



## ES Group (Holdings) Limited

Annual Report 2011

# EXPLORING OPPORTUNITIES

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Canaccord Genuity Singapore Pte. Ltd. has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made, or reports contained in this annual report. The contact person for the Sponsor is Mr. Alex Tan, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.



## Vision ▶

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

## Mission ▶

To provide world-class services without compromising on safety

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

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

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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 dry-docked for prominent Singapore shipyard operators including Sembawang Shipyard Pte Ltd, Keppel FELS Ltd and Singapore Technologies Marine Ltd.

Upon its listing in 2010, ES Group undertook a strategic shift to diversify its revenue streams. The Group ventured into Engineering, Procurement and Construction (“EPC”) projects and vessel owning and chartering. The EPC strategy will secure direct contracts to increase the Group’s revenue and profitability. The vessel owning and chartering strategy will generate a stable stream of recurring revenue for the Group in the medium to longer term.

Apart from gaining traction on the Group’s turnkey engineering, procurement and fabrication capability and uncompromising quality and safety standards, ES Group believes that these new businesses will complement its traditional ship building and repair operations.

ES Group has site offices at the premises of its shipyard customers and operates out of its workshop and repair facilities within Singapore. The Company also owns a 70,000-square-metre shipyard with fabrication grounds in Thailand (through our 50%-owned subsidiary in Thailand), providing new building and conversion services. This facility strengthens the Group’s competitiveness in operating costs, skilled labour and geographical proximity.

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.

The Group remains on the lookout for opportunities to expand its core business while exploring possible mergers and acquisitions to accelerate its growth initiatives and enhance its long-term shareholder value.

# Chairman's Message



“The net profit was achieved on the back of S\$47.1 million revenue for FY2011, 14.6% higher than S\$41.1 million achieved in FY2010.”

**Wee Siew Kim** Chairman

Dear Shareholders,

On behalf of the Board, it gives me great pleasure to present to you ES Group (Holdings) Limited's annual report for the financial year ended 31 December 2011 ("FY2011"). The second year since our public listing has been a rewarding and significant period, as the Group benefited from increased offshore and marine activities in line with rising crude oil prices and the execution of the Group's growth strategies.

## Financial Performance

Due to the buoyant order flow from major yards and other customers, our net profit rose to S\$4.5 million, a 256.9% increase over S\$1.3 million recorded in the financial year ended 31 December 2010 ("FY2010"). The net profit was achieved on the back of S\$47.1 million revenue for FY2011, 14.6% higher than S\$41.1 million achieved in FY2010. The year under review marked the successful delivery of our first directly awarded contract from Subsea 7 S.A. (formerly known as Acergy S.A.), an international offshore engineering and construction contractor and vessel owner. The successful delivery of this project to a very satisfied customer is a testament of the Group's capabilities to perform to exacting high quality and safety standards.

The Group undertook Engineering, Procurement and Construction services to complete and deliver this offshore barge on 16 April 2011. The customer's prominent profile in the industry and the complicated nature of this contract, has positioned our Company firmly as a premier EPC contractor within the offshore oil and gas ("O&G") sector. The successful completion of this project is an important milestone in our strategy to move into turnkey project execution and delivery.

We believed our status as a listed corporation, has resulted in more enquiries for orders in FY2011. Most of the increase in revenue came from our Thailand shipyard, which almost doubled its contribution to S\$11.1 million from S\$5.6 million a year earlier.

The Group completed construction of the two jack-up blocks totaling approximately 680 metric tonnes for a major Singapore shipyard in January 2012. Mid-way through completion of this contract, the same customer ordered two additional jack-up blocks, almost doubling the size of the initial contract. We saw this additional order as an important validation of the confidence of the customer in ES Group's ability to provide value and quality.

As part of the Group's growth strategy, we started the construction of two company-owned bunker vessels in 2011 which are under seven-year and three-year charter agreements. This will provide stable recurring revenue stream for the Group as we position to venture into owning and chartering of bunker vessels. The charter revenue will contribute to the Group's performance in the second half of FY2012.

During the year under review, we disposed of our freehold property as we moved to larger premises to accommodate our growing team. The disposal of the property resulted in a gain of S\$0.3 million which contributed to the bottom-line of the Group in FY2011.

To reward shareholders, the Board of Directors has proposed a final dividend of 0.2 Singapore cents per share, representing 7.1% of net profit attributable to the owners of the Company for FY2011. This will be the second dividend payment by the Group since our listing in 2010. Last year, the Group paid dividends of 0.336 Singapore cents per share.

# Chairman's Message ◀

## FY2012 Group outlook

Barring further deterioration in global economic sentiments and conditions, the offshore and marine industry is expected to remain stable during the year. Construction of offshore platforms is likely to remain stable in FY2012 in line with the current high crude oil prices and increase in oil companies' exploration and production spending.

In bidding for new projects, the Group will continue to benefit from the available capacity of our facilities in Thailand. The Singapore yards will continue to face operating challenges including space constraints and increasing staff-related costs, mainly foreign workers' levy and accommodation expenses. We will continue to push for improvements to the Group's operational and financial efficiency.

The Group remains on the lookout for opportunities to expand its core business while exploring mergers and acquisitions opportunities to enhance shareholder value.

## 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 2011 would not have been possible. My sincere thanks also go to the Management and staff for their dedication and hard work.

I look forward to your continued support as Eng Soon Group continues to chart new heights.

Yours faithfully,  
**Wee Siew Kim**  
Chairman



# ▶ Corporate Milestones

- 1975 ▶ Eng Soon Engineering Pte Ltd was first established by Low Chye Hin
- 1977 ▶ Registered as a resident sub-contractor 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 ▶ ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in Thailand, Thapsakae covering 70,000 square meters land space undertaking EPC projects and providing new building services such as offshore modules and oil rigs structures
- 2007 ▶ Built a 2-storey building at No. 10 Kwong Min Road having 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  
Aug, secured first direct order from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A.  
Oct, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People’s Republic of China (“PRC”)
- 2011 ▶ Delivered successfully an offshore barge from its first direct customer Subsea 7 S.A.

# Board of Directors ◀



Jens Rasmussen

Low Chee Wee

Tan Swee Ling

Wee Siew Kim

Eddy Neo Chiang Swee

Christopher Low Chee Leng

## ▶ Board of Directors



### Wee Siew Kim

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

### Low Chee Wee

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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 Harringale International Pte Ltd, a project management company, where he was in charge of the finance and accounting matters of the company. Mr Low obtained a Bachelor of Accountancy from Nanyang Technological University of Singapore in 1994 and is a non-practising member of the Institute of Certified Public Accountants in Singapore.



### Christopher Low Chee Leng

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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.

# Board of Directors ◀

## 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 semisubmersibles, commercial and technical feasibility evaluation for floating offshore platforms. During the period between 2000 and 2004, he also held the position of Engineering Manager and Construction Manager (Korea) and Engineering Coordination Manager (Houston) at BP Exploration Company Inc. In 2006, he was a project manager with Frontier Drilling Inc., where he was responsible for overseeing the upgrade and refurbishment of a drillship in Keppel FELS. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.



## 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 with Honours from the National University of Singapore in 1991 and is a Fellow of the Association of Chartered Certified Accountants.

## Eddy Neo Chiang Swee

Eddy Neo Chiang Swee is our Executive Director (Development) and was appointed to our Board on 25 November 2009. He is responsible for overseeing and managing our Group's information technology, business development and receivables departments. Mr Neo joined our Group in 2000 as a commercial executive at Wang Fatt, 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.



# ▶ 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 1998 as a commercial executive and was responsible for project coordination and tenders.

In 2004, he was promoted to commercial manager, in charge of project tendering, project management, budget planning and manpower planning. Mr Koay was subsequently appointed 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

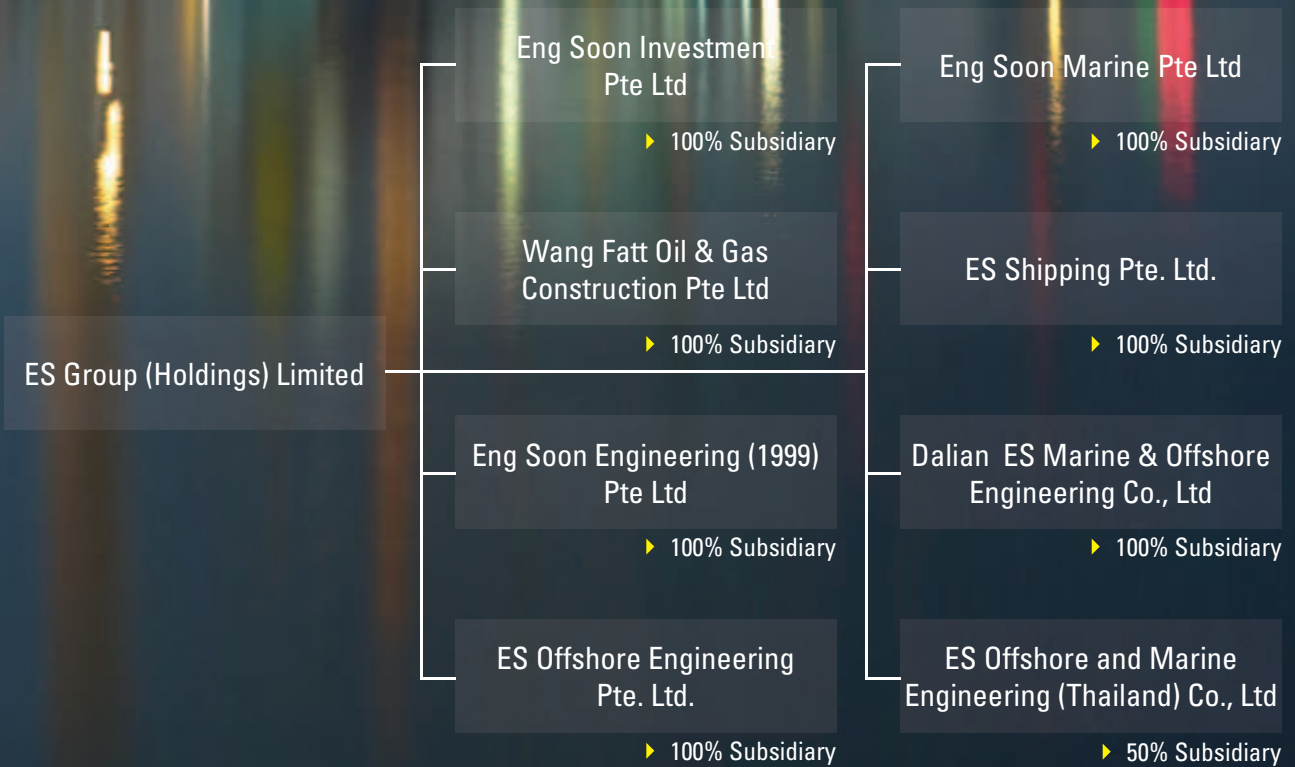
Teoh Han Chong is our Assistant General Manager, reporting directly to our General Manager (Operations / Commercial), Koay Swee Heng. As our Assistant General Manager, Mr Teoh is largely responsible for project management, budget planning and manpower allocation for our projects with Keppel FELS Ltd, 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. Mr Teoh obtained his National Trade Certificate Grade 3 in Marine Steelwork from the Vocational and Industrial Training Board, Singapore in 1992.

## Lou Tin Boang

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

# Corporate Structure ◀



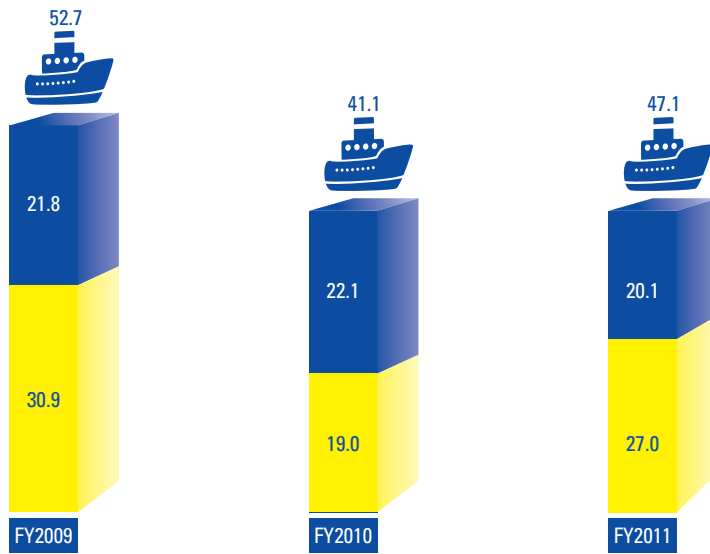
# ► Financial Highlights

<b>Financial Performance Highlights</b>	<b>FY 2011</b> <b>\$ '000</b>	<b>FY 2010</b> <b>\$ '000</b>	<b>FY 2009</b> <b>\$ '000</b>
<b>Revenue</b>	<b>47,119</b>	<b>41,132</b>	<b>52,688</b>
Cost of services	(34,483)	(30,824)	(37,774)
<b>Gross Profit</b>	<b>12,636</b>	<b>10,308</b>	<b>14,914</b>
Other operating income	2,134	1,304	1,564
Administrative expenses	(5,236)	(4,302)	(3,370)
Other operating expenses	(4,369)	(5,283)	(3,655)
Finance costs	(422)	(300)	(300)
<b>Profit before income tax</b>	<b>4,743</b>	<b>1,727</b>	<b>9,153</b>
Income tax expense	(243)	(466)	(853)
<b>Profit for the year</b>	<b>4,500</b>	<b>1,261</b>	<b>8,300</b>

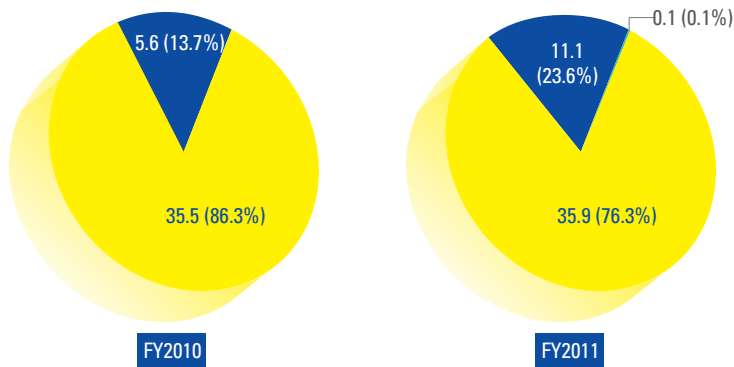
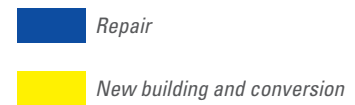
<b>Financial Position Highlights</b>	<b>FY 2011</b> <b>\$ '000</b>	<b>FY 2010</b> <b>\$ '000</b>	<b>FY 2009</b> <b>\$ '000</b>
Shareholders' equity	29,919	26,650	22,983
Non-current assets	32,581	14,156	12,217
Current assets	35,875	33,624	30,384
Current liabilities	29,370	15,577	13,958
Net current assets	6,505	18,047	16,426
Non-current liabilities	3,759	431	346
Total borrowings	20,022	4,312	4,193



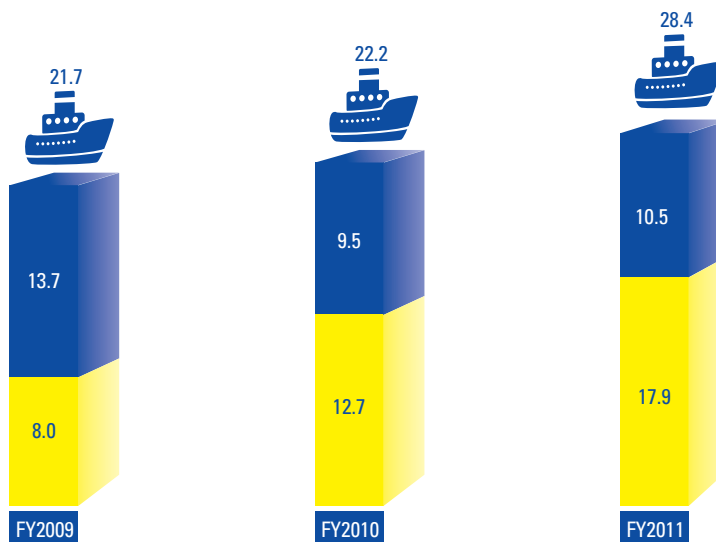
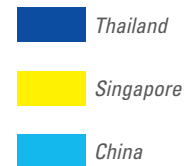
# Financial Highlights



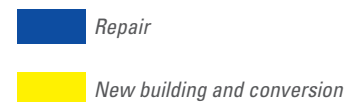
**Revenue by Business Segment**  
(S\$ million)



**Revenue by Geographical Segment**  
(S\$ million)



**Segment Assets**  
(S\$ million)



# ▶ Financial Review

## Review on Financial Performance

For the year under review, the Group's net profit rose by 256.9% to S\$4.5 million from S\$1.3 million a year earlier, on higher contributions from operations in Thailand.

Net profit was achieved on the back of S\$47.1 million revenue for FY2011, 14.6% higher than S\$41.1 million achieved in FY2010, as the Group completed its first EPC services project for an offshore barge delivered to Subsea 7 S.A. in April 2011 and revenue recognised from the progress completion of two jack-up blocks.

Gross profit increased 22.6% to S\$12.6 million in FY2011 from S\$10.3 million in FY2010 due to higher revenue and improvement in gross profit margin. Gross profit margin from 25.1% in FY2010 to 26.8% in FY2011 due to completion of higher margin projects and improvement in project management effectiveness.

The Group's bottom-line also benefited from a one-time gain of S\$0.3 million from the disposal of a freehold property in August 2011 and the absence of one-off IPO expenses of S\$0.8 million incurred in FY2010. This was partly offset by S\$0.9 million increase in administrative expenses from staff-related expenses, professional fees, insurance costs, and travelling and transport expenses.

Finance costs also increased by S\$0.1 million or 40.8% from S\$0.3 million in FY2010 to S\$0.4 million in FY2011 due to higher borrowings during the year.

Earnings per share, on a fully diluted share capital of 141,200,000 shares, rose to 2.81 cents in FY2011 from 1.21 cents (130,222,466 shares) in FY2010.

## Review on Financial Position

As at 31 December 2011, net asset value per share increased to 21.19 cents from 20.47 cents a year earlier.

At 2011 year end, the Group's total net assets increased by S\$3.5 million to S\$35.3 million from S\$31.8 million as at 31 December 2010. This included increase in work-in-progress of S\$2.6 million as larger projects were still ongoing at year-end, including the two jack-up blocks which were delivered in January 2012. Net assets also included an increase in construction in progress ("CIP") of S\$15.7 million related to the two Group-owned bunker vessels which are due for completion in FY2012. However, these were offset by the increase in liabilities of S\$8.4 million for the term loans granted to fund the bunker vessels and working capital.

While the Group generated positive cash from operations of S\$2.4 million, cash and cash equivalents declined to S\$0.8 million from S\$7.8 million a year earlier mainly due to net cash used in investing activities of S\$18.8 million due mainly to the increase of CIP related to bunker vessels. This was partly offset by the net cash generated from financing activities of S\$9.6 million from the net proceeds of the term loans used to finance the bunker vessels.

The Directors have proposed a final dividend of 0.2 Singapore cents per share representing 7.1% of net profit attributable to the owners of the Company for FY2011. This will be the second dividend payment by the Group since its listing in 2010. Last year, the Group paid dividends of 0.336 Singapore cents per share.



# Operations Review

## Review by Business Segments

### New Building and Conversion Segment

The Group's main business driver was the new building and conversion segment which contributed S\$27.0 million or 57.2% of Group revenue in FY2011, an increase of 42.1% from S\$19.0 million, as compared to 46.1% contribution in FY2010. During the year under review, the Group completed its first EPC services project for an offshore barge which was delivered to Subsea 7 S.A. in April 2011, and recognised revenue from the progress completion of two jack-up blocks completed in January 2012.

This segment contributed gross profit of S\$7.8 million, up from S\$5.8 million in FY2010, while gross profit margin was 28.9% compared to 30.5%, in FY2010.

### Repair Segment

The Group's repair segment contributed 42.8% or S\$20.1 million of total revenue in FY2011, lower compared to 53.9% or S\$22.1 million in FY2010. Repair revenue was lower due to fewer orders from local shipyard operators.

Repair segment contributed S\$4.8 million gross profit with 24.0% gross profit margin as compared to S\$4.5 million gross profit with 20.4% gross profit margin in FY2010 due to improvements in the Group's operational efficiency.

## Review by Geographical Segments

### Singapore

Singapore, contributed 76.3% or S\$35.9 million of the Group's revenue in FY2011, an increase of S\$0.4 million from S\$35.5 million in FY2010.

Major projects completed in FY2011 included a major conversion project which involved converting a heavy lift and pipe-laying barge and a new building project of fall pipe rock dumper awarded by local shipyards.

Other projects included a major repair of a 70,426-deadweight-tonnes ("DWT") bulk carrier which was awarded by a local shipyard.

### Thailand

ES Offshore and Marine Engineering (Thailand) Co., Ltd, a 50%-owned subsidiary of the company, operates a 70,000-square-meter shipyard in Thapsakae in Prachupkirkhan Province in southeastern Thailand. The floods in Northern Thailand in October 2011 did not affect the Group's shipyard.

Revenue contributions from Thailand increased by 96.9% to S\$11.1 million in FY2011 from S\$5.6 million in FY2010 as the Group recovered from the slowdown in FY2010. The Thailand facility completed an EPC offshore barge project and two jack-up blocks. In addition, it is also building two bunker vessels of 3,400-dwt each for the Group's own chartering business. The vessels are due for completion in FY2012.

### China

The Group's PRC subsidiary was set up as a cost centre for engineering and procurement services for the Group. It contributed to cost efficiencies through the VAT refund from import and export of materials which improves the Group's price competitiveness and savings.

The PRC subsidiary, Dalian ES Marine & Offshore Engineering Co., Ltd. contributed S\$51,000 revenue in FY2011 from design projects for a few China clients in addition to providing designing and material procurement services for the construction of the Group's two bunker vessels for chartering.





# ▶ 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

8 Ubi Road 2

#06-26 Zervex

Singapore 408538

## 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

Canaccord Genuity Singapore Pte. Ltd.

(formerly known as Collins Stewart Pte. Limited)

77 Robinson Road

#21-02 Singapore 068896

## Independent Auditors

Deloitte & Touche LLP

(Unique Entity Number: T08LL0721A)

Certified Public Accountants

6 Shenton Way

#32-00 DBS Building Tower Two

Singapore 068809

Partner-in-charge: Tan Hon Chye

Date of Appointment: 20 October, 2011

(Certified Public Accountants, Singapore)

## Legal Adviser

Lee & Lee

50 Raffles Place #06-00 Singapore Land Tower

Singapore 048623

## Principal Bankers

United Overseas Bank Limited

DBS Bank Ltd

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 9.

All Directors objectively make decisions in the interests of the Company. Apart from statutory responsibilities, the Board’s role is to, among other things:-

- i) 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;
- ii) establish a framework of controls for risk-assessment and risk-management;
- iii) review management performance;
- iv) set the Company’s values and standards, and ensure that obligations to Shareholders and others are understood and met; and
- v) 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, share issuances and dividend payments, and disclosure of financial 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 2011 to 31 December 2011*

<b>Board / Board Committees</b>	<b>Board</b>	<b>Audit Committee</b>	<b>Nominating Committee</b>	<b>Remuneration Committee</b>
No. of meetings held	2	2	2	1
<b>Name of Director</b>				
Mr Wee Siew Kim	2	2	2	1
Mr Low Chee Wee	2	-	-	-
Mr Christopher Low Chee Leng	2	-	-	-
Mr Eddy Neo Chiang Swee	2	-	-	-
Ms Tan Swee Ling	2	2	2	1
Mr Jens Rasmussen	2	2	2	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 interests of the Company.

The Board considers its current size appropriate for effective decision-making, 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. Please refer to the profiles of the Directors set out on pages 7 to 9.

## ▶ 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. 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 a substantial shareholder of the Company or directly associated with any substantial shareholder of the Company.

The Nominating Committee is guided by its Terms of Reference, which set out its functions and responsibilities. Its principal functions are to review and make recommendations to the Board on all nominations, re-nominations and re-elections 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 via contacts and recommendations that go through the normal selection process so as to cast its net as wide as possible for the right candidate. 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 19.

## **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 fulfil 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.

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.

## **Access To Information**

The Company fully recognises the importance of providing the Board with complete, adequate and timely information prior to its meetings and as and when there are affairs and issues that require the Board's decision. As a general rule, Board and Board Committee papers are distributed a week in advance of each meeting to the Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Management provides the Board with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. In respect of budgets, any material variance between the projections and actual results are also disclosed and explained.

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.

## ▶ Corporate Governance Report

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 of the SGX-ST (hereafter to be referred to as the "Rules of Catalist") 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 Non-Executive Directors and senior management. All Directors have separate and independent access to the Company Secretary.

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 set 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 each Director and the CEO. 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 employees whose individual remuneration exceeds S\$150,000 during the year and who are related to any of the Directors or the 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, including the performance of the Group, as well as of the individual Executive Directors and key executives. This is to align their interests with those of Shareholders by 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.

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.

# Corporate Governance Report

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 2011 are set out below:

	Directors' Fee (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
<b>Executive Directors</b>					
<b>S\$250,000 to S\$500,000</b>					
Mr Low Chee Wee	-	72	24	4	100
Mr Christopher Low Chee Leng	-	72	24	4	100
<b>Executive Directors</b>					
<b>Below S\$250,000</b>					
Mr Eddy Neo Chiang Swee	-	62	21	17	100
<b>Non-Executive Directors</b>					
<b>Below S\$250,000</b>					
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 2011 are set out below:

	Fee (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
<b>Below S\$250,000</b>					
Ms Chuah Keng Len Alice	-	54	23	23	100
Mr Koay Swee Heng	-	53	31	16	100
Mr Teoh Han Chong	-	60	21	19	100
Mr Lou Tin Boang	-	40	38	22	100
Mr Neo Chiang Yee Eric	-	53	23	24	100

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

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

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 2011, was an immediate family member of a Director or the CEO. "Immediate family" means the spouse, child, adopted child, step-child, brother, sister and parent.

The Company currently has in place an employee share option scheme and a performance share plan.

# ▶ Corporate Governance Report

## **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.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosure under the Rules of Catalist. The Board also issues half-yearly financial statements as reviewed by the Audit Committee and approved by the Board to provide Shareholders with comprehensive information and a balanced view on the Group's performance, position and prospects.

### **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.

The Board is responsible for ensuring that the Management 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 and Management meet 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 as and when required, 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 page 27) and is satisfied that their independence and objectivity have 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 Company complies with Rules 712, 715(2) and 716 of the Rules of Catalyst.

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.

Some examples of the internal controls in place are 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 their 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 were 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 work carried out by the internal auditor, the review undertaken by the external auditors and the existing management controls in place, the Audit Committee and the Board are satisfied that there are adequate internal controls in place to mitigate critical and significant risks relating to financial, operational and compliance matters. The Board, together with the Audit Committee and Management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

The system of internal controls established by the Company provides reasonable, but not absolute, assurance that the Company's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

## **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.

## ▶ Corporate Governance Report

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.

The internal audits were conducted with the following objectives:

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

The internal auditor's primary line of reporting is to the Audit Committee. The Internal auditor discusses and agrees on the annual internal audit plan with the Audit Committee at the beginning of each financial year. Subsequent internal audit findings and corresponding management responses to address these findings are reported at Audit Committee meetings.

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.

No general mandate has been obtained from shareholders in respect of interested person transactions for the financial year ended 31 December 2011 as no such general mandate is required to be obtained for the interested person transactions entered into during the financial year under review below.

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

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

## Audit and non-audit fees

Audit services rendered by our auditors Deloitte & Touche LLP, to the Group and their related fees for the financial year ended 31 December 2011 are as follows:

Audit Services	Fees
Services rendered in connection with the financial statement as at 31 December 2011	S\$ 115,500

No non-audit services were rendered by our auditors, Deloitte & Touche LLP, to the Group for the financial year ended 31 December 2011.

## Non-sponsorship fees

Non-sponsorship fees amounting to S\$30,000 was paid to our Sponsor, Canaccord Genuity Singapore Pte. Ltd. for the financial year ended 31 December 2011.

## Material Contracts

Save as disclosed in above in the section on “Interested Person Transactions”, there were no material contracts or loans entered into or taken up by the Group involving the interest of any Director or controlling shareholder subsisting during the financial year ended 31 December 2011.

## 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 (for example, notice of and explanatory memoranda for annual general meetings and extraordinary general meetings and other announcements) is communicated to Shareholders on a timely basis through SGX-ST via SGXNET. Communication is also made through half year and full year financial statements, and annual reports that are issued to all Shareholders, within the mandatory period.

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

The 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.

## ▶ Corporate Governance Report

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.

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011.

## 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  
 Low Chee Wee  
 Tan Swee Ling  
 Wee Siew Kim

## 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	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>ES Group (Holdings) Limited</u>				
(Ordinary shares)				
Christopher Low Chee Leng	30,000,000	15,905,000*	76,080,000	90,295,000
Eddy Neo Chiang Swee	6,000,000	6,000,000	6,000,000	6,000,000
Low Chee Wee	30,000,000	30,095,000	76,080,000	76,105,000

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 21 January 2012 were the same at 31 December 2011.

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

## ► 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) *Options to take up unissued shares*

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

#### (b) *Options exercised*

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

#### (c) *Unissued shares under option*

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

### 6 AUDIT 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 two times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors, external and internal auditors of the Company:

- a) the audit plans and results of the external auditors' examination of the financial statements;
- b) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;
- c) the Group's financial and operating results and accounting policies;
- d) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- e) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

## 6 **AUDIT COMMITTEE (cont'd)**

- f) the co-operation and assistance given by the management to the Group's external auditors; and
- g) the re-appointment of the external auditors of the 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 and internal 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 subsidiaries of the Company are disclosed in Note 12 to 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 **SUBSEQUENT DEVELOPMENTS**

There are no significant developments subsequent to the release of the Group's preliminary financial statements, as announced on 24 February 2012, which would materially affect the Group's and the Company's operating and financial performance as at the date of this report.

## 9 **AUDITORS**

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

ON BEHALF OF THE DIRECTORS

.....  
Christopher Low Chee Leng

.....  
Eddy Neo Chiang Swee

30 March 2012

## ▶ Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company set out on pages 35 to 80 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

.....  
Christopher Low Chee Leng

.....  
Eddy Neo Chiang Swee

30 March 2012

# Independent Auditors' Report ◀

## TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

### **Report on the Financial Statements**

We have audited the accompanying financial statements of ES Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2011, 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 notes as set out on pages 35 to 80.

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

# ► Independent Auditors' Report

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

## **Opinion**

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, 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

Tan Hon Chye  
Partner  
Appointed on 20 October 2011

30 March 2012

# Statements of Financial Position ◀

31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	7	4,523,786	7,852,658	8,406	132,164
Trade receivables	8	17,371,552	13,736,250	2,497,274	1,599,529
Work-in-progress	9	11,077,391	8,490,805	-	-
Other receivables	10	2,076,744	3,013,612	1,819,451	3,157,968
Inventories	11	825,724	531,071	-	-
<b>Total current assets</b>		<b>35,875,197</b>	<b>33,624,396</b>	<b>4,325,131</b>	<b>4,889,661</b>
<b>Non-current assets</b>					
Restricted cash	7	52,940	54,761	-	-
Deposits	10	51,230	57,943	-	-
Subsidiaries	12	-	-	21,380,564	21,380,564
Club membership	13	49,500	49,500	-	-
Property, plant and equipment	14	32,427,799	13,994,088	-	-
<b>Total non-current assets</b>		<b>32,581,469</b>	<b>14,156,292</b>	<b>21,380,564</b>	<b>21,380,564</b>
<b>Total assets</b>		<b>68,456,666</b>	<b>47,780,688</b>	<b>25,705,695</b>	<b>26,270,225</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bank overdrafts and loans	15	16,003,658	3,912,624	-	-
Trade payables	16	4,267,467	3,251,174	24,892	-
Other payables	17	8,247,843	7,748,671	1,698,735	2,233,680
Current portion of finance leases	18	356,334	116,468	-	-
Income tax payable		494,922	548,103	3,317	143,066
<b>Total current liabilities</b>		<b>29,370,224</b>	<b>15,577,040</b>	<b>1,726,944</b>	<b>2,376,746</b>

See accompanying notes to financial statements.

## ► Statements of Financial Position

31 December 2011

	Note	Group		Company	
		2011	2010	2011	2010
		\$	\$	\$	\$
<b>Non-current liabilities</b>					
Bank loans	15	2,403,931	-	-	-
Finance leases	18	1,257,651	282,550	-	-
Deferred tax liabilities	19	97,739	148,590	-	-
<b>Total non-current liabilities</b>		<b>3,759,321</b>	<b>431,140</b>	<b>-</b>	<b>-</b>
<b>Capital, reserves and non-controlling interests</b>					
Share capital	20	23,698,348	23,698,348	23,698,348	23,698,348
Retained earnings		24,948,998	21,451,194	280,403	195,131
Currency translation reserve		(157,832)	71,223	-	-
Merger reserve	21	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		29,919,046	26,650,297	23,978,751	23,893,479
Non-controlling interests		5,408,075	5,122,211	-	-
<b>Total equity</b>		<b>35,327,121</b>	<b>31,772,508</b>	<b>23,978,751</b>	<b>23,893,479</b>
<b>Total liabilities and equity</b>		<b>68,456,666</b>	<b>47,780,688</b>	<b>25,705,695</b>	<b>26,270,225</b>

See accompanying notes to financial statements.

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2011

	Note	Group	
		2011	2010
		\$	\$
<b>Revenue</b>	22	<b>47,118,983</b>	41,131,620
Cost of services		<b>(34,482,979)</b>	(30,823,719)
<b>Gross profit</b>		<b>12,636,004</b>	10,307,901
Other operating income	23	<b>2,134,192</b>	1,303,587
Administrative expenses		<b>(5,236,768)</b>	(4,301,994)
Other operating expenses	24	<b>(4,368,713)</b>	(5,282,920)
Finance costs	25	<b>(421,996)</b>	(299,757)
<b>Profit before income tax</b>		<b>4,742,719</b>	1,726,817
Income tax expense	26	<b>(242,542)</b>	(465,621)
<b>Profit for the year</b>	27	<b>4,500,177</b>	1,261,196
Exchange differences on translation of foreign operations, representing other comprehensive income for the year, net of tax		<b>(471,132)</b>	249,570
<b>Total comprehensive income for the year</b>		<b>4,029,045</b>	1,510,766
<b>Profit attributable to:</b>			
Owners of the Company		<b>3,972,236</b>	1,578,495
Non-controlling interests		<b>527,941</b>	(317,299)
		<b>4,500,177</b>	1,261,196
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>3,743,181</b>	1,702,793
Non-controlling interests		<b>285,864</b>	(192,027)
		<b>4,029,045</b>	1,510,766
Basic and diluted earnings per share (cents)	28	<b>2.8</b>	1.2

See accompanying notes to financial statements.

## ► Statements of Changes in Equity

Year ended 31 December 2011

	Share capital	Currency translation reserve	Merger reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$
<b>Group</b>							
Balance at 1 January 2010	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 20)							
Issue of shares	5,088,000	-	-	-	5,088,000	-	5,088,000
Share issue expenses	(323,121)	-	-	-	(323,121)	-	(323,121)
Dividends (Note 29)	-	-	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Balance at 31 December 2010	23,698,348	71,223	(18,570,468)	21,451,194	26,650,297	5,122,211	31,772,508
Total comprehensive income for the year	-	(229,055)	-	3,972,236	3,743,181	285,864	4,029,045
Dividends (Note 29)	-	-	-	(474,432)	(474,432)	-	(474,432)
Balance at 31 December 2011	23,698,348	(157,832)	(18,570,468)	24,948,998	29,919,046	5,408,075	35,327,121
<b>Company</b>							
Balance at 1 January 2010	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 20)							
Issue of shares	5,088,000	-	-	-	5,088,000	-	5,088,000
Share issue expenses	(323,121)	-	-	-	(323,121)	-	(323,121)
Dividends (Note 29)	-	-	-	(2,800,000)	(2,800,000)	-	(2,800,000)
Balance at 31 December 2010	23,698,348	-	-	195,131	23,893,479	-	23,893,479
Total comprehensive income for the year	-	-	-	559,704	559,704	-	559,704
Dividends (Note 29)	-	-	-	(474,432)	(474,432)	-	(474,432)
Balance at 31 December 2011	23,698,348	-	-	280,403	23,978,751	-	23,978,751

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows ◀

Year ended 31 December 2011

	Group	
	2011	2010
	\$	\$
<b>Operating activities</b>		
Profit before income tax	4,742,719	1,726,817
Adjustments for:		
Interest income	(47,861)	(4,963)
Interest expense	421,996	299,757
Property, plant and equipment written off	2,367	340
Depreciation of property, plant and equipment	1,875,162	1,717,748
Gain on disposal of property, plant and equipment	(351,911)	(90,849)
Operating cash flows before movements in working capital	6,642,472	3,648,850
Trade receivables	(3,881,351)	5,131,526
Work-in-progress	(2,676,929)	(5,517,574)
Other receivables	953,464	(1,318,465)
Inventories	(311,422)	72,974
Trade payables	1,212,551	577,724
Other payables	712,399	(647,736)
Cash generated from operations	2,651,184	1,947,299
Interest received	47,861	4,963
Income tax paid	(346,214)	(476,866)
Net cash from operating activities	2,352,831	1,475,396
<b>Investing activities</b>		
Acquisition of subsidiaries (Note 30)	-	84,742
Proceeds on disposal of property, plant and equipment	1,087,187	219,849
Purchases of property, plant and equipment (Note A)	(19,911,990)	(3,279,921)
Net cash used in investing activities	(18,824,803)	(2,975,330)

See accompanying notes to financial statements.

# ► Consolidated Statement of Cash Flows

Year ended 31 December 2011

	2011	2010
	\$	\$
<b>Financing activities</b>		
Restricted cash deposit	-	(17,568)
Dividends paid	(474,432)	(2,800,000)
Interest paid	(532,698)	(299,757)
Proceeds from:		
Issuance of ordinary share capital, net of share issue expenses	-	4,764,879
Term loans	14,265,605	300,000
Invoice financing	1,681,111	1,070,360
Factoring loans	8,100,094	6,051,510
Factoring creditor	1,378,486	1,325,593
Repayments of:		
Term loans	(3,044,324)	(521,246)
Invoice financing	(2,751,471)	-
Bridging loan	(666,667)	(833,333)
Factoring loans	(6,767,103)	(6,051,510)
A third party loan	-	(105,933)
Obligations under finance leases	(128,565)	(82,635)
Factoring creditor	(1,505,998)	(619,916)
<b>Net cash from financing activities</b>	<b>9,554,038</b>	<b>2,180,444</b>
Net (decrease) increase in cash and cash equivalents	(6,917,934)	680,510
Cash and cash equivalents at beginning of the year	7,799,794	7,085,978
Effects of exchange rate changes on the balance of cash held in foreign currencies	(87,026)	33,306
<b>Cash and cash equivalents at end of the year (Note B)</b>	<b>794,834</b>	<b>7,799,794</b>

## Notes to consolidated statement of cash flows:

### A) Cash payments on purchase of plant and equipment

	2011	2010
	\$	\$
Purchase of plant and equipment	21,374,297	3,570,921
Less: Finance cost capitalised as construction-in-progress (Note 14)	(110,702)	-
Less: Plant and equipment acquired under finance arrangements	(1,351,605)	(291,000)
<b>Net cash payments</b>	<b>19,911,990</b>	<b>3,279,921</b>

### B) Cash and cash equivalents comprise of:

	2011	2010
	\$	\$
Cash at bank and on hand (Note 7)	2,884,327	6,509,794
Fixed deposits (Note 7)	1,588,229	1,290,000
Bank overdrafts (Note 15)	(3,677,722)	-
	<b>794,834</b>	<b>7,799,794</b>

See accompanying notes to financial statements.

## 1 GENERAL

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

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011 were authorised for issue by the Board of Directors on March 30, 2012.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements are prepared in accordance with the historical cost basis except as disclosed in accounting policies below and are drawn up in accordance with the provisions of the 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 1 January 2011. 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.

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

- Amendments to FRS 1 *Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- Amendments to FRS 107 *Financial Instruments: Disclosures – Transfers of Financial Assets*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*

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

# ► Notes to Financial Statements

31 December 2011

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The management anticipates that the adoption of the above FRS and amendments to FRS 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 except for the following:

### ***Amendments to FRS 1 Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income ("OCI")***

The amendment on Other Comprehensive Income ("OCI") presentation will require the Group to present in separate groupings, OCI items that might be recycled i.e., reclassified to profit or loss (e.g., those arising from foreign currency translation) and those items that would not be recycled. The tax effects recognised for the OCI items would also be captured in the respective grouping, although there is a choice to present OCI items before tax or net of tax.

Changes arising from these amendments to FRS 1 will take effect from financial years beginning on or after 1 July 2012, with full retrospective application.

### ***Amendments to FRS 107 Financial Instruments: Disclosures – Transfers of Financial Assets***

The amendments to FRS 107 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The Group does not anticipate that these amendments to FRS 107 will have a significant effect on the Group's disclosures regarding its existing arrangements for transfers of trade receivables. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

### ***FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements***

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after 1 January 2013, with full retrospective application.

The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### **FRS 112 *Disclosure of Interests in Other Entities***

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2013, and the Group is currently estimating extent of additional disclosures needed.

### **FRS 113 *Fair Value Measurement***

FRS 113 is a single new Standard that applies to both financial and non-financial items. It replaces the guidance on fair value measurement and related disclosures in other Standards, with the exception of measurement dealt with under FRS 102 *Share-based Payment*, FRS 17 *Leases*, net realisable value in FRS 2 *Inventories* and value-in-use in FRS 36 *Impairment of Assets*.

FRS 113 provides a common fair value definition and hierarchy applicable to the fair value measurement of assets, liabilities, and an entity's own equity instruments within its scope, but does not change the requirements in other Standards regarding which items should be measured or disclosed at fair value.

FRS 113 will be effective prospectively from annual periods beginning on or after 1 January 2013. Comparative information is not required for periods before initial application.

The Group is currently estimating the effects of FRS 113 in the period of 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 in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (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. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. 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.

# ► Notes to Financial Statements

31 December 2011

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### **FRS 113 Fair Value Measurement (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 owners 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)

### FRS 113 *Fair Value Measurement (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 share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

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

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

#### Effective interest method

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Financial assets

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

#### Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents comprise cash on hand and demand deposits (excluding restricted cash), less bank overdrafts.

#### Loans and receivables

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

#### 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 financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade or other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

#### Derecognition of financial assets

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

## 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.

#### Trade and other payables

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

#### Borrowings

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

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

#### Derecognition of financial liabilities

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

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 lessee

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

# ► Notes to Financial Statements

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### The Group as lessee (cont'd)

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

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

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

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

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

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

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

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

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

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**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 only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (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.

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

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## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

### Rendering of services

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

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

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

### Scrap income

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

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

### Interest income

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

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

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

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

## 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. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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.

# ► Notes to Financial Statements

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## 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 and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company.

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

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

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

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

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

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

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

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

The Group determines and presents operating segments based on information that is internally provided to the Group's chief operating decision maker and the Board of Directors ("BOD"). All operating segments' operating results are reviewed regularly by the Group's chief operating decision maker and the 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**

## SEGMENT REPORTING (cont'd)

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

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

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

Management is of the view that there are no critical judgements, apart from those involving estimations (see below) that the management has made in the process of applying the accounting policies for the amounts recognised in the consolidated financial statements.

**(ii) Key sources of estimation uncertainty**

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

Revenue and costs of contracts

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

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

Where the outcome of the project revenue and costs are different from the original estimates, such differences will impact revenue, costs and work-in-progress in the period in which such estimate has been changed. The carrying amount of work-in-progress is disclosed in Note 9.

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 respectively, approximate their recoverable amounts.

# Notes to Financial Statements

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

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

#### Useful lives of property, plant and equipment

As described in Note 2, the Group reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial period, the management is satisfied that there is no significant change in the estimated useful lives of the property, plant and equipment from prior period. Changes in the expected level of usage and technological developments may impact the economic useful lives and the residual of these assets, therefore future depreciation charges may be revised. The carrying amounts of property, plant and equipment are disclosed in Note 14.

## 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	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>Financial assets</b>				
Loans and receivables (including cash and bank balances)	<b>23,205,798</b>	24,274,039	<b>4,266,958</b>	4,830,015
<b>Financial liabilities</b>				
Amortised cost	<b>32,536,884</b>	15,311,487	<b>1,723,627</b>	2,233,680

### (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 Group. 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 significant 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 use derivative financial instruments to hedge against foreign exchange exposure as the currency risk is not expected to be significant.

**4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)****(b) Financial risk management policies and objectives (cont'd)****(i) Foreign exchange risk management (cont'd)**

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	
	2011	2010	2011	2010
	\$	\$	\$	\$
<u>Group</u>				
United States dollars	2,799	-	330,380	477,143
<u>Company</u>				
Thai Baht	-	-	1,722,000	1,806,000

*Foreign currency sensitivity*

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

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

	2011	2010
	\$	\$
<u>Group</u>		
United States dollars	16,379	23,857
<u>Company</u>		
Thai Baht	86,100	90,300

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

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

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

### (b) *Financial risk management policies and objectives (cont'd)*

#### (ii) Interest rate risk management

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

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

The interest rates and terms of maturity and repayment of borrowings of the Group are disclosed in Notes 15, 17 and 18.

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

#### *Interest rate sensitivity*

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

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit or loss for the year ended 31 December 2011 would decrease/increase by \$85,373 (2010: decrease/increase by \$19,563). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

#### (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 policies and procedures in extending credit terms to customers and in monitoring credit risk. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management.

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

As at the end of the reporting period, the Group has 2 (2010: 4) major customers which accounted for 99.20% (2010: 96.44%) 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 respectively.

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

### (b) Financial risk management policies and objectives (cont'd)

#### (iv) Liquidity risk management

As at the end of the reporting period, the Group's cash and cash equivalents amounted to \$794,834 (2010: \$7,799,794). Management is of the view that there is sufficient cash and bank balances and internally generated cash flows to finance the Group's activities. If required, financing can be obtained from its existing lines of banking facilities. At 31 December 2011, the Group had available \$12,549,684 (2010: \$31,422,729) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

#### *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.

Group	Weighted	On	Within	After	Adjustment	Total
	average	demand	2 to	5 years		
	effective	or within	5 years	5 years		
	interest rate	1 year				
	%	\$	\$	\$	\$	\$
<u>2011</u>						
Non-interest bearing	-	11,917,911	-	-	-	11,917,911
Fixed interest rate Instruments	4.70	2,021,738	-	-	(91,348)	1,930,390
Finance leases (fixed rate)	5.24	436,202	1,394,220	-	(216,437)	1,613,985
Variable interest rate instruments	4.24	15,288,285	1,235,986	1,444,397	(894,070)	17,074,598
		29,664,136	2,630,206	1,444,397	(1,201,855)	32,536,884
<u>2010</u>						
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

#### Company

All financial liabilities of the Company in 2011 and 2010 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

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

### (b) *Financial risk management policies and objectives (cont'd)*

#### (iv) Liquidity risk management (cont'd)

##### Non-derivative financial assets

All financial assets of the Group and Company in 2011 and 2010 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 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 returns to stakeholders through the optimisation of the debt and equity balance. The Group currently does not adopt any formal dividend policy.

The capital structure of the Group consists of debts, which include bank loans and finance leases, and equity comprising issued capital, reserves and retained earnings attributable to the owners of the Company.

The Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group monitors capital using a gearing ratio, which is total borrowings divided by total equity. At the end of the reporting period, the Group's gearing ratio is 0.58 (2010: 0.16).

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2011 and 2010.

The Group's overall strategy on capital risk management remains unchanged from 2010.

## 5 RELATED COMPANY TRANSACTIONS

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

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

## 6 OTHER RELATED PARTY TRANSACTIONS

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

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

	2011	2010
	\$	\$
Professional fee expense paid to immediate family member of directors / shareholders	180,000	-
Acquisition of a subsidiary from a director	-	198,896

### *Compensation of directors and key management personnel*

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

	2011	2010
	\$	\$
Short-term benefits	1,519,163	1,355,436
Post-employment benefits	107,154	93,247
<b>Total</b>	<b>1,626,317</b>	<b>1,448,683</b>

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

## 7 CASH AND BANK BALANCES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Cash at bank and on hand	2,884,327	6,509,794	8,406	132,164
Fixed deposits	1,588,229	1,290,000	-	-
Restricted cash <sup>(a)</sup>	104,170	107,625	-	-
<b>Total</b>	<b>4,576,726</b>	<b>7,907,419</b>	<b>8,406</b>	<b>132,164</b>
Less: Restricted cash <sup>(b)</sup>				
(shown under non-current assets)	(52,940)	(54,761)	-	-
<b>Cash and bank balances classified as current assets</b>	<b>4,523,786</b>	<b>7,852,658</b>	<b>8,406</b>	<b>132,164</b>

Fixed deposit bore an effective interest rate of 1.5% (2010: 1.5%) per annum and was for a tenure of approximately 30 days (2010: 30 days).

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### 7 CASH AND BANK BALANCES (cont'd)

Restricted cash include:

- (a) Fixed deposits pledged to banks for bank facilities granted to the Group and have an average maturity of 3 months (2010: 3 months) with weighted effective interest rates of 0.30% (2010: 0.15%) per annum.
- (b) Fixed deposits are pledged to a bank for bank guarantee granted to the Group and have a weighted average effective interest rate of 2.36% (2010: 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	
	2011	2010	2011	2010
	\$	\$	\$	\$
United States dollars	291,700	477,143	-	-

### 8 TRADE RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Third parties	17,371,552	13,736,250	-	-
Subsidiaries (Note 5)	-	-	2,497,274	1,599,529
	17,371,552	13,736,250	2,497,274	1,599,529

The average credit period granted to customers is 30 days (2010: 30 days). No interest is charged on the outstanding balances.

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

## 8 TRADE RECEIVABLES (cont'd)

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Unbilled receivables	415,067	2,040,393	450,000	-
Not past due and not impaired	3,080,537	5,672,062	-	1,599,529
Past due but not impaired	13,875,948	6,023,795	2,047,274	-
	<b>17,371,552</b>	<b>13,736,250</b>	<b>2,497,274</b>	<b>1,599,529</b>

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

< 3 months	7,026,499	4,743,666	434,510	-
3 months to 6 months	4,983,630	846,640	316,170	-
6 months to 12 months	1,720,471	377,782	731,181	-
> 12 months	145,348	55,707	565,413	-
	<b>13,875,948</b>	<b>6,023,795</b>	<b>2,047,274</b>	<b>-</b>

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

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

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

As at the end of the reporting period, the Group has factored trade receivables with carrying amount of \$2,904,207 (2010: \$1,032,386) to the bank (Note 15) and factoring creditor (Note 17) in exchange for cash. The transaction has been accounted for as a collateralised borrowing as the bank and factoring creditor 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	
	2011	2010	2011	2010
	\$	\$	\$	\$
United States dollars	38,680	-	-	-

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## 9 WORK-IN-PROGRESS

	Group	
	2011	2010
	\$	\$
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits <sup>(1)</sup>	28,841,451	22,782,144
Less: Progress billings	(17,764,060)	(14,291,339)
	<b>11,077,391</b>	<b>8,490,805</b>

<sup>(1)</sup> Included in this account balance is allowance for foreseeable loss with the following movement:

	Group	
	2011	2010
	\$	\$
Balance at beginning of the year	-	108,100
Utilised in the year	-	(108,100)
Balance at end of the year	-	-

## 10 OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Third parties	682,878	2,185,690	-	-
Subsidiaries (Note 5)	-	-	1,752,278	3,098,322
Prepayments	824,204	441,185	58,173	59,646
Deposits	574,642	444,680	9,000	-
Deferred costs	46,250	-	-	-
Total	<b>2,127,974</b>	<b>3,071,555</b>	<b>1,819,451</b>	<b>3,157,968</b>
Less: Deposits (shown under non-current assets)	(51,230)	(57,943)	-	-
	<b>2,076,744</b>	<b>3,013,612</b>	<b>1,819,451</b>	<b>3,157,968</b>

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

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

# Notes to Financial Statements

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## 10 OTHER RECEIVABLES (cont'd)

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Thai Baht	-	-	1,722,000	1,806,000

## 11 INVENTORIES

	Group	
	2011	2010
	\$	\$
Consumables – at cost	825,724	531,071

## 12 SUBSIDIARIES

	Company	
	2011	2010
	\$	\$
Unquoted equity shares, at cost	21,380,564	21,380,564

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activity / Country of incorporation and operation	Cost of investment		Proportion of ownership interest		Proportion of voting power held	
		2011	2010	2011	2010	2011	2010
		\$	\$	%	%	%	%
Eng Soon Investment Pte Ltd <sup>(1)</sup>	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 <sup>(1)</sup>	Repair of vessel and related engineering services / Singapore	10,400,088	10,400,088	100	100	100	100
Eng Soon Marine Pte Ltd <sup>(3)</sup>	Supply of labour for vessel repair and sale of consumables / Singapore	782,272	782,272	100	100	100	100
ES Offshore Engineering Pte. Ltd. <sup>(1)</sup>	Repairs of vessel and related engineering services / Singapore	1,073,517	1,073,517	100	100	100	100

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## 12 SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activity / Country of incorporation and operation	Cost of investment		Proportion of ownership interest		Proportion of voting power held	
		2011	2010	2011	2010	2011	2010
		\$	\$	%	%	%	%
Eng Soon Engineering (1999) Pte Ltd <sup>(1)</sup>	Repair of vessel and related engineering services / Singapore	1,401,732	1,401,732	100	100	100	100
ES Shipping Pte. Ltd. <sup>(3) (5)</sup>	Building of ships, tankers and other ocean-going vessels and chartering of ships, barges and boats without crew / Singapore	100,000	100,000	100	100	100	100
Dalian ES Marine & Offshore Engineering Co., Ltd. <sup>(3) (6)</sup>	Technical development, design, and consultancy service for ship and offshore project / People's Republic of China	198,896	198,896	100	100	100	100
ES Offshore and Marine Engineering (Thailand) Co., Ltd. <sup>(2) (4)</sup>	Vessel building and repair and steel construction / Thailand	2,148,200	2,148,200	50	50	51	51
		<b>21,380,564</b>	<b>21,380,564</b>				

### Notes:

<sup>(1)</sup> Audited by Deloitte & Touche LLP, Singapore.

<sup>(2)</sup> Audited by Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd, Thailand.

<sup>(3)</sup> Audited by other audit firm.

<sup>(4)</sup> 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.

<sup>(5)</sup> The subsidiary was acquired on 13 March 2010 from a third party for a total cash consideration of \$4 (Note 30). Subsequent to the acquisition, the Company subscribed additional 99,998 shares allotted by the subsidiary for a total cash consideration of \$99,996.

<sup>(6)</sup> The subsidiary was acquired on 15 October 2010 from a related party (director) for a total cash consideration of \$198,896 (Note 30).

## 13 CLUB MEMBERSHIP

	Group	
	2011	2010
	\$	\$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Carrying amount	<b>49,500</b>	<b>49,500</b>

## 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
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost:									
At 1 January 2010	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 subsidiary (Note 30)	-	-	-	-	-	-	-	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 31 December 2010	3,293,187	3,647,920	1,679,436	741,475	6,358,033	1,340,218	2,482,438	839,885	20,382,592
Exchange translation	-	(169,671)	(36,328)	(34,487)	(204,605)	(1,571)	(1,205)	(8,290)	(456,157)
Additions	2,038,930	69,307	34,305	-	2,457,246	328,648	15,829,020	616,841	21,374,297
Reclassification	-	25,176	19,701	(25,176)	87,471	-	(107,172)	-	-
Disposals	-	-	(898,379)	-	-	(205,074)	-	(53,762)	(1,157,215)
Write-off	-	-	-	-	-	-	(2,109)	(20,664)	(22,773)
At 31 December 2011	5,332,117	3,572,732	798,735	681,812	8,698,145	1,462,221	18,200,972	1,374,010	40,120,744
Accumulated depreciation:									
At 1 January 2010	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 31 December 2010	724,801	-	283,328	179,949	3,701,543	850,202	-	648,681	6,388,504
Exchange translation	-	-	(6,434)	(8,869)	(107,088)	(1,124)	-	(4,861)	(128,376)
Charge for the year	176,285	-	69,783	68,643	1,241,034	183,216	-	136,201	1,875,162
Disposals	-	-	(164,703)	-	-	(203,474)	-	(53,762)	(421,939)
Write-off	-	-	-	-	-	-	-	(20,406)	(20,406)
At 31 December 2011	901,086	-	181,974	239,723	4,835,489	828,820	-	705,853	7,692,945
Carrying amount:									
At 31 December 2011	4,431,031	3,572,732	616,761	442,089	3,862,656	633,401	18,200,972	668,157	32,427,799
At 31 December 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

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

At the end of the reporting period, interest expense of \$110,702 (2010: \$Nil) was capitalised under construction-in-progress.

Leasehold land and property comprises of:

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

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### 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of \$4,431,031 (2010: \$2,568,386) have been pledged with a bank for banking facilities (Note 15).

Freehold land and property comprise of:

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

In 2010, the Group's freehold property, an office unit at 30 Shaw Road, #06-06 Roche Building, Singapore 367957, with carrying amount of \$744,157 was pledged with a bank for banking facilities (Note 15).

As at the end of the reporting period, the Group has plant, machinery and equipment, and motor vehicles held under finance leases (Note 18) with carrying amount of \$1,385,084 (2010: \$Nil) and \$496,624 (2010: \$426,794) respectively.

### 15 BANK OVERDRAFTS AND LOANS

	Group	
	2011	2010
	\$	\$
Bank overdrafts <sup>(a)</sup>	3,677,722	-
Bank loans		
- Term loan 1 <sup>(b)</sup>	419,319	500,428
- Term loan 2 <sup>(b)</sup>	704,332	813,080
- Term loan 3 <sup>(b)</sup>	1,550,975	362,089
- Term loan 4 <sup>(b)</sup>	300,000	-
- Term loan 5 <sup>(b)</sup>	8,369,604	-
- Bridging loan <sup>(c)</sup>	500,000	1,166,667
- Short-term loans <sup>(d)</sup>	1,552,646	-
- Factoring loan <sup>(e)</sup>	1,332,991	-
- Invoice financing <sup>(f)</sup>	-	1,070,360
<b>Total</b>	<b>18,407,589</b>	<b>3,912,624</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	<b>(16,003,658)</b>	<b>(3,912,624)</b>
<b>Amount due for settlement after 12 months</b>	<b>2,403,931</b>	<b>-</b>

#### Notes:

<sup>(a)</sup> The bank overdrafts were arranged at floating interest rates, thus exposing the Group to cash flow risk. The bank overdrafts are repayable on demand and have an average effective interest rate of 6.00% per annum.

<sup>(b)</sup> The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 1.80% to 5.75% (2010: 5.25% to 6.72%) per annum.

## 15 BANK OVERDRAFTS AND LOANS (cont'd)

- (c) The bridging loan was arranged at floating interest rates, thus exposing the Group to cash flow risk. The bridging loan has an average effective interest rate of 5.00% (2010: 3.79%) per annum.
- (d) The short-term loans were arranged at floating interest rates thus exposing the Group to cash flow risk. The short-term loans have an average effective interest rate ranging from 4.16% to 5.49% per annum.
- (e) The factoring loan was arranged at fixed interest rate of 4.50% per annum and thus exposing the Group to fair value interest rate risk.
- (f) In 2010, invoice financing was arranged at floating interest rates, thus exposing the Group to cash flow risk. The invoice financing has an average effective interest rate of 1.81% per annum.

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

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

- (i) legal mortgage over the Group's leasehold land and property (Note 14);
- (ii) a pledge over the construction-in-progress of two vessels in a subsidiary with carrying amount of \$18.2 million; and
- (iii) joint and several personal guarantees of directors and related parties (immediate family members of directors/shareholders) for all the monies owing.

In addition to the above, in 2010, the bank facilities were secured by a legal mortgage over the Group's freehold property (Note 14), and a legal mortgage over the properties of a related party (an immediate family member of a director/shareholder).

The Group's factoring loan is secured by certain trade receivables amounted to \$2,050,755 (2010: \$Nil) (Note 8).

As at the end of the reporting period, the Group had available \$12,549,684 (2010: \$31,422,729) 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.

As at the end of the reporting period, the fair value of the Group's bank borrowings is approximately \$17,213,000 (2010: approximates carrying amount).

## 16 TRADE PAYABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Entities under common directors / shareholders (Note 6)	191,260	158,406	-	-
Third parties	4,076,207	3,092,768	24,892	-
	<b>4,267,467</b>	3,251,174	<b>24,892</b>	-

The average credit period of trade payables is 30 days (2010: 30 days). No interest is charged on the outstanding balances.

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

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## 17 OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
Director of subsidiary (Note 6)	1,722,000	1,806,000	-	-
Subsidiaries (Note 5)	-	-	1,444,678	1,705,528
Accruals	2,737,326	2,447,713	251,422	255,222
Workers' guarantee payables	1,601,049	1,468,530	-	-
Other payables	1,590,069	1,301,517	2,635	272,930
Factoring creditor	597,399	724,911	-	-
	<b>8,247,843</b>	<b>7,748,671</b>	<b>1,698,735</b>	<b>2,233,680</b>

The Group's factoring creditor bears a fixed interest rate of 5.25% (2010: 5.25%) per annum and is repayable within the next 12 months. It was secured by certain trade receivables amounted to \$853,452 (2010: \$1,032,386) (Note 8).

Accruals principally comprise amounts outstanding for on-going costs.

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

	Group		Company	
	2011	2010	2011	2010
	\$	\$	\$	\$
United States dollars	2,799	-	-	-

## 18 FINANCE LEASES

Group	Minimum lease payments		Present value of minimum lease payments	
	2011	2010	2011	2010
	\$	\$	\$	\$
Amounts payable under finance leases:				
Within one year	436,202	132,694	356,334	116,468
In the second to fifth years inclusive	1,394,220	301,066	1,257,651	282,550
	<b>1,830,422</b>	<b>433,760</b>	<b>1,613,985</b>	<b>399,018</b>
Less: Future finance charges	(216,437)	(34,742)	NA	NA
Present value of lease obligations	<b>1,613,985</b>	<b>399,018</b>	<b>1,613,985</b>	<b>399,018</b>
Less: Amount due for settlement				
within 12 months (shown under current liabilities)			(356,334)	(116,468)
Amount due for settlement after 12 months			<b>1,257,651</b>	<b>282,550</b>

## 18 FINANCE LEASES (cont'd)

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 (2010: 3 to 7 years). The average effective borrowing rate was 5.24% (2010: 3.50%) 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 the functional currencies of the respective entities.

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 (immediate family members of directors/shareholders).

## 19 DEFERRED TAX LIABILITIES

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

	Group	
	2011	2010
	\$	\$
<u>Accelerated tax depreciation</u>		
At beginning of year	148,590	206,390
Credited to profit or loss (Note 26)	(50,851)	(57,800)
At end of year	97,739	148,590

## 20 SHARE CAPITAL

	Group		Company	
	2011	2010	2011	2010
	Number of ordinary shares		\$	\$
Issued and paid up:				
At beginning of year	141,200,000	18,933,469	23,698,348	18,933,469
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	141,200,000	23,698,348	23,698,348

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

In 2010, the share issue expenses included non-audit fees of \$227,500 paid to the auditors of the Company in relation to its Initial Public Offering.

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## 21 MERGER RESERVE

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

## 22 REVENUE

Revenue represents the fair value of consideration from service rendered net of estimated discounts.

## 23 OTHER OPERATING INCOME

	Group	
	2011	2010
	\$	\$
Reimbursement of expenses from foreign workers	1,232,235	1,124,744
Scrap income	279,880	-
Interest income	47,861	4,963
Foreign exchange gain - net	216,771	-
Gain on disposal of property, plant and equipment	351,911	90,849
Others	5,534	83,031
	<b>2,134,192</b>	<b>1,303,587</b>

## 24 OTHER OPERATING EXPENSES

	Group	
	2011	2010
	\$	\$
Rental expense	1,704,465	1,485,820
Repair and maintenance	759,963	325,116
Travelling expense	407,045	250,500
Staff training and welfare	449,929	655,562
Food and refreshment	236,706	227,972
Water and electricity	201,176	229,121
Transportation	126,121	111,027
Depreciation on property, plant and equipment	136,281	673,353
Property, plant and equipment written off	2,367	340
Staff uniform	25,659	30,045
Initial Public Offering and listing expenses	-	758,065
Foreign exchange loss - net	-	264,814
Others	319,001	271,185
	<b>4,368,713</b>	<b>5,282,920</b>

## 25 FINANCE COSTS

	Group	
	2011	2010
	\$	\$
Interest on bank loans	202,679	207,238
Interest on bank overdrafts	129,740	308
Interest on factoring loan	71,864	76,710
Interest on obligations under finance leases	17,713	15,501
	<b>421,996</b>	<b>299,757</b>

## 26 INCOME TAX EXPENSE

	Group	
	2011	2010
	\$	\$
Income tax:		
- Current tax	478,330	521,245
- (Over) Under provision in prior years	(184,937)	2,176
Deferred tax (Note 19)		
- Current	(50,851)	(57,800)
	<b>242,542</b>	<b>465,621</b>

Domestic income tax is calculated at 17% (2010: 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	
	2011	2010
	\$	\$
Profit before income tax	4,742,719	1,726,817
Income tax expense at statutory rate of 17%	806,262	293,559
Effect of income that is exempt from taxation	(139,353)	(13,958)
Effect of expenses that are not deductible in determining taxable profit	42,182	178,028
Effect of unutilised tax losses not recognised as deferred tax assets	-	107,881
Tax exemption	(205,165)	(118,040)
Tax incentives	(78,537)	-
(Over) Under provision in prior years	(184,937)	2,176
Others	2,090	15,975
Total income tax expense	<b>242,542</b>	<b>465,621</b>

## ► Notes to Financial Statements

31 December 2011

### 26 INCOME TAX EXPENSE (cont'd)

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of \$634,594 (2010: \$634,594) 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 16 March 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.

## 27 PROFIT FOR THE YEAR

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

	Group	
	2011	2010
	\$	\$
Depreciation of property, plant and equipment:		
- cost of services	1,537,599	891,290
- administrative expenses	201,282	153,105
- other operating expenses (Note 24)	136,281	673,353
	<b>1,875,162</b>	1,717,748
Directors' fee	125,000	87,500
Directors' remuneration		
- of the Company	873,744	689,000
- of the subsidiaries	101,743	121,661
Employee benefits expense (including directors' remuneration)	2,514,006	2,866,816
Costs of defined contribution plans (included in employee benefits expense)	304,617	313,334
Audit fee:		
- paid to auditors of the Company	115,500	110,000
- paid to other auditors	34,269	39,607
Non-audit fee:		
- paid to auditors of the Company	-	230,500
- paid to other auditors	6,156	5,750
Cost of inventories recognised as expense	1,142,051	649,929
Government grant – Job credit scheme	-	(42,895)

## 28 EARNINGS PER SHARE

Basic earnings per share for the financial year ended 31 December 2011 is calculated based on the net profit attributable to owners of the Company for the year of \$3,972,236 (2010: \$1,578,495) divided by the weighted average number of shares issued of 141,200,000 (2010: 130,222,466).

## 29 DIVIDENDS

On 5 May 2010, the Company declared and paid an interim one-tier tax exempt dividend of 1.98 cents per share amounting to \$2,800,000 in respect of the year ended 31 December 2010, to its shareholders.

On 26 May 2011, the Company declared and paid a final one-tier exempt dividend of 0.336 cents per share amounting to \$474,432 in respect of the year ended 31 December 2010, to its shareholders.

In respect of the current year, the directors propose that a dividend of 0.20 cents per share will be paid to shareholders on 22 May 2012. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$282,400.

## ► Notes to Financial Statements

31 December 2011

### 30 ACQUISITION OF SUBSIDIARIES

During the financial year ended 31 December 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	13 March 2010	100
Dalian ES Marine & Offshore Engineering Co., Ltd. / People's Republic of China	15 October 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

(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
	\$	\$	\$
<b>Current assets</b>			
Cash and bank balances	283,638	4	283,642
Other receivables	798,906	-	798,906
<b>Non-current asset</b>			
Property, plant and equipment	13,762	-	13,762
<b>Current liabilities</b>			
Other payables	(892,870)	-	(892,870)
Income tax payable	(4,540)	-	(4,540)
<b>Net assets acquired and liabilities assumed</b>	<b>198,896</b>	<b>4</b>	<b>198,900</b>

## 30 ACQUISITION OF SUBSIDIARIES (cont'd)

(c) Goodwill arising on acquisition

	<b>Dalian ES Marine &amp; Offshore Engineering Co., Ltd.</b>	<b>ES Shipping Pte. Ltd.</b>	<b>Total</b>
	\$	\$	\$
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

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

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

In 2010, 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 1 January 2010.

# ► Notes to Financial Statements

31 December 2011

## 31 SEGMENT INFORMATION

### *Services from which reportable segments derive their revenues*

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

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

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

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

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

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.

The segment assets comprise of trade receivables and work-in-progress. The remaining assets are not allocated to reportable segments because they are of general use and they are not directly attributable to the segments or cannot be allocated to the segments on a reasonable basis.

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

## 31 SEGMENT INFORMATION (cont'd)

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

	New building and conversion	Repair	Total
	\$	\$	\$
<b>2011</b>			
<b>Revenue</b>			
Segment revenue	26,969,168	20,149,815	47,118,983
<b>Results</b>			
Segment results	7,799,397	4,836,607	12,636,004
Other operating income			2,134,192
Administrative expenses			(5,236,768)
Other operating expenses			(4,368,713)
Finance costs			(421,996)
Profit before income tax			4,742,719
Income tax expense			(242,542)
Profit for the year			4,500,177
<b>Other information</b>			
Capital expenditure			21,374,297
Property, plant and equipment written off			2,367
Gain on disposal of property, plant and equipment			(351,911)
Depreciation of property, plant and equipment			1,875,162
<b>Assets and Liabilities</b>			
Segment assets	17,877,337	10,571,606	28,448,943
Unallocated corporate assets			40,007,723
Total assets			68,456,666
Segment liabilities	8,369,604	-	8,369,604
Unallocated corporate liabilities			24,759,941
Total liabilities			33,129,545

# Notes to Financial Statements

31 December 2011

## 31 SEGMENT INFORMATION (cont'd)

	New building and conversion	Repair	Total
	\$	\$	\$
<b>2010</b>			
<b>Revenue</b>			
Segment revenue	18,976,374	22,155,246	41,131,620
<b>Results</b>			
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
<b>Other information</b>			
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
<b>Assets and Liabilities</b>			
Segment assets	12,727,407	9,499,648	22,227,055
Unallocated corporate assets			25,553,633
Total assets			47,780,688
Segment liabilities	1,070,360	-	1,070,360
Unallocated corporate liabilities			14,937,820
Total liabilities			16,008,180

**31 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 from external customers and information about its segment assets (non-current assets) by geographical location are detailed below:

	Revenue		Non-current assets	
	2011	2010	2011	2010
	\$	\$	\$	\$
Singapore	<b>35,946,119</b>	35,483,155	<b>23,881,758</b>	6,789,741
Thailand	<b>11,121,980</b>	5,648,465	<b>8,661,626</b>	7,340,119
People's Republic of China	<b>50,884</b>	-	<b>38,085</b>	26,432

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

***Information about major customers***

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

	2011	2010
	\$	\$
Top 1 <sup>st</sup> customer	26,815,582	23,156,188
Top 2 <sup>nd</sup> customer	12,064,482	11,443,473
Total	<b>38,880,064</b>	<b>34,599,661</b>

Each customer above contributes revenue to both reportable segments.

## ► Notes to Financial Statements

31 December 2011

### 33 OPERATING LEASE ARRANGEMENTS

	Group	
	2011	2010
	\$	\$
Minimum lease payments under non-cancellable operating leases recognised as an expense during the year	<b>76,228</b>	72,273

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	
	2011	2010
	\$	\$
Within one year	<b>80,408</b>	76,228
In the second to fifth year inclusive	<b>321,634</b>	304,912
After five years	<b>971,602</b>	990,964
	<b>1,373,644</b>	1,372,104

Leases are negotiated for term of 22 years from April 2006 and increment to the present charge rate will be subjected to revision. JTC will review this rate periodically to determine the need for rate revision.

### 34 CONTINGENT LIABILITIES

	Company	
	2011	2010
	\$	\$
Guarantees given to banks in respect of credit facilities and finance lease obligations of subsidiaries	<b>27,283,422</b>	20,646,000

# Statistics of Shareholdings

As at 16 March 2012

## SHARE CAPITAL

Total number of issued shares excluding treasury shares	:	141,200,000
Number of treasury shares	:	NIL
Class of shares	:	Ordinary shares
Voting right	:	One vote per share

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	54	30.00	398,000	0.28
10,001 - 1,000,000	114	63.33	12,300,000	8.71
1,000,001 AND ABOVE	12	6.67	128,502,000	91.01
<b>TOTAL</b>	<b>180</b>	<b>100.00</b>	<b>141,200,000</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	40,080,000	28.39
2.	LOW CHEE WEE	30,095,000	21.31
3.	CHRISTOPHER LOW CHEE LENG	15,905,000	11.26
4.	HONG LEONG FINANCE NOMINEES PTE LTD	14,916,000	10.56
5.	EDDY NEO CHIANG SWEE (EDDY LIANG JIANG SHUI)	6,000,000	4.25
6.	LOW YIN YIN	6,000,000	4.25
7.	UOB KAY HIAN PTE LTD	4,463,000	3.16
8.	LEOW MEI LEE	3,600,000	2.55
9.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
10.	ONG BENG CHYE	1,920,000	1.36
11.	PHILLIP SECURITIES PTE LTD	1,623,000	1.15
12.	RAFFLES NOMINEES (PTE) LTD	1,500,000	1.06
13.	MAYBANK KIM ENG SECURITIES PTE LTD	939,000	0.67
14.	MAYBAN NOMINEES (S) PTE LTD	836,000	0.59
15.	SERM TANTASATIEN	835,000	0.59
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 SEET HUAT (LIN SHIFA)	454,000	0.32
20.	LAI KHOON HUAT	400,000	0.28
<b>TOTAL</b>		<b>133,795,000</b>	<b>94.74</b>

## ► Statistics of Shareholdings

As at 16 March 2012

### SUBSTANTIAL SHAREHOLDERS

(As recorded in the Registrar of Substantial Shareholders as at 16 March 2012)

NAME	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%	No. of shares	%	No. of shares	%
CHRISTOPHER LOW CHEE LENG <sup>(1) (3)</sup>	15,905,000	11.26	90,295,000	63.95	106,200,000	75.21
LOW CHEE WEE <sup>(1) (3)</sup>	30,095,000	21.31	76,105,000	53.90	106,200,000	75.21
LOW YIN YIN <sup>(1) (3)</sup>	6,000,000	4.25	100,200,000	70.96	106,200,000	75.21
NEO PECK KEOW @ NG SIANG KENG <sup>(1) (3)</sup>	40,080,000	28.39	66,120,000	46.83	106,200,000	75.21
HONG LEONG FINANCE NOMINEES PTE LTD <sup>(3)</sup>	14,916,000	10.56	-	-	14,916,000	10.56
EDDY NEO CHIANG SWEE (EDDY LIANG JIANG SHUI) <sup>(2)</sup>	6,000,000	4.25	6,000,000	4.25	12,000,000	8.50
NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC) <sup>(2)</sup>	2,400,000	1.70	9,600,000	6.80	12,000,000	8.50
LEOW MEI LEE <sup>(2)</sup>	3,600,000	2.55	8,400,000	5.95	12,000,000	8.50

Notes:

- (1) Low Chee Wee, Christopher Low Chee Leng and Low Yin Yin are siblings. Their mother is Neo Peck Keow @ Ng Siang Keng. Each of Low Chee Wee, Christopher Low Chee Leng, Low Yin Yin and Neo Peck Keow @ Ng Siang Keng are deemed interested in all the Shares held by their family members.
- (2) Eddy Neo Chiang Swee and Neo Chiang Yee Eric are siblings. Their mother is Leow Mei Lee. Each of Eddy Neo Chiang Swee, Neo Chiang Yee Eric and Leow Mei Lee are deemed interested in all the Shares held by their family members.
- (3) Christopher Low Chee Leng, Low Chee Wee, Low Yin Yin and Neo Peck Keow @ Ng Siang Keng are deemed interested in the Shares held by Hong Leong Finance Nominees Pte Ltd. Christopher Low Chee Leng pledged 14,120,000 Shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

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

Based on the information available to the Company as at 16 March 2012, approximately 16.29% 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 2nd Annual General Meeting of ES Group (Holdings) Limited will be held at 10 Kwong Ming Road Singapore 628712 on 26 April 2012 at 10.00 a.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 2011.  
**Resolution 1**
2. To approve a final dividend of 0.20 cents one-tier tax exempt dividend per share for the financial year ended 31 December 2011.  
**Resolution 2**
3. To approve the payment of Directors' fees of S\$125,000 for the financial year ending 31 December 2012.  
**Resolution 3**
4. To re-elect Mr Eddy Neo Chiang Swee, a Director retiring pursuant to Article 98 of the Articles of Association of the Company.  
**Resolution 4**
5. To re-elect Mr Jens Rasmussen, a Director retiring pursuant to Article 98 of the Articles of Association of the Company.  
**Resolution 5**
6. To re-elect Mr Wee Siew Kim, a Director retiring pursuant to Article 102 of the Articles of Association of the Company.  
**Resolution 6**
7. To re-elect Ms Tan Swee Ling, a Director retiring pursuant to Article 102 of the Articles of Association of the Company.  
**Resolution 7**
8. To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration.  
**Resolution 8**

## AS SPECIAL BUSINESS

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

9. 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
- (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,

## ► Notice of Annual General Meeting

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 Catalyst**") 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 9**

10. 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 10**

11. 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 2012

# Notice of Annual General Meeting ◀

## Notes:

1. A Member of the Company entitled to attend and vote at the forthcoming Annual General 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 Annual General Meeting.

## Explanatory Notes on Ordinary Business to be Transacted:-

### Resolution 4

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

### Resolution 5

Mr Jens Rasmussen, if re-appointed as Director of the Company, will remain as a Non-executive Director of the Company.

### Resolution 6

Mr Wee Siew Kim, if re-appointed as Director of the Company, will remain as the Non-Executive Chairman and Independent Director of the Company.

### Resolution 7

Ms Tan Swee Ling, if re-appointed as Director of the Company, will remain as an Independent Director of the Company.

## Explanatory Notes on Special Business to be Transacted:-

### Resolution 9

The Ordinary Resolution 9 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company, without seeking any further approval from shareholders in 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 fifty 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 10**

The Ordinary Resolution 10 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.

# Proxy Form

## ES Group (Holdings) Limited

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

### Annual General Meeting to be held on 26 April 2012

#### 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)

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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 2nd Annual General Meeting of the Company to be held at 10 Kwong Ming Road Singapore 628712, on 26 April 2012 at 10.00 a.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
	<b>ORDINARY BUSINESS</b>		
1	Financial Statements, Directors' Report & Auditors' Report		
2	Final dividend		
3	Directors' fees for the financial year ending 31 December 2012		
4	Re-election (Mr Eddy Neo Chiang Swee)		
5	Re-election (Mr Jens Rasmussen)		
6	Re-election (Mr Wee Siew Kim)		
7	Re-election (Ms Tan Swee Ling)		
8	Re-appointment (Deloitte & Touche LLP)		
	<b>SPECIAL BUSINESS</b>		
9	Authority to issue shares		
10	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 \_\_\_\_\_ 2012

**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 8 Ubi Road 2, #06-26 Zervex, Singapore 408528 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. An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointor.
7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the 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.





Annual Report 2011

**ES GROUP (HOLDINGS) LIMITED**

**Company Registration No.: 200410497Z**

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