contribution plans (included in employee benefit expenses)	313,334	270,952
Non-audit fee:		
- paid to auditors of the Company	230,500	-
- paid to other auditors	5,750	5,450
Depreciation of property, plant and equipment	1,717,748	1,632,564
Cost of inventories recognised as expense	649,929	2,471,778
Allowance for foreseeable loss on contract work-in-progress	-	108,100
Government grant – Job credit scheme	(42,895)	(201,971)

29 EARNINGS PER SHARE

Basic earnings per share for the financial year ended December 31, 2010 is calculated based on the net profit attributable to owners of the Company for the year of $1,578,495 (2009 : $6,343,643) divided by the weighted average number of shares issued of 130,222,466 (2009 : pre-Placement shares after subdivision of 120,000,000).

30 DIVIDENDS

On May 5, 2010, the Company declared and paid an interim one-tier tax exempt dividend of $0.02 per share amounting to $2,800,000 in respect of the year ended December 31, 2010, to its shareholders.

During the year ended December 31, 2009, Eng Soon Investment Pte Ltd declared and paid an interim one-tier tax exempt dividend of $10.00 per share amounting to $1,000,000 in respect of the year ended December 31, 2009, to its then shareholders.

30 DIVIDENDS (cont'd)

During the year ended December 31, 2009, Eng Soon Engineering (1999) Pte Ltd declared and paid an interim one-tier tax exempt dividend of $3.33 per share amounting to $100,000 in respect of the year ended December 31, 2009, to its then shareholders.

During the year ended December 31, 2009, Wang Fatt Oil & Gas Construction Pte Ltd to its then shareholders declared and paid an interim one-tier tax exempt dividend of $10.00 amounting to $1,000,000 to its then shareholders and declared a second interim one-tier tax exempt dividend of $5.00 per share amounting to $500,000 in respect of the year ended December 31, 2009, to be payable to its then shareholders.

During the year ended December 31, 2009, ES Offshore Engineering Pte. Ltd. declared and paid an interim one-tier tax exempt dividend of $4.00 per share amounting to $400,000 to its then shareholders and declared a second interim one-tier tax exempt dividend of $5.00 per share amounting to $500,000 in respect of the year ended December 31, 2009, to be payable to its then shareholders.

In respect of the current year, the directors propose that a dividend of 0.336 cents per share will be paid to shareholders on May 26, 2011. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the Register of Members on May 6, 2011. The total estimated dividend to be paid is $474,432.

31 ACQUISITION OF SUBSIDIARIES

During the financial year ended December 31, 2010, the Group acquired the following subsidiaries and accounted for these acquisitions using the acquisition method of accounting:

Subsidiary / Country of incorporation	Date of acquisition	Proportion of ownership interest acquired (%)
ES Shipping Pte. Ltd. / Singapore	March 13, 2010	100
Dalian ES Marine & Offshore Engineering Co., Ltd. / People's Republic of China	October 15, 2010	100

The Group acquired the subsidiaries primarily to expand the existing scope of the Group businesses to include engineering capabilities which will allow the Group to undertake engineering, procurement and construction projects.

(a) Consideration transferred

	Dalian ES Marine & Offshore Engineering Co., Ltd.	ES Shipping Pte. Ltd.	Total
	$	$	$
Cash	198,896	4	198,900

31 ACQUISITION OF SUBSIDIARIES (cont'd)

(b) Fair value of assets acquired and liabilities assumed at the date of acquisition

	Dalian ES Marine & Offshore Engineering Co., Ltd.	ES Shipping Pte. Ltd.	Total
	$	$	$
Current assets			
Cash and bank balances	283,638	4	283,642
Other receivables	798,906	-	798,906
Non-current asset			
Property, plant and equipment	13,762	-	13,762
Current liabilities			
Other payables	(892,870)	-	(892,870)
Income tax payable	(4,540)	-	(4,540)
Net assets acquired and liabilities assumed	198,896	4	198,900

(c) Goodwill arising on acquisition

	Dalian ES Marine & Offshore Engineering Co., Ltd.	ES Shipping Pte. Ltd.	Total
	$	$	$
Cash consideration	198,896	4	198,900
Less: Fair value of identifiable net assets acquired	(198,896)	(4)	(198,900)
	-	-	-

(d) Net cash inflow on acquisition of subsidiaries

	2010
	$
Consideration paid in cash	198,900
Less: Cash and cash equivalent balances acquired	(283,642)
	(84,742)

31 ACQUISITION OF SUBSIDIARIES (cont'd)

(e) Impact of acquisitions on the results of the Group

During the year, the acquisition of the subsidiaries resulted in inclusion of post-acquisition loss of $11,043 in the Group's financial statements. There was no revenue for the period from these subsidiaries.

There would have been no material impact on the Group's revenue and profit for the year had the business combination during the year been effected at January 1, 2010.

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 makers have focused on the business operating units which in turn, are segregated based on their services. This forms the basis of identifying the operating segments of the Group under FRS 108.

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

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

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

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

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

Some assets are not allocated to reportable segment 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 liabilities are not allocated to reportable segment 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.

32 SEGMENT INFORMATION (cont'd)

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

	New building and conversion $	Repair $	Total $
2010			
Revenue			
Segment revenue	18,976,374	22,155,246	41,131,620
Results			
Segment results	5,780,812	4,527,089	10,307,901
Other operating income			1,303,587
Administrative expenses			(4,301,994)
Other operating expenses			(5,282,920)
Finance costs			(299,757)
Profit before income tax			1,726,817
Income tax expense			(465,621)
Profit for the year			**1,261,196**
Other information			
Capital expenditure			3,570,921
Property, plant and equipment written off			340
Gain on disposal of property, plant and equipment			(90,849)
Depreciation of property, plant and equipment			1,717,748
Assets and Liabilities			
Segment assets	12,727,407	9,499,648	22,227,055
Unallocated corporate assets			25,553,633
Total assets			**47,780,688**
Unallocated corporate liabilities			16,008,180
Total liabilities			**16,008,180**

32 SEGMENT INFORMATION (cont'd)

	New building and conversion $	Repair $	Total $
2009			
Revenue			
Segment revenue	30,881,335	21,807,004	52,688,339
Results			
Segment results	10,179,934	4,733,804	14,913,738
Other operating income			1,564,262
Administrative expenses			(3,370,406)
Other operating expenses			(3,654,709)
Finance costs			(299,712)
Profit before income tax			9,153,173
Income tax expense			(852,807)
Profit for the year			**8,300,366**
Other information			
Allowance for foreseeable loss on contract work-in-progress			108,100
Capital expenditure			387,832
Property, plant and equipment written off			48,286
Gain on disposal of property, plant and equipment			(9,909)
Depreciation of property, plant and equipment			1,632,564
Assets and Liabilities			
Segment assets	7,950,728	13,720,834	21,671,562
Unallocated corporate assets			20,929,380
Total assets			**42,600,942**
Unallocated corporate liabilities			14,304,079
Total liabilities			**14,304,079**

32 SEGMENT INFORMATION (cont'd)

Geographical information

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

The Group's revenue and information about its segment assets by geographical location are detailed below:

Geographical segments	Revenue 2010 $	Revenue 2009 $	Non-current assets 2010 $	Non-current assets 2009 $
Singapore	35,483,155	34,927,942	6,789,741	4,680,372
Thailand	5,648,465	17,760,397	7,340,119	7,537,002
People's Republic of China	-	-	26,432	-

The Group's revenue by geographical segments is 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:

	2010 $	2009 $
Customer 1	23,156,188	21,159,464
Customer 2	11,443,473	15,438,336
Customer 3	-	12,743,604
Total	**34,599,661**	**49,341,404**

Each customer above contributes revenue to both reportable segments.

33 OPERATING LEASE ARRANGEMENTS

	Group 2010 $	Group 2009 $
Minimum lease payments under non-cancellable operating leases recognised as an expense in the year	72,273	58,205

33 OPERATING LEASE ARRANGEMENTS (cont'd)

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases of land with JTC Corporation ("JTC"), which fall due as follows:

	Group	
	2010 $	2009 $
Within 1 year	76,228	72,273
In the second to fifth year inclusive	304,912	289,092
After five years	990,964	1,011,824
Total	**1,372,104**	**1,373,189**

Leases are negotiated for term of 22 years and increment to the present charge rate will be subjected to revision. JTC will review this rate periodically to determine the need for rate revision.

34 SUBSEQUENT EVENTS

On February 25, 2011, the Group has via its wholly-owned subsidiary, Wang Fatt Oil & Gas Construction Pte Ltd entered into Sale and Purchase Agreements in respect of the purchase of four leasehold properties at 8 Ubi Road 2 #06-23, #06-24, #06-25 and #06-26, Zervex, Singapore 408538, for a purchase consideration of S$1,995,000 from a third party.

On March 2, 2011, Group has via its wholly-owned subsidiary, Wang Fatt Oil & Gas Construction Pte Ltd granted an option to purchase in respect of the disposal of freehold property at 30 Shaw Road, #06-06 Roche Building, Singapore 367957, for a purchase consideration of $1,050,000 to a third party. The option to purchase was exercised by the third party on March 16, 2011.

Statistics of Shareholdings

As at 18 March 2011

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings			No. of Shareholders	%	No. of Shares	%
1	-	999	0	0.00	0	0.00
1,000	-	10,000	55	30.22	413,000	0.29
10,001	-	1,000,000	116	63.74	12,752,000	9.03
1,000,001		And above	11	6.04	128,035,000	90.68
Total			182	100.00	141,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1.	Neo Peck Keow @ Ng Siang Keng	40,080,000	28.39
2.	Christopher Low Chee Leng	30,000,000	21.25
3.	Low Chee Wee	30,000,000	21.25
4.	Eddy Neo Chiang Swee	6,000,000	4.25
5.	Low Yin Yin	6,000,000	4.25
6.	UOB Kay Hian Pte Ltd	4,892,000	3.46
7.	Leow Mei Lee	3,600,000	2.55
8.	Eric Neo Chiang Yee	2,400,000	1.70
9.	Ong Beng Chye	1,920,000	1.36
10.	Phillip Securities Pte Ltd	1,643,000	1.16
11.	Raffles Nominees (Pte) Ltd	1,500,000	1.06
12.	Kim Eng Securities Pte. Ltd.	919,000	0.65
13.	Mayban Nominees (S) Pte Ltd	836,000	0.59
14.	Serm Tantasatien	835,000	0.59
15.	United Overseas Bank Nominees Pte Ltd	796,000	0.56
16.	Bank of Singapore Nominees Pte Ltd	698,000	0.49
17.	Kok Sip Chon	650,000	0.46
18.	OCBC Securities Private Ltd	481,000	0.34
19.	Lim & Tan Securities Pte Ltd	400,000	0.28
20.	Lim Eng Seng	331,000	0.23
	Total	133,981,000	94.87

Shareholdings Statistics

Based on the information available to the Company as at 18 March 2011, approximately 16.36% of the issued ordinary shares of the Company are held by the public, and therefore, Rule 723 of the Rules of Catalist which requires that at least 10% of the ordinary shares of the Company be at all times held by the public, is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 1st Annual General Meeting of ES Group (Holdings) Limited will be held at 10 Kwong Ming Road Singapore 628712 on 27 April 2011 at 2.00 p.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Financial Statements, the Directors' Report and the Auditors' Report for the financial year ended 31 December 2010. **Resolution 1**

2. To approve a final dividend of 0.336 cents one-tier tax exempt dividend per share for the financial period ended 31 December 2010. **Resolution 2**

3. To approve the payment of Directors' fees of S$87,500 for the financial period ended 31 December 2010. **Resolution 3**

4. To approve the payment of Directors' fees of S$125,000 for the financial period ending 31 December 2011. **Resolution 4**

5. To re-elect Mr Christopher Low Chee Leng, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 5**

6. To re-elect Mr Low Chee Wee, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 6**

7. To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 7**

AS SPECIAL BUSINESS

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

8. That pursuant to Section 161 of the Companies Act, Cap. 50, that authority be and is hereby given to the Directors of the Company to:

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

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

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

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

Notice of Annual General Meeting

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

provided that:

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

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

(iii) in exercising such authority, the Company shall comply with any or all of the rules in Section B of the Listing Manual of the SGX-ST ("**Rules of Catalist**") for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") or the Sponsor) and the Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting by 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 Companies Act, Cap. 50, and every other legislation for the time being in force concerning companies and affecting the Company (whichever is the earliest). ***(See Explanatory Notes)*** **Resolution 8**

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

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

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

to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the Performance Share Plan and/or the exercise of options granted by the Company under the Share Option Scheme, whether granted during the subsistence of this authority or otherwise provided always that:

the aggregate number of shares to be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company for the time being. ***(See Explanatory Notes)*** **Resolution 9**

Notice of Annual General Meeting

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

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 11 April 2011

Notes:
1. A Member of the Company entitled to attend and vote at the Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a Member of the Company.
2. Where a Member appoints two (2) proxies, he shall specify the percentage of shares to be represented by each proxy.
3. A Member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf. The appointment of proxy must be executed under seal or under the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at not less than forty-eight (48) hours before the time appointed for the Meeting.

Explanatory Notes on Ordinary Business to be Transacted:-

Resolution 5

Mr Christopher Low Chee Leng, if re-appointed as Director of the Company, will remain as the Chief Executive Officer of the Company.

Resolution 6

Mr Low Chee Wee, if re-appointed as Director of the Company, will remain as an Executive Director of the Company.

Explanatory Notes on Special Business to be Transacted:-

Resolution 8

The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company, without seeking any further approval from shareholders in general meeting but within the limitation imposed by this Resolution, for such purposes as the Directors may consider would be in the best interests of the Company. The number of shares and convertible securities that the Directors may allot and issue under this Resolution would not exceed one hundred per cent. (100%) of the total number of issued shares in the capital of the Company excluding treasury shares at the time of the passing of this Resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed fify per cent. (50%) of the total number of issued shares in the capital of the Company excluding treasury shares at the time of the passing of this Resolution.

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

(i) new shares arising from the conversion or exercise of convertible securities; and
(ii) any subsequent bonus issue, consolidation or subdivision of shares.

Notice of Annual General Meeting

Resolution 9

The Ordinary Resolution 9 proposed above, if passed, will empower the Directors of the Company to grant awards and options in accordance with the provisions of the Performance Share Plan and Share Option Scheme respectively and allot and issue Shares pursuant to the Performance Share Plan and pursuant to the exercise of options granted or to be granted under the Share Option Scheme, provided that:

the aggregate number of shares to be issued pursuant to the Performance Share Plan and the Share Option Scheme shall not exceed fifteen per cent. (15%) of the issued share capital of the Company for the time being.

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

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Proxy Form

ES Group (Holdings) Limited

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

Annual General Meeting to be held on 27 April 2011

IMPORTANT:-

For investors who have used their CPF monies to buy shares in the capital of ES Group (Holdings) Limited, this Annual Report is forwarded to them at the request of their CPF approved nominees and is sent solely FOR INFORMATION ONLY.

This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

CPF Investors who wish to attend the Annual General Meeting as observers or who wish to vote should contact their CPF approved nominees.

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

of ____(Address)

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

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

and/or (delete as appropriate)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the 1st Annual General Meeting of the Company to be held at 10 Kwong Ming Road Singapore 628712, on 27 April 2011 at 2.00 p.m. and at any adjournment thereof.

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

No.	Resolution	For	Against
	ORDINARY BUSINESS		
1	Financial Statements, Directors' Report & Auditors' Report		
2	Final dividend		
3	Directors' fees for the financial year ended 31 December 2010		
4	Directors' fees for the financial year ending 31 December 2011		
5	Re-election (Mr Christopher Low Chee Leng)		
6	Re-election (Mr Low Chee Wee)		
7	Re-appointment (Deloitte & Touche LLP)		
	SPECIAL BUSINESS		
8	Authority to issue shares		
9	Authority to grant awards and options pursuant to the Performance Share Plan and Share Option Scheme respectively and allot and issue shares pursuant to the Performance Share Plan and pursuant to the exercise of options granted or to be granted under the Share Option Scheme		

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

Signed this ______ day of __________ 2011

Total Number of Shares Held

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

*delete as appropriate

Notes to the Proxy Form:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members.

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

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

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

5. The instrument appointing a proxy or proxies together with the letter or power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the registered office of the Company at 30 Shaw Road, #06-06 Roche Building, Singapore 367957 at least forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

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

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

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

9. In the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

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“Floatel Superior (B302)”
One part of Upper Hull block for a Semi Submersible
Year of construction :- 2008

“Dynamic Producer”
Conversion to Floating, Drilling, Production, Storage and Offloading (FDPSO).
Year of construction :- 2008 to 2010.

ES GROUP (HOLDINGS) LIMITED
Co Registration NO.: 200410497Z
30 Shaw Road, #06-06, Roche Building, Singapore 367957
Tel: +65 6748 9111 (3 Lines) Fax: +65 6284 3005 Web: www.esgroup.com.sg

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