



ES Group (Holdings) Limited



Charting New Opportunities

Annual Report 2012

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. ("Sponsor"), 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.



Corporate Profile

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

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

With operating experience of more than 30 years, ES Group has been a well-known 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 expand 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 likely generate a stable stream of recurring revenue for the Group in the medium to long 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 its 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 shareholders’ value.

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Chairman's Message



Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present to you the annual report of ES Group (Holdings) Limited for the financial year ended 31 December 2012 ("FY2012").

Financial Performance – Steady Revenue, Increased Expenses, Improved Working Capital

The Group recorded a marginal 1.5% revenue growth despite facing the macroeconomic headwinds of a weak U.S. economic recovery, the Eurozone debt crisis and slower economic growth in China in FY2012. Revenue rose to S\$47.8 million in FY2012 from S\$47.1 million in the previous financial year ended 31 December 2011 ("FY2011"). However, as a result of rising staff-related and rental expenses, and the completion of projects which yielded lower margins, the Group's net profit attributable to shareholders for FY2012 decreased to S\$3.3 million from S\$4.0 million in FY2011. The impact of the completion of the projects which yielded lower margins resulted in a decrease in the Group's gross profit margin from 26.8% in FY2011 to 24.5% in FY2012.

The Group's cash and cash equivalents improved significantly to S\$5.3 million as at 31 December 2012 from S\$0.8 million at the end of the previous year. This


was mainly due to net cash generated from operating activities amounting to S\$9.4 million, partially offset by net cash used in investing activities amounting to S\$5.9 million.

Vessel Owning and Chartering – A New Chapter Begins

FY2012 saw the Group extending its core business of new building, conversion and repair of offshore and marine projects, to the vessel-owning and chartering business. On 2 June 2012 and 26 September 2012, the Group's two Nippon Kaiji Kyokai class bunker vessels, Sea Tanker I and Sea Tanker II, were launched respectively.

Upon its delivery, Sea Tanker I which is owned by our wholly-owned subsidiary, ES Shipping Pte. Ltd., will be chartered on a five-year demise charter contract. The terms of Sea Tanker II were revised from a seven-year bareboat time charter to an outright sale to the charterer. The successful charter and sale of the two bunker vessels underscored the Group's capabilities to meet the high quality and safety standards required by the bunkering industry.

The construction of the two 3,400 deadweight-tonne bunker vessels were carried out at the Group's 50%-owned subsidiary's shipyard in Thailand with



engineering, procurement and construction support activities provided by the Group's Dalian-based engineering and procurement centre.

The Group continues to be on the lookout for turnkey projects and chartering opportunities.

Core Business – Busy with a Strong Pipeline

FY2012 was a busy period for the repair segment as the Group delivered 30% more projects compared to FY2011. In addition to the work on our own bunker vessels, Sea Tanker I and Sea Tanker II, the Group's new building and conversion segment also completed two large conversion projects for a local Singapore shipyard. The Group enjoyed the confidence of our customers as the repair and new building and conversion segments continue to receive repeat orders from our customers.

Dividends – 19.3% of Net Profit Payout

To acknowledge and show appreciation for the continuing support from the shareholders of the Company, the Board has proposed a final one-tier tax exempt dividend of 0.25 cents per share for FY2012. In addition to the interim dividend of 0.20 cents per share paid on 4 September 2012, the total proposed dividend payout of 0.45 cents per share amounts to 19.3% of the net profit attributable to the shareholders of the Company in FY2012.

FY2013 Group Outlook

In 2013, barring any unforeseen circumstances, the Group expects to recognise gains from the two bunker vessels in aggregate. Sea Tanker I has been delivered to the customer and the Group will be commencing collection of fixed monthly charter fees over a five-year charter period. Currently Sea Tanker II is undergoing commissioning and sea trials in Thailand. Upon successful certification and registration as well as subsequent delivery to the customer, gain from the sale of the Sea Tanker II is expected to be recognised.

Growth is expected to remain sluggish in 2013 in the shipbuilding industry due to the overcapacity situation in China. However, the Group remains cautiously optimistic about Singapore's offshore and marine engineering industry as the oil and gas sector remains relatively healthy. This sentiment is underpinned by the expected increase in drilling activities worldwide that will probably lead to sustained demand for high specification rigs. With Singapore's acclaimed track record in rig building, the Group expects to tap into this growing market for rig blocks, for which we have a proven track record.

The Group is facing increasing costs in Singapore, of which the key drivers are rising dormitory costs and foreign workers' levies. As such, managing costs and improving productivity by exploring alternative accommodation and improving work processes will continue to be a priority for the Group in 2013.

Finally, the Group remains on the lookout for opportunities to expand its core business, while exploring possible mergers and acquisitions to enhance shareholders' value.

Appreciation

On behalf of the Board, I would like to express my appreciation to our shareholders, business partners, suppliers and customers. We are grateful for your continued support and confidence in us. Our heartfelt thanks also go to the management and staff of the Group for their dedication and diligence.

I also extend my appreciation to my fellow Board members for their guidance, wise counsel and support. I look forward to the continued support from all our stakeholders as the Group strives to extend our performance in the face of a challenging year.

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 of Sembawang Shipyard Pte Ltd
- 1992** Eng Soon Investment Pte Ltd was formed
- 1997** Wang Fatt Oil & Gas Construction Pte Ltd was established to serve the marine industry of Singapore Technologies Marine Ltd
- 1999** Eng Soon Engineering (1999) Pte Ltd was formed to provide Marine Piping work and Mechanical installation catering for all major shipyards in Singapore
- 2001** ISO 9001 was awarded to Eng Soon Investment Pte Ltd and Wang Fatt Oil & Gas Construction Pte Ltd for excellent commitment to quality
- 2003** ES Offshore Engineering Pte. Ltd. was formed to provide Oil Rigs and Semi Submersible new building and repair services for Keppel Fels Ltd
- 2006** ES Offshore and Marine Engineering (Thailand) Co., Ltd. was formed and acquired a piece of land in 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 4,700-square-foot office space and 43,000-square-foot workshop space. Therein also accommodate 383 of our marine skilled workers
- 2009** Eng Soon Investment Pte Ltd, Wang Fatt Oil & Gas Construction Pte Ltd, ES Offshore Engineering Pte. Ltd. and Eng Soon Engineering (1999) Pte Ltd each attained OHSAS 18001 in Workplace Safety and Health management and BizSAFE Level Star
- 2010** July, IPO listing on the Catalist Board of the SGX-ST as ES Group (Holdings) Limited
August, secured first direct order from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A.
October, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People’s Republic of China (“PRC”)
- 2011** Delivered an offshore barge from its first direct customer Subsea 7 S.A.
- 2012** Successfully launched two bunker vessels – Sea Tanker I and Sea Tanker II
- 2013** Successfully delivered Sea Tanker I

Board of **Directors**



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

Board of Directors

Wee Siew Kim

Wee Siew Kim is our Non-Executive Chairman and Independent Director and was appointed to our Board on 8 June 2010. Mr Wee has been the group CEO of the NIPSEA group of companies (manufacturers of paints under the “Nippon Paint” 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

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

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.



Low Chee Wee

Wee Siew Kim

Christopher Low Chee Leng

Jens Rasmussen

Jens Rasmussen is our Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been project manager for new building projects of accommodation and drilling vessels at Keppel FELS yard in Singapore. Mr Rasmussen has also been the owner of Raza Service, a consultancy firm, since 2006. Mr Rasmussen has 32 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 positions 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 upgrading 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 Oil & Gas Construction Pte Ltd, where he was in charge of preparation of sales quotation and invoicing matters. In 2001, he became a commercial executive of Eng Soon (1999) Pte Ltd where he was responsible for manpower and recruitment functions until 2004. He was promoted to business development manager in 2005 and assumed responsibility for our Group's receivables functions. Mr Neo obtained a Diploma in Electrical Engineering from Ngee Ann Polytechnic, Singapore in 1997.



Tan Swee Ling

Jens Rasmussen

Eddy Neo Chiang Swee

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 of overseeing our projects with Sembawang Shipyard Pte Ltd and Singapore Technologies Marine Ltd, with overall responsibility for 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

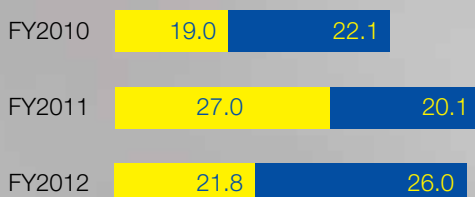
Financial Performance	FY2012 \$'000	FY2011 \$'000	FY2010 \$'000
Revenue	47,808	47,119	41,132
Cost of services	(36,088)	(34,483)	(30,824)
Gross profit	11,720	12,636	10,308
Other operating income	2,063	2,134	1,304
Administrative expenses	(5,905)	(5,236)	(4,302)
Other operating expenses	(4,882)	(4,369)	(5,283)
Finance costs	(406)	(422)	(300)
Profit before income tax	2,590	4,743	1,727
Income tax expense	(529)	(243)	(466)
Profit for the year	2,061	4,500	1,261

Financial Position	FY2012 \$'000	FY2011 \$'000	FY2010 \$'000
Shareholders' equity	32,506	29,919	26,650
Total assets	69,822	68,457	47,781
Total liabilities	33,265	33,130	16,008

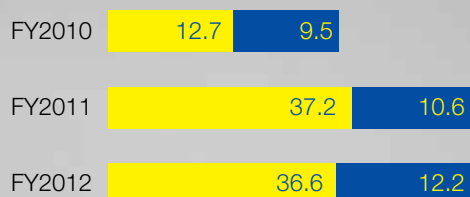
Per Share Data (in cents)	FY2012	FY2011	FY2010
Net asset value	23.02	21.19	18.87
Basic and diluted earnings	2.33	2.81	1.21



REVENUE BY BUSINESS SEGMENT (S\$ million)



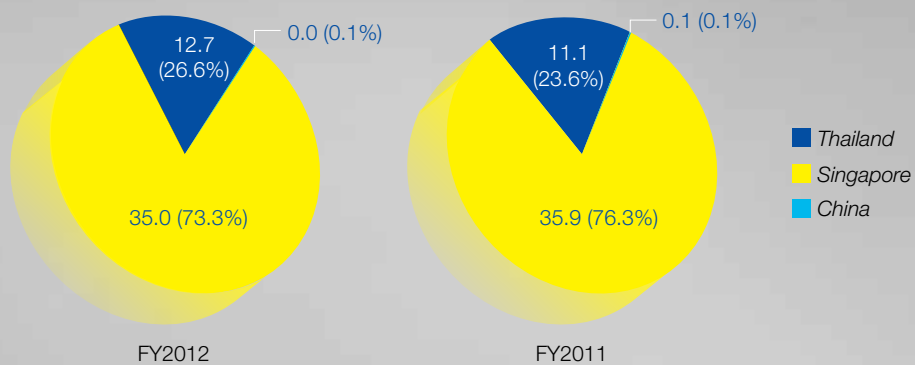
SEGMENT ASSETS (S\$ million)



■ New building and conversion ■ Repair



REVENUE BY GEOGRAPHICAL SEGMENT
(S\$ million)



Financial Review

Review on Financial Performance

Revenue increased by S\$0.7 million or 1.5%, to S\$47.8 million in FY2012 from S\$47.1 million in FY2011 mainly due to the increase in revenue from the repair segment partially offset by the decrease in revenue from the new building and conversion segment.

Gross profit decreased by S\$0.9 million or 7.2% to S\$11.7 million in FY2012 from S\$12.6 million in FY2011, which in turn lowered gross profit margin to 24.5% in FY2012 from 26.8% in FY2011. The decrease was mainly due to projects completed under the new building and conversion segment which yielded lower margins, partially offset by projects completed under the repair segment which yielded higher margins.

Profit before income tax decreased by S\$2.1 million or 45.4% to S\$2.6 million in FY2012 from S\$4.7 million in FY2011. This was mainly due to higher operating costs from staff-related expenses, professional fees and rental expenses, as well as lower other operating income in the absence of a one-off gain on disposal of a property in FY2012.

The Group's effective tax rate increased to 20.4% in FY2012 from 5.1% in FY2011. The lower effective tax rate in FY2011 was due mainly to tax exemptions enjoyed by the Group's Thailand subsidiary as well as adjustments for overprovision of tax.

Earnings per share of the Group, based on the weighted average number of shares in issue of 141,200,000, decreased to 2.33 cents in FY2012 from 2.81 cents in FY2011.

Review on Financial Position

As at 31 December 2012, the Group's net asset value per share increased to 23.02 cents from 21.19 cents a year earlier.

The Group's cash and cash equivalents improved significantly to S\$5.3 million as at 31 December 2012 from S\$0.8 million as at 31 December 2011. This was mainly due to net cash generated from operating activities amounting to S\$9.4 million and net cash from financing activities amounting to S\$1.1 million, partially offset by net cash used in investing activities of S\$5.9 million.



Operations Review

Review by Business Segments

New Building and Conversion Segment

Due to the nature of the new building and conversion business within the offshore and marine industry, the schedule for completion and delivery of individual projects can result in the Group's revenue and profit fluctuating from one financial year to the next. This segment contributed S\$21.8 million or 45.7% of the Group's revenue in FY2012, a decrease of 19.0% from S\$27.0 million or 57.2% contribution in FY2011. This was mainly due to fewer construction and conversion projects completed in FY2012 as well as the completion of a few major projects in FY2011.

During the year under review, the Group completed two large conversion projects for a Singapore shipyard and secured three new conversion projects which are expected to be completed by FY2013. The Group also successfully completed two jack-up blocks and won a new repeat order for jack-up blocks in FY2012.

The new building and conversion segment contributed gross profit of S\$4.3 million in FY2012, which was 44.5% lower than S\$7.8 million in FY2011, while gross profit margin declined to 19.8% compared to 28.9% in FY2011 due to higher operating costs.

Repair Segment

The Group's revenue from the repair segment improved by S\$5.8 million or 28.9% contributing 54.3% or S\$26.0 million of the total revenue in FY2012, compared to 42.8% or S\$20.1 million in FY2011. Revenue from the repair segment improved due to a 30% increase in the number of projects which included tugs, barges, and offshore support vessels from local shipyards.

Repair segment contributed gross profit of S\$7.4 million with 28.5% gross profit margin in FY2012 as compared to S\$4.8 million and 24.0%, respectively, in FY2011. This was due to projects completed which yielded higher margins.

Review by Geographical Segments

Singapore

Singapore accounted for 73.3% or S\$35.0 million of the Group's revenue in FY2012, compared to 76.3% or S\$35.9 million in FY2011, mainly due to varying stages of progressive revenue recognition of conversion projects.

Major projects completed in FY2012 included two large conversion projects which involved converting heavy lift & pipe laying vessel and floating production storage and offloading awarded by a major local shipyard customer. Other projects included numerous repair projects awarded by local shipyards.

Thailand

Revenue contribution from Thailand increased by 14.5% to S\$12.7 million in FY2012 from S\$11.1 million in FY2011 as the Group progressively recognised more revenue from new building projects in FY2012. The Group also launched the two bunker vessels of 3,400-dead weight ton each in FY2012 (namely, Sea Tanker I and Sea Tanker II).

PRC

The Group's PRC subsidiary, Dalian ES Marine & Offshore Engineering Co., Ltd., was set up as a cost centre for engineering and procurement services for the Group. It contributes to cost efficiencies with sourcing of bulk materials from the PRC and also takes advantage of a pool of design talent in the PRC which can be obtained at lower costs.

The PRC subsidiary contributed S\$30,000 in revenue in FY2012 from the design of projects for a few PRC clients in addition to providing designing and material procurement services for the Group's construction of the two bunker vessels.



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

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Website: www.esgroup.com.sg

Company Registration Number

200410497Z

Share Registrar and Share Transfer Office

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

Sponsor

Canaccord Genuity Singapore Pte. Ltd.
77 Robinson Road
#21-02
Singapore 068896

Independent Auditors

Deloitte & Touche LLP
(Unique Entity Number: T08LL0721A)
Certified Public Accountants
6 Shenton Way Tower Two
#32-00
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

Bankers

United Overseas Bank Limited
DBS Bank Ltd



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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 Board of Directors (the “Board” or “Directors”) is committed to developing and upholding high standards of corporate governance, guided by the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the “Code”) issued by the Monetary Authority of Singapore.

This Report sets out the Group’s corporate governance practices with specific reference to each of the principles and guidelines in the Code. Where there are deviations from the Code, appropriate explanations are provided.

Statement of Compliance

The Board confirms that for the financial year ended 31 December 2012, the Group has generally adhered to the principles and guidelines as set out in the Code, save as otherwise explained below.

BOARD MATTERS

Principle 1: The Board’s Conduct of Affairs

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

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding the shareholders’ interests and the Group’s assets;
- review management performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Company’s reputation;
- set the Company’s values and standards (including ethical standards), and ensure that obligations to the shareholders and other stakeholders are understood and met; and
- consider sustainability issues, for example, environmental and social factors, as part of its strategic formulation.

In accordance with the Code, the Board has, without abdicating its responsibility, delegated the authority to make some decisions to the Audit Committee, the Nomination Committee and the Remuneration and Compensation Committee (collectively referred to as the “Board Committees”). Each Board Committee has its own terms of references, set out in writing, to address their respective areas of focus and reports its activities regularly to the Board. Specific descriptions of the Board Committees are set out in this Report.

The Board meets at least twice annually 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 financial results and deliberate on other transactions and matters. The Board also holds meetings when warranted by particular circumstances, as deemed appropriate by the 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.

Corporate Governance Report

During the financial year ended 31 December 2012, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:

Board / Board Committees	Board	Audit Committee	Nomination Committee	Remuneration and Compensation Committee
No. of meetings held	2	2	1	1
Name of Director				
Mr. Wee Siew Kim	2	2	1	1
Mr. Low Chee Wee	2	-	-	-
Mr. Christopher Low Chee Leng	2	-	-	-
Mr. Eddy Neo Chiang Swee	2	-	-	-
Mr. Jens Rasmussen	2	2	1	1
Ms. Tan Swee Ling	2	2	1	1

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

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

Upon appointment of a new Director, the Company will provide a formal letter to the Director, setting out his duties and obligations. The Board ensures that all incoming Directors will receive relevant induction on joining the Board, including briefing on their duties as Directors and how to discharge those duties, and an orientation programme to ensure that they are familiar with the business activities of the Group, its strategic plans and direction and corporate governance practices. The Company will also provide training for any new first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate. Regular training, particularly on risk management (taking into account, the changing commercial risks), corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, will be arranged and funded by the Company for all Directors, from time to time. Recent trainings conducted for the Directors include the strategy and risk assessment workshop.

Corporate Governance Report



Principle 2: Board Composition and Guidance

In line with the Code, the policy of the Group is to have an appropriate mix of Executive and Independent Directors to maintain a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from the Management and the 10% shareholders¹.

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

Directors ⁽¹⁾	Board Membership	Date of First Appointment / Last Re-appointment	Audit Committee ⁽²⁾	Nomination Committee ⁽²⁾	Remuneration and Compensation Committee ⁽²⁾
Mr. Wee Siew Kim	Chairman and Independent Director	8 June 2010 / 26 April 2012	Member	Chairman	Member
Mr. Low Chee Wee	Executive Director	25 November 2009 / 27 April 2011	-	-	-
Mr. Christopher Low Chee Leng	Chief Executive Officer	19 August 2004 / 27 April 2011	-	-	-
Mr. Eddy Neo Chiang Swee	Executive Director	25 November 2009 / 26 April 2012	-	-	-
Ms. Tan Swee Ling	Independent Director	8 June 2010 / 26 April 2012	Chairman	Member	Chairman
Mr. Jens Rasmussen	Non-Executive Director	1 January 2010 / 26 April 2012	Member	Member	Member

Notes:

- (1) Please refer to pages 5 to 7 for key information regarding the Directors' profiles, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments.
- (2) Please refer to Principles 4, 7 and 12 on pages 21, 23 to 24 and 28 to 30 respectively for key information regarding the composition of the Board Committees, names of chairmen and members and their primary responsibilities.

The Board comprises one-third Independent Directors who provide different perspectives of the Group's business and ensure that no individual or small group of individuals dominates the Board's decision making.

The independence of each Independent Director is reviewed annually by the Nomination Committee based on the definition of independence as written in the Code. Taking into account the views of the Nomination Committee, the Board is satisfied as to the independence of Mr. Wee Siew Kim and Ms. Tan Swee Ling, both of whom do not have any relationship with the Company, its related corporations, its 10% shareholders 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.

¹ The term "10% shareholders" refers to shareholders who have interests in one or more voting shares in the Company and the total votes attached to those shares are not less than 10% of the total votes attached to all the voting shares in the Company.

Corporate **Governance Report**

At least once a year, the Non-Executive Directors meet the external auditors without the presence of the Executive Directors and Management to discuss any matters that they wish to raise privately. They also constructively challenge the Executive Directors and Management and help develop proposals on strategy and review the performance of the management in meeting agreed goals and objectives and monitor the reporting of performance.

The Board has considered its current size appropriate for effective decision-making, based on the Company's present circumstances and taking into account the scope and nature of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board has also considered that its Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Company and possess the necessary core competencies to lead and govern the Company effectively.

Principle 3: Chairman and Chief Executive Officer

The Group's policy is to have a separate Chairman of the Board (the "Chairman") and a Chief Executive Officer (the "CEO") in order to provide an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. There is a clear division of responsibilities, as set out in writing, between the leadership of the Board and the executives responsible for managing the Company's business, in particular, the Chairman and the CEO.

The responsibilities of the Chairman include:

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

The Chairman, Mr. Wee Siew Kim, and the CEO, Mr. Christopher Low Chee Leng, are not related to each other.

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

Corporate Governance Report



Principle 4: Board Membership

In accordance with its term of reference, the Nomination Committee comprises three Directors, namely, Mr. Wee Siew Kim, Chairman of the Nomination Committee, Ms. Tan Swee Ling and Mr. Jens Rasmussen, the majority of whom, including the Chairman, are independent. The principal functions of the Nomination Committee are as follows:

- making recommendations to the Board on relevant matters relating to (a) the review of Board succession plans for the Directors, in particular, the Chairman and for the CEO, (b) the development of a process for evaluation of the performance of the Board, its Board Committees and Directors, (c) the review of training and professional development programmes for the Board, (d) the appointment and re-appointment of Directors, and (e) the review of Board structure, size, composition and core competencies having complied with the Code at all times;
- determining annually, and as and when circumstances require, if a Director is independent;
- deciding, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as a Director of the Company; and
- identifying and nominating candidates for the approval of the Board to fill vacancies in the Board as and when they arise.

The Nomination 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. The Company may also engage executive recruitment agencies to assist in the search process where necessary. The Nomination Committee will arrange for interviews with the shortlisted candidates for its assessment before arriving at a decision. Upon the Nomination Committee's review and recommendation to the Board, the new Directors will be appointed by way of board resolution.

Important issues to be considered as part of the process for selection, appointment and re-appointment of Directors include composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, as an Independent Director.

All Directors are subject to re-nomination and re-appointment at regular intervals of at least once every three years. At each Annual General Meeting of the Company (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 Singapore Companies Act (the "Act"), Chapter 50, to retire and offer themselves for re-appointment by the shareholders at every AGM.

Corporate **Governance Report**

Principle 5: Board Performance

The Board has implemented a process to be carried out by the Nomination Committee to assess the performance and effectiveness of the Board as a whole and its Board Committees.

An annual evaluation of the Board's performance for the financial year ended 31 December 2012 was conducted to assess and identify areas for continuous improvement to the Board's overall effectiveness. The evaluation is carried out by way of a Board assessment checklist through which each Director is required to complete and assess individually the Board as a whole on several parameters namely, the Board structure, conduct of meetings/affairs, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with shareholders. The consolidated findings are reported and recommendations are made to the Board for consideration for further improvements to assist the Board in discharging its duties more effectively. Such performance criteria are approved by the Board and they address how the Board has enhanced long-term shareholders' value.

The performance criteria are not changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the Board will justify such decision. The Nomination Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

The Board together with the Nomination 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 and Board Committee.

Attendance at the Board and Board Committee meetings, effectiveness of discussions at such meetings and the discharge of the Board's duties in relation to the affairs of the Group are also evaluated.

The Nomination 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 Nomination 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. To comply with the recommendation under the new Code, the Board will discuss and determine the maximum number of listed company board representations at the next Board's meeting and disclose this information in the Company's Annual Report for the financial year ending 31 December 2013.

Principle 6: Access to Information

The Company fully recognises the importance of providing the Board with complete, adequate and timely information prior to its meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities as and when there are affairs and issues that require the Board's decision. Further enquires may be made by the Directors to discharge their duties properly. 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 Board papers and related materials, background or explanatory information relating to the matters to be brought before the Board, and copies of disclosure documents, budgets, forecasts and quarterly internal financial statements. In respect of budgets, any material variance between the projections and actual results is also disclosed and explained. The Chief Financial Officer (the "CFO") and external professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.

The Directors have separate and independent access to the Company's senior management and the Company Secretary at all times. The members of the management team and the personnel of the Group are obliged to attend the Board meetings and to provide assistance and access to complete, adequate information in a timely manner when the Board so requests.

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The appointment and removal of the Company Secretary is a matter for consideration for the Board as a whole. The role of the Company Secretary is to, among all other things:

- (a) attend all Board and Board Committee meetings and is responsible to ensure that Board procedures are followed;
- (b) advise the Board and the Management on the Company's compliance with the requirements of the Act, Listing Manual Section B: Rules of Catalist of the SGX-ST and all other rules, regulations and governance matters which are applicable to the Group;
- (c) under the direction of the Chairman, ensure good information flows within the Board and its Board Committees and between the Management and the Non-Executive Directors; and
- (d) facilitate the orientation of incoming Directors and assist with professional development as required.

In the furtherance of its duties, the Board may obtain professional advice and assistance from the Company Secretary or independent professionals if necessary, and the cost of such advice and assistance will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

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

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

According to its terms of reference, the responsibilities of the Remuneration and Compensation Committee include:

- reviewing and recommending to the Board for endorsement a general and appropriate framework of remuneration and the specific remuneration packages for the Board and key management personnel (the remuneration packages cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind);
- developing a formal and transparent procedure for fixing the remuneration packages;
- reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- reviewing working environments and succession planning for the Management; and
- reviewing the terms of the employment arrangements with the Management so as to develop consistent group-wide employment practices subject to regional differences.

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If necessary, the Remuneration and Compensation Committee will seek expert advice inside and/or outside the Company on the remuneration of the Directors. The Remuneration and Compensation Committee will ensure that existing relationships between the Company and its appointed remuneration consultants, if any, will not affect the independence and objectivity of the remuneration consultants. The Company will also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the Company. All Directors' fees are approved by the shareholders at the AGM before they are paid. No Director is involved in deciding his own remuneration.

Principle 8: Level and Mix of Remuneration

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

A significant and appropriate proportion of the Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration is aligned with the shareholders' interests and promotes the long-term success of the Company. The Remuneration and Compensation Committee also takes into account the risk policies of the Company, and ensures that remuneration is symmetric with risk outcomes and is sensitive to the time horizon of risks and the industry practices and norms in compensation.

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

The Company had entered into fixed-period 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. The remuneration packages for the Executive Directors are based on terms stipulated in their service agreements and letter of appointment. The remuneration packages include a profit sharing scheme that is performance related to align their interests with those of the shareholders.

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

The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to the shareholders' approval at the AGM. The Remuneration and Compensation Committee has recommended to the Board and the Board has approved an amount of S\$125,000 as Directors' fees for the financial year ended 31 December 2012.

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Principle 9: Disclosure on Remuneration

The level and mix of the Directors' remuneration in remuneration bands of S\$250,000 for the financial year ended 31 December 2012 are set out below:

	Directors'				
	Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Executive Directors					
S\$250,000 to S\$500,000					
Mr. Low Chee Wee	-	75	20	5	100
Mr. Christopher Low Chee Leng	-	74	20	6	100
Executive Directors					
Below S\$250,000					
Mr. Eddy Neo Chiang Swee	-	66	18	16	100
Non-Executive Directors					
Below S\$250,000					
Mr. Wee Siew Kim	100	-	-	-	100
Ms. Tan Swee Ling	100	-	-	-	100
Mr. Jens Rasmussen	100	-	-	-	100

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

Annual remuneration of the top five key management personnel who are not Directors or CEO in remuneration bands of S\$150,000 for the financial year ended 31 December 2012 are set out below:

	Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits (%)	Total (%)
Below S\$150,000					
Ms. Chuah Keng Len Alice	-	61	21	18	100
Mr. Koay Swee Heng	-	59	25	16	100
Mr. Teoh Han Chong	-	69	16	15	100
Mr. Lou Tin Boang	-	56	28	16	100
Mr. Neo Chiang Yee Eric	-	65	20	15	100

The total remuneration, in aggregate, paid to the above top five key management personnel who are not Directors or CEO in the financial year ended 31 December 2012 is approximately S\$556,000 (to the nearest thousand).

Mr. Low Chee Wee and Mr. Christopher Low Chee Leng are brothers and Mr. Neo Chiang Yee Eric is the brother of Mr. Eddy Neo Chiang Swee. Mr. Low Chye Hin, the Group's Consultant, is the father of Mr. Low Chee Wee and Mr. Christopher Low Chee Leng. Please refer to page 29 for key information regarding the provision of consultancy services.

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 2012, was an immediate family² member of a Director or the CEO.

² "Immediate family" means the spouse, child, adopted child, step-child, brother, sister and parent.

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The Board has, on review, decided not to disclose the remuneration of the Directors to the nearest thousand and the remuneration of employees of the Company and its subsidiaries who are immediate family members of a Director or the CEO in incremental bands of S\$50,000 given the competitive pressure and disadvantages that this might bring.

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

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

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

The Company’s ESOS is a long-term incentive plan and the mechanism involves deferring incentive compensation over a time horizon to ensure that the employees focus on generating shareholder value over a longer term. Conditions to entitlement to such long-term incentive include assessment and recognition of potential progressive performance and enhancement to asset value and shareholder value over time, taking into consideration current and future plans of the Company. For the financial year ended 31 December 2012, the performance conditions for the short and long-term incentives have generally been met.

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

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

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

Since the commencement of the ESOS and the PSP to the end of the financial year ended 31 December 2012, no options were granted and no shares were issued under the ESOS and the PSP respectively.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

The Management provides the Board with management accounts and a continual flow of relevant explanation and information on a quarterly basis and as the Board may require from time to time. These enable the Board to effectively discharge its duties and issue the half year and full year financial results with a balanced and understandable assessment of the Group’s performance, position and prospects, as reviewed by the Audit Committee and approved by the Board, to the shareholders.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Board also takes adequate steps to ensure compliance with legislative and regulatory requirements and observes obligations of continuing disclosure under the Rules of Catalist of the SGX-ST.

Principle 11: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders’ interests and the Group’s assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives. The Board reviews the audit plans of the external auditors and the internal auditors, including the results of the external and internal auditors’ review and evaluation of the system of internal controls. The Board also does an annual review of the adequacy and effectiveness of the internal controls and provides commentary to shareholders to enable them to make an informed assessment of the Company’s risk management and internal control systems.

The Company has put in place a risk management and internal control systems, including financial, operational, compliance and information technology controls, which are detailed in formal instructions, standard operating procedures and financial authority limits policies. The Board has determined the Group’s levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems. The Board also monitors the Group’s risks through the Audit Committee, internal auditors and external auditors.

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During the financial year ended 31 December 2012, the Company's external auditors 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 Group is establishing its Enterprise Risk Management Framework to manage its exposure to risks that are associated with the conduct of its business. The Group has engaged risk management consultants to undertake the Enterprise Risk Assessment to produce an Enterprise Risk Management Report for review by 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 auditors, the review undertaken by the external auditors and the existing management controls in place, the Audit Committee and the Board are satisfied that the internal controls in place in the Group are adequate to address risks relating to financial, operational, compliance and information technology matters. The Board, together with the Audit Committee and the Management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

The Board has also received assurance from the CEO and the CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Group's risk management and internal control systems.

The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. While no system can provide absolute assurance against the occurrence of material errors, financial misstatement, poor judgement in decision-making, human error, losses, fraud and other irregularities, the Group's internal financial controls are designed to provide reasonable assurance that assets are safeguarded, that proper accounting records are maintained, and that financial information used within the business and for publication is reliable. In designing these controls, the Company has had regard to the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them. Some examples of the internal controls in place are policies and procedures are established on safeguarding of assets, the maintenance of proper accounting records, the maintenance of reliable financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risks.

Principle 12: 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 are appropriately qualified and possess the recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. As set out in its terms of reference, the duties and responsibilities of the Audit Committee include:

- (a) reviewing the Group's half year and full year financial statements and significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- (b) reviewing and report to the Board at least annually the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls, as established by the Management;
- (c) reviewing at least annually the adequacy and effectiveness of the Company's internal audit function;
- (d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors of the Company;

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- (e) recommending to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approve the remuneration and terms of engagement of the external auditors; and
- (f) reviewing 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 explicit authority to investigate any matters within its terms of reference, has full access to and co-operation by the 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 also regularly submitted to the Board.

In performing its functions, the Audit Committee and the 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. The Audit Committee also meets with the Management, CFO and external auditors to keep abreast of any changes to the accounting standards and issues which could have a direct impact on the Group's financial statements. At least once a year and as and when required, the Audit Committee meets with the external auditors without the presence of the 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 Audit Committee has reviewed the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the external auditors. The Audit Committee has also conducted an annual review of the independence of the external auditors and the total fees for non-audit services compared with audit services, and satisfied itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the auditors. During the financial year ended 31 December 2012, the remuneration paid/payable to the external auditors, Deloitte & Touche LLP, is set out below:

Service Category	Fees
Audit services	S\$117,000
Total	S\$117,000

No non-audit services were performed by the external auditors, Deloitte & Touche LLP, for the financial year ended 31 December 2012. The external auditors have also affirmed their independence in this respect.

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

In accordance with Rules 715 and 716 of the Rules of Catalist of the SGX-ST, the Board and Audit Committee are satisfied that the appointment of different auditing firms for its subsidiaries or significant associated companies would not compromise the standard and effectiveness of the audit of the Company.

Corporate **Governance Report**

The external auditors appointed/re-appointed for the Company's significant subsidiaries are set out in the notes to financial statements at pages 68 to 69.

To achieve a high standard of corporate governance for the operations of the Group, the Group has in place a whistle-blowing 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. No such whistle-blowing letter was received in the financial year ended 31 December 2012.

Principle 13: Internal Audit

The Audit Committee is responsible for approving the hiring, removal, evaluation and compensation of the professional firm to which the internal audit function is outsourced and the internal auditors' primary line of reporting is to the Chairman of the Audit Committee.

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group has therefore appointed a professional firm, BDO Consultants Pte. Ltd., to undertake the functions of its internal audit. The Audit Committee has ensured that the internal audit function is adequately resourced with persons with the relevant qualifications and experience and has appropriate standing within the Company.

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 auditors carry out its function according to the global BDO Internal Audit methodology which is consistent with the standards set by nationally or internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The internal auditors have unfettered access to all the Company's documents, records, properties and personnel, including access to the Audit Committee. The internal auditors discuss and agree 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 the meetings of the Audit Committee. The Audit Committee is continually working with the internal auditors to improve on the internal controls which are currently in place.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

In recognition of the importance of treating all shareholders fairly and equitably and the shareholders' rights, the Company aims to protect and facilitate the exercise of ownership rights by all shareholders, and continually review and update such governance arrangements.

The Company also notes that the shareholders have the right to be sufficiently informed of changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares.

Corporate Governance Report



The Company will ensure that the shareholders have equal opportunity to participate effectively in and vote at general meetings and brief Shareholders on the rules, including voting procedures that govern general meetings.

Pursuant to Article 77 of the Company's Articles of Association, the shareholders may appoint not more than two (2) proxies to attend and vote at the same general meeting. When a shareholder appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

Principle 15: Communication with Shareholders

To promote regular, effective and fair communication with the shareholders, the Company actively engages the shareholders and puts in place an effective investor relations policy to regularly convey pertinent information to the shareholders. In line with continuous disclosure obligations of the Company pursuant to the Rules of Catalist of the SGX-ST and the Act, the Board's policy is that the shareholders be informed promptly of all major developments that would, or likely to, impact the Group.

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

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

The Company currently does not have a formal policy on payment of dividends. With reference to the Company's Offer Document dated 1 July 2010, the Company may declare dividends by way of an ordinary resolution of the shareholders at a general meeting, but may not pay dividends in excess of the amount recommended by the Directors. The declaration and payment of dividends will be determined at the sole discretion of the Directors, subject to the approval of the shareholders. The Directors may also declare an interim dividend without the approval of the shareholders. Future dividends will be paid by the Company as and when approved by the shareholders (if necessary) and the Directors.

As disclosed in the Chairman's Message on page 3, the Board has proposed a final one-tier tax exempt dividend of 0.25 Singapore cents per share for the financial year ended 31 December 2012, subject to the shareholders' approval.

Principle 16: Conduct of Shareholder Meetings

The Articles of Association of the Company allow the shareholders to appoint proxies to attend and vote in their 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 shareholders' identities through the web are not compromised.

General meetings of the Company represent the principal forum for dialogue and interaction with all shareholders. At each AGM, the Board presents the progress and performance of the Group's businesses and invites all 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 the shareholders' questions.

Separate resolutions are passed at every general meeting on each distinct issue. All minutes of general meetings are available to the shareholders upon their request.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

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

No general mandate has been obtained from the shareholders in respect of interested person transactions for the financial year ended 31 December 2012 as no such general mandate is required to be obtained for the interested person transactions entered into during the financial year ended 31 December 2012 below.

The aggregate value of interested person transactions entered into during the financial year ended 31 December 2012 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	-

MATERIAL CONTRACTS

Save as disclosed above in the section entitled "Interested Person Transactions", there were no material contracts or loans entered into by or taken up by the Group involving the interest of any Director or Controlling shareholder, either still subsisting at the end of the financial year ended 31 December 2012 or if not then subsisting, entered into since the end of the financial year ended 31 December 2011.

NON-SPONSORSHIP FEES

With reference to Rule 1204(21) of the Rules of Catalist of the SGX-ST, there were no non-sponsor fees paid to the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd., for the financial year ended 31 December 2012.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Rules of Catalist of the SGX-ST on dealings in the Company's securities.

The Company has devised and adopted its own internal compliance code to provide guidance to its officers with regard to dealing by the Company and its officers in its securities.

The Company prohibits its officers from dealing in the Company's securities on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's half year and full year financial statements and ending on the date of announcement of the results.

Report of the Directors



The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2012.

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 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	15,905,000	15,905,000	54,200,000*	54,200,000*
Eddy Neo Chiang Swee	6,000,000	6,000,000	3,600,000	3,600,000
Low Chee Wee	30,095,000	30,140,000	40,080,000	40,080,000

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

By virtue of Section 7 of the 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 2013 were the same at 31 December 2012.

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 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 for salaries, bonuses and other benefits 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 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;

Report of the Directors



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 28 February 2013, 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

26 March 2013

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 39 to 82 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 2012, 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

26 March 2013

Independent **Auditors' Report**

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED



Report on the Financial Statements

We have audited the accompanying financial statements of the Company and the Group which comprise the statements of financial position of the Group and the Company as at 31 December 2012, 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 39 to 82.

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 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 2012, 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

26 March 2013

Statements of Financial Position

31 December 2012



	Note	Group		Company	
		2012	2011	2012	2011
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and bank balances	7	5,351,431	4,523,786	2,367	8,406
Trade receivables	8	16,455,111	17,371,552	-	2,497,274
Work-in-progress	9	8,455,593	11,077,391	-	-
Other receivables	10	1,243,216	2,076,744	3,353,266	1,819,451
Inventories	11	1,350,176	825,724	-	-
Total current assets		32,855,527	35,875,197	3,355,633	4,325,131
Non-current assets					
Restricted cash	7	52,866	52,940	-	-
Deposits	10	23,200	51,230	-	-
Subsidiaries	12	-	-	21,380,564	21,380,564
Club membership	13	49,500	49,500	-	-
Property, plant and equipment	14	36,841,111	32,427,799	-	-
Total non-current assets		36,966,677	32,581,469	21,380,564	21,380,564
Total assets		69,822,204	68,456,666	24,736,197	25,705,695
LIABILITIES AND EQUITY					
Current liabilities					
Bank overdrafts and loans	15	9,208,017	16,003,658	-	-
Trade payables	16	2,978,329	4,267,467	81,705	24,892
Other payables	17	10,483,644	8,247,843	267,353	1,698,735
Current portion of finance leases	18	327,586	356,334	-	-
Income tax payable		622,000	494,922	46,000	3,317
Total current liabilities		23,619,576	29,370,224	395,058	1,726,944

See accompanying notes to financial statements.

Statements of Financial Position

31 December 2012

	Note	Group		Company	
		2012	2011	2012	2011
		\$	\$	\$	\$
Non-current liabilities					
Bank loans	15	8,690,354	2,403,931	-	-
Finance leases	18	909,796	1,257,651	-	-
Deferred tax liabilities	19	45,739	97,739	-	-
Total non-current liabilities		9,645,889	3,759,321	-	-
Capital, reserves and non-controlling interests					
Share capital	20	23,698,348	23,698,348	23,698,348	23,698,348
Retained earnings		27,673,515	24,948,998	642,791	280,403
Currency translation reserve		(295,328)	(157,832)	-	-
Merger reserve	21	(18,570,468)	(18,570,468)	-	-
Equity attributable to owners of the Company		32,506,067	29,919,046	24,341,139	23,978,751
Non-controlling interests		4,050,672	5,408,075	-	-
Total equity		36,556,739	35,327,121	24,341,139	23,978,751
Total liabilities and equity		69,822,204	68,456,666	24,736,197	25,705,695

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2012



	Note	Group	
		2012	2011
		\$	\$
Revenue	22	47,808,237	47,118,983
Cost of services		(36,088,344)	(34,482,979)
Gross profit		11,719,893	12,636,004
Other operating income	23	2,063,321	2,134,192
Administrative expenses		(5,904,976)	(5,236,768)
Other operating expenses	24	(4,881,934)	(4,368,713)
Finance costs	25	(406,246)	(421,996)
Profit before income tax		2,590,058	4,742,719
Income tax expense	26	(528,753)	(242,542)
Profit for the year	27	2,061,305	4,500,177
Exchange differences on translation of foreign operations, representing other comprehensive income for the year, net of tax		(266,847)	(471,132)
Total comprehensive income for the year		1,794,458	4,029,045
Profit attributable to:			
Owners of the Company		3,289,357	3,972,236
Non-controlling interests		(1,228,052)	527,941
		2,061,305	4,500,177
Total comprehensive income attributable to:			
Owners of the Company		3,151,861	3,743,181
Non-controlling interests		(1,357,403)	285,864
		1,794,458	4,029,045
Basic and diluted earnings per share (cents)	28	2.3	2.8

See accompanying notes to financial statements.

Statements of Changes in Equity

Year ended 31 December 2012

	Share capital	Currency translation reserve	Merger reserve	Retained earnings	Attributable to owners of the Company	Non-controlling interests	Total
	\$	\$	\$	\$	\$	\$	\$
<u>Group</u>							
Balance at							
1 January 2011	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
Total comprehensive income for the year	-	(137,496)	-	3,289,357	3,151,861	(1,357,403)	1,794,458
Dividends (Note 29)	-	-	-	(564,840)	(564,840)	-	(564,840)
Balance at							
31 December 2012	23,698,348	(295,328)	(18,570,468)	27,673,515	32,506,067	4,050,672	36,556,739

	Share capital	Retained earnings	Total
	\$	\$	\$
<u>Company</u>			
Balance at 1 January 2011	23,698,348	195,131	23,893,479
Total comprehensive income for the year	-	559,704	559,704
Dividends (Note 29)	-	(474,432)	(474,432)
Balance at 31 December 2011	23,698,348	280,403	23,978,751
Total comprehensive income for the year	-	927,228	927,228
Dividends (Note 29)	-	(564,840)	(564,840)
Balance at 31 December 2012	23,698,348	642,791	24,341,139

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2012



	Group	
	2012	2011
	\$	\$
Operating activities		
Profit before income tax	2,590,058	4,742,719
Adjustments for:		
Interest income	(51,188)	(47,861)
Interest expense	406,246	421,996
Reversal of provision for foreign workers' withholding tax	(404,394)	-
Property, plant and equipment written off	-	2,367
Depreciation of property, plant and equipment	1,844,424	1,875,162
Gain on disposal of property, plant and equipment	(20,609)	(351,911)
Operating cash flows before movements in working capital	4,364,537	6,642,472
Trade receivables	806,937	(3,881,351)
Work-in-progress	2,580,114	(2,676,929)
Other receivables	826,394	953,464
Inventories	(537,740)	(311,422)
Trade payables	(1,206,924)	1,212,551
Other payables	2,926,266	712,399
Cash generated from operations	9,759,584	2,651,184
Interest received	51,188	47,861
Income tax paid	(453,119)	(346,214)
Net cash from operating activities	9,357,653	2,352,831
Investing activities		
Proceeds on disposal of property, plant and equipment	21,560	1,087,187
Purchases of property, plant and equipment (Note A)	(5,952,371)	(19,911,990)
Net cash used in investing activities	(5,930,811)	(18,824,803)
Financing activities		
Dividends paid	(564,840)	(474,432)
Interest paid	(923,131)	(532,698)
Proceeds from:		
Term loans	7,430,396	14,265,605
Invoice financing	-	1,681,111
Factoring loans	3,291,869	8,100,094
Factoring creditor	1,165,832	1,378,486

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Year ended 31 December 2012

	Group	
	2012	2011
	\$	\$
Repayments of:		
Term loans	(2,428,903)	(3,044,324)
Invoice financing	-	(2,751,471)
Bridging loan	(500,000)	(666,667)
Factoring loans	(4,624,860)	(6,767,103)
Obligations under finance leases	(350,096)	(128,565)
Factoring creditor	(1,338,381)	(1,505,998)
Net cash from financing activities	1,157,886	9,554,038
Net increase (decrease) in cash and cash equivalents	4,584,728	(6,917,934)
Cash and cash equivalents at beginning of the year	794,834	7,799,794
Effects of exchange rate changes on the balance of cash held in foreign currencies	(81,135)	(87,026)
Cash and cash equivalents at end of the year (Note B)	5,298,427	794,834

Notes to consolidated statement of cash flows:

(A) Cash payments on purchase of plant and equipment

	2012	2011
	\$	\$
Purchase of plant and equipment	6,469,256	21,374,297
Less: Finance cost capitalised as construction-in-progress (Note 14)	(516,885)	(110,702)
Less: Plant and equipment acquired under finance arrangements	-	(1,351,605)
Net cash payments	5,952,371	19,911,990

(B) Cash and cash equivalents comprise of:

	2012	2011
	\$	\$
Cash at bank and on hand (Note 7)	4,498,427	2,884,327
Fixed deposits (Note 7)	800,000	1,588,229
Bank overdrafts (Note 15)	-	(3,677,722)
	5,298,427	794,834

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2012



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.

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 2012 were authorised for issue by the Board on 26 March 2013.

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 Act and Singapore Financial Reporting Standards ("FRS").

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2012, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. 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 ("OCI")

The amendments 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., 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.

Management anticipates that the adoption of FRS 1 will not have a material impact on the financial statements of the Group in the period of its initial adoption.

Notes to Financial Statements

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 2014, with retrospective application subject to transitional provisions.

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

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 2014, 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.

The disclosure requirements in FRS 113 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under FRS 107 *Financial Instruments: Disclosures* will be extended by FRS 113 to cover all assets and liabilities within its scope.

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.

Notes to Financial Statements

31 December 2012



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 107 require entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments to FRS 107 are required for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The disclosures should be provided retrospectively for all comparative periods. However, the amendments to FRS 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

The management anticipates that the application of amendments to FRS 107 will result in more extensive disclosures on offsetting financial assets and financial liabilities. However, the management is still evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities that have been set-off on the statement of financial position.

Annual Improvements to FRS 2012

The Annual Improvements include a number of amendments to various FRSs. The amendments are effective for annual periods beginning on or after 1 January 2013. The amendments include:

- Amendments to FRS 16 *Property, Plant and Equipment*; and
- Amendment to FRS 32 *Financial Instruments: Presentation*.

Amendments to FRS 16 clarify that spare parts, stand-by equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in FRS 16 and as inventory if otherwise. Management does not anticipate that the amendments to FRS 16 will have a significant effect on the financial statements.

Amendments to FRS 32 clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with FRS 12 *Income Taxes*. Management anticipates that the amendments will have no effect on the financial statements as the Group has already adopted this treatment.

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

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.

Notes to Financial Statements

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Notes to Financial Statements

31 December 2012



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Notes to Financial Statements

31 December 2012

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.

Notes to Financial Statements

31 December 2012



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 loans and bank overdrafts 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.

CONSTRUCTION CONTRACTS - Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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.

Notes to Financial Statements

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

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

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.

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%

Notes to Financial Statements

31 December 2012



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 (or 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 (or 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 (or 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.

Notes to Financial Statements

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Rental income

The Group's policy for recognition of revenue from operating leases is described above.

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.

Notes to Financial Statements

31 December 2012



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Notes to Financial Statements

31 December 2012

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 and statement of changes in equity 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.

Notes to Financial Statements

31 December 2012



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

(i) **Critical judgements in applying the 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.

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*

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.

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.

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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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial assets				
Loans and receivables (including cash and bank balances)	22,547,594	23,205,798	3,300,055	4,266,958
Financial liabilities				
Amortised cost	32,597,726	32,536,884	349,058	1,723,627

(b) Financial risk management policies and objectives

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

(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.

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
<u>Group</u>				
United States dollars	-	2,799	237,482	330,380
<u>Company</u>				
Thai Baht	-	-	1,680,000	1,722,000

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.

Notes to Financial Statements

31 December 2012

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)

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

	2012	2011
	\$	\$
<u>Group</u>		
United States dollars	11,874	16,379
<u>Company</u>		
Thai Baht	84,000	86,100

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.

(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 2012 would decrease/increase by \$87,585 (2011: decrease/increase by \$85,373). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

Notes to Financial Statements

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

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

(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 and Company. The Group and Company places their 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 and Company's total credit exposure.

As at the end of the reporting period, the Group has 3 (2011: 2) major customers which accounted for 96.96% (2011: 99.20%) of the net trade receivable balances.

The Company has no concentration of credit risk other than the amount due from subsidiaries as disclosed in Note 10.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's and Company'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.

(iv) Liquidity risk management

As at the end of the reporting period, the Group's cash and cash equivalents amounted to \$5,298,427 (2011: \$794,834). 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 2012, the Group had available \$11,345,265 (2011: \$12,549,684) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

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

Notes to Financial Statements

31 December 2012

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)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$	\$	\$	\$	\$
<u>Group</u>						
<u>2012</u>						
Non-interest bearing	-	13,037,123	-	-	-	13,037,123
Fixed interest rate instruments	4.50	831,359	-	-	(25,169)	806,190
Finance leases (fixed rate)	5.40	387,145	984,354	-	(134,117)	1,237,382
Variable interest rate instruments	3.62	9,188,800	7,871,257	1,276,160	(819,186)	17,517,031
		23,444,427	8,855,611	1,276,160	(978,472)	32,597,726
<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

Notes to Financial Statements

31 December 2012



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)

Company

All financial liabilities of the Company in 2012 and 2011 are repayable on demand or due within 1 year from the end of the reporting period and are non-interest bearing.

Non-derivative financial assets

All financial assets of the Group and Company in 2012 and 2011 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 and Company manage their capital to ensure that entities in the Group and Company 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 and Company currently do not adopt any formal dividend policy.

The capital structure of the Group consists of debts, which include bank loans (Note 15), factoring creditor (Note 17) and finance leases (Note 18), and equity comprising issued capital, reserves and retained earnings.

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

Notes to Financial Statements

31 December 2012

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

(c) Capital risk management policies and objectives (cont'd)

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 0.54 (2011: 0.58).

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2012 and 2011.

The Group's and Company's overall strategy on capital risk management remains unchanged from prior year.

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:

	2012	2011
	\$	\$
Professional fee paid to immediate family member of directors/shareholders	180,000	180,000

Compensation of directors and key management personnel

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

	2012	2011
	\$	\$
Short-term benefits	1,559,424	1,519,163
Post-employment benefits	119,290	107,154
Total	1,678,714	1,626,317

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

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7 CASH AND BANK BALANCES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash at bank and on hand	4,498,427	2,884,327	2,367	8,406
Fixed deposits	800,000	1,588,229	-	-
Restricted cash ^(a)	105,870	104,170	-	-
Total	5,404,297	4,576,726	2,367	8,406
Less: Restricted cash ^(b)				
(shown under non-current assets)	(52,866)	(52,940)	-	-
Cash and bank balances classified as				
current assets	5,351,431	4,523,786	2,367	8,406

Fixed deposit bore an effective interest rate of 2.15% (2011: 1.5%) per annum and was for a tenure of approximately 30 days.

Restricted cash include:

^(a) Fixed deposits pledged to banks for bank facilities granted to the Group and have an average maturity of 3 months with weighted effective interest rates of 0.10% (2011: 0.30%) 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 2.25% (2011: 2.36%) 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
United States dollars	237,482	291,700	-	-

8 TRADE RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Third parties	16,455,111	17,371,552	-	-
Subsidiaries (Note 5)	-	-	-	2,497,274
	16,455,111	17,371,552	-	2,497,274

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

Notes to Financial Statements

31 December 2012

8 TRADE RECEIVABLES (cont'd)

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

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Unbilled receivables	484,499	415,067	-	450,000
Not past due and not impaired	6,300,154	3,080,537	-	-
Past due but not impaired	9,670,458	13,875,948	-	2,047,274
	16,455,111	17,371,552	-	2,497,274

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

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
< 3 months	5,294,671	7,026,499	-	434,510
3 months to 6 months	2,522,245	4,983,630	-	316,170
6 months to 12 months	1,807,540	1,720,471	-	731,181
> 12 months	46,002	145,348	-	565,413
	9,670,458	13,875,948	-	2,047,274

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.

In 2011, the Group has factored trade receivables with carrying amount of \$2,050,755 to the bank (Note 15) in exchange for cash. The transaction has been accounted for as a collateralised borrowing as the bank has the full recourse in the event of default by those debtors.

As at the end of the reporting period, the Group has factored trade receivables with carrying amount of \$621,214 (2011: \$853,452) to the factoring creditor (Note 17) in exchange for cash. The transaction has been accounted for as a collateralised borrowing as the factoring creditor has the full recourse in the event of default by those debtors.

Notes to Financial Statements

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8 TRADE RECEIVABLES (cont'd)

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
United States dollars	-	38,680	-	-

9 WORK-IN-PROGRESS

	Group	
	2012	2011
	\$	\$
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits	27,464,793	28,841,451
Less: Progress billings	(19,009,200)	(17,764,060)
	8,455,593	11,077,391

10 OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Third parties	194,419	682,878	-	-
Subsidiaries (Note 5)	-	-	3,288,688	1,752,278
Prepayments	578,230	824,204	55,578	58,173
Deposits	493,767	574,642	9,000	9,000
Deferred costs	-	46,250	-	-
Total	1,266,416	2,127,974	3,353,266	1,819,451
Less: Deposits (shown under non-current assets)	(23,200)	(51,230)	-	-
	1,243,216	2,076,744	3,353,266	1,819,451

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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Thai Baht	-	-	1,680,000	1,722,000

11 INVENTORIES

	Group	
	2012	2011
	\$	\$
Raw materials, at cost	680,818	-
Consumables, at cost	669,358	825,724
Total	1,350,176	825,724

12 SUBSIDIARIES

	Company	
	2012	2011
	\$	\$
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	
		2012	2011	2012	2011	2012	2011
		\$	\$	%	%	%	%
Eng Soon Investment Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services / Singapore	5,275,859	5,275,859	100	100	100	100
Wang Fatt Oil & Gas Construction Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services / Singapore	10,400,088	10,400,088	100	100	100	100
Eng Soon Marine Pte Ltd ⁽²⁾	Sale of consumables / Singapore	782,272	782,272	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	
		2012	2011	2012	2011	2012	2011
		\$	\$	%	%	%	%
ES Offshore Engineering Pte. Ltd. ⁽¹⁾	Repairs of vessel and related engineering services / Singapore	1,073,517	1,073,517	100	100	100	100
Eng Soon Engineering (1999) Pte Ltd ⁽¹⁾	Repair of vessel and related engineering services / Singapore	1,401,732	1,401,732	100	100	100	100
ES Shipping Pte. Ltd. ⁽³⁾	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. ⁽³⁾	Technical development, design, and consultancy service for ship and offshore project / PRC	198,896	198,896	100	100	100	100
ES Offshore and Marine Engineering (Thailand) Co., Ltd. ^{(2) (4)}	Vessel building and repair and steel construction / Thailand	2,148,200	2,148,200	50	50	51	51
		21,380,564	21,380,564				

Notes:

- (1) Audited by Deloitte & Touche LLP, Singapore.
- (2) Audited by Deloitte Touche Tohmatsu Jaiyos Audit Co., Ltd, Thailand.
- (3) Audited by other audit firm.
- (4) Although the Company does not own more than 50% of the equity shares of subsidiary, the Company holds 51% of the voting power of those shares and hence, the subsidiary is controlled by the Company and is consolidated in these financial statements.

13 CLUB MEMBERSHIP

	Group	
	2012	2011
	\$	\$
Club membership, at cost	65,000	65,000
Allowance for impairment loss	(15,500)	(15,500)
Carrying amount	49,500	49,500

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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 2011	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
Exchange translation	-	(87,140)	(19,483)	(16,630)	(164,368)	(1,890)	(314)	(7,630)	(297,455)
Additions	-	-	13,600	-	241,601	20,395	5,975,964	217,696	6,469,256
Reclassification	-	-	34,421	-	75,609	-	(110,236)	206	-
Disposals	-	-	-	-	(3,647)	(43,500)	-	-	(47,147)
Write-off	-	-	-	-	-	-	-	(57,298)	(57,298)
At 31 December 2012	5,332,117	3,485,592	827,273	665,182	8,847,340	1,437,226	24,066,386	1,526,984	46,188,100
Accumulated depreciation:									
At 1 January 2011	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
Exchange translation	-	-	(4,439)	(5,847)	(71,120)	(884)	-	(4,596)	(86,886)
Charge for the year	225,681	-	62,129	66,664	1,010,264	197,690	-	281,996	1,844,424
Disposals	-	-	-	-	(2,696)	(43,500)	-	-	(46,196)
Write-off	-	-	-	-	-	-	-	(57,298)	(57,298)
At 31 December 2012	1,126,767	-	239,664	300,540	5,771,937	982,126	-	925,955	9,346,989
Carrying amount:									
At 31 December 2012	4,205,350	3,485,592	587,609	364,642	3,075,403	455,100	24,066,386	601,029	36,841,111
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

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

At the end of the reporting period, interest expense of \$516,885 (2011: \$110,702) was capitalised under construction-in-progress. Certain assets under construction-in-progress have been pledged with a bank for banking facilities (Note15).

Leasehold land and property comprises of:

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

Notes to Financial Statements

31 December 2012



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 \$4,205,350 (2011: \$4,431,031) 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, Prachupkirikhan 77130, Thailand; and
- a worker dormitory at 136/76 Moo 5, Tambon Thapsakae, Amphur Thapsakae, Prachupkirikhan 77130, Thailand.

As at the end of the reporting period, the Group has plant, machinery and equipment, and motor vehicles held under finance leases (Note 18) with carrying amount of \$1,225,738 (2011: \$1,385,084) and \$419,463 (2011: \$496,624) respectively.

15 BANK OVERDRAFTS AND LOANS

	Group	
	2012	2011
	\$	\$
Bank overdrafts ^(a)	-	3,677,722
Bank loans		
- Term loan 1 ^(b)	332,619	419,319
- Term loan 2 ^(b)	587,348	704,332
- Term loan 3 ^(b)	1,502,079	1,550,975
- Term loan 4 ^(b)	-	300,000
- Term loan 5 ^(b)	14,840,000	8,369,604
- Bridging loan ^(c)	-	500,000
- Short-term loan 1 ^(d)	254,985	1,552,646
- Short-term loan 2 ^(e)	381,340	-
- Factoring loan ^(f)	-	1,332,991
Total	17,898,371	18,407,589
Less: Amount due for settlement within 12 months (shown under current liabilities)	(9,208,017)	(16,003,658)
Amount due for settlement after 12 months	8,690,354	2,403,931

Notes:

^(a) In 2011, 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.

^(b) 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% per annum.

Notes to Financial Statements

31 December 2012

15 BANK OVERDRAFTS AND LOANS (cont'd)

- (c) In 2011, 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% per annum.
- (d) The short-term loan was arranged at floating interest rates, thus exposing the Group to cash flow risk. The short-term loan has an average effective interest rate ranging from 3.50% to 5.50% (2011: 4.16% to 5.49%) per annum.
- (e) The short-term 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 2011, 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.

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 subsidiaries; and
- (iii) joint and several personal guarantees of directors for all the monies owing.

In 2011, the Group's factoring loan was secured by certain trade receivables amounted to \$2,050,755 (Note 8).

As at the end of the reporting period, the Group had available \$11,345,265 (2011: \$12,549,684) 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 \$15,733,000 (2011: \$17,213,000).

16 TRADE PAYABLES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Entities under common directors/ shareholders (Note 6)	86,671	191,260	-	-
Third parties	2,891,658	4,076,207	81,705	24,892
	2,978,329	4,267,467	81,705	24,892

The average credit period of trade payables is 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.

Notes to Financial Statements

31 December 2012



17 OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
Director of subsidiary (Note 6)	1,680,865	1,722,000	865	-
Subsidiaries (Note 5)	-	-	-	1,444,678
Accruals	3,032,330	2,737,326	262,133	251,422
Workers' guarantee payables	1,509,499	1,601,049	-	-
Other payables	1,668,101	1,590,069	4,355	2,635
Deposit received	2,167,999	-	-	-
Factoring creditor	424,850	597,399	-	-
	10,483,644	8,247,843	267,353	1,698,735

The Group's factoring creditor bears a fixed interest rate of 5.25% per annum and is repayable within the next 12 months. It was secured by certain trade receivables amounted to \$621,214 (2011: \$853,452) (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	
	2012	2011	2012	2011
	\$	\$	\$	\$
United States dollars	-	2,799	-	-

18 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2012	2011	2012	2011
	\$	\$	\$	\$
<u>Group</u>				
Amounts payable under finance leases:				
Within one year	387,145	436,202	327,586	356,334
In the second to fifth years inclusive	984,354	1,394,220	909,796	1,257,651
	1,371,499	1,830,422	1,237,382	1,613,985
Less: Future finance charges	(134,117)	(216,437)	NA	NA
Present value of lease obligations	1,237,382	1,613,985	1,237,382	1,613,985
Less: Amount due for settlement within 12 months (shown under current liabilities)			(327,586)	(356,334)
Amount due for settlement after 12 months			909,796	1,257,651

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. The average effective borrowing rate was 5.40% (2011: 5.24%) 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.

Notes to Financial Statements

31 December 2012

18 FINANCE LEASES (cont'd)

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	
	2012	2011
	\$	\$
<u>Accelerated tax depreciation</u>		
At beginning of year	97,739	148,590
Credited to profit or loss (Note 26)	(52,000)	(50,851)
At end of year	45,739	97,739

20 SHARE CAPITAL

	Group and Company			
	2012	2011	2012	2011
			\$	\$
	Number of ordinary shares			
Issued and paid up:				
At beginning and at end of year	141,200,000	141,200,000	23,698,348	23,698,348

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

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 received and receivable from services rendered net of estimated discounts.

Notes to Financial Statements

31 December 2012



23 OTHER OPERATING INCOME

	Group	
	2012	2011
	\$	\$
Reimbursement of expenses from foreign workers	1,322,552	1,232,235
Reversal of provision for foreign workers' withholding tax	404,394	-
Rental income	211,500	-
Scrap income	-	279,880
Interest income	51,188	47,861
Foreign exchange gain - net	23,774	216,771
Gain on disposal of property, plant and equipment	20,609	351,911
Others	29,304	5,534
	2,063,321	2,134,192

24 OTHER OPERATING EXPENSES

	Group	
	2012	2011
	\$	\$
Rental expense	2,259,808	1,704,465
Repair and maintenance	778,278	759,963
Travelling expense	227,702	407,045
Staff training and welfare	441,366	449,929
Food and refreshment	313,722	236,706
Water and electricity	277,301	201,176
Transportation	128,499	126,121
Depreciation on property, plant and equipment	134,935	136,281
Property, plant and equipment written off	-	2,367
Staff uniform	43,036	25,659
Others	277,287	319,001
	4,881,934	4,368,713

25 FINANCE COSTS

	Group	
	2012	2011
	\$	\$
Interest on bank borrowings	223,124	244,627
Interest on bank overdrafts	74,418	129,740
Interest on factoring creditor	30,450	29,916
Interest on obligations under finance leases	78,254	17,713
	406,246	421,996

Notes to Financial Statements

31 December 2012

26 INCOME TAX EXPENSE

	Group	
	2012	2011
	\$	\$
Income tax:		
- Current tax	622,073	478,330
- Over provision in prior years	(41,320)	(184,937)
Deferred tax (Note 19)		
- Current	-	(50,851)
- Over provision in prior years	(52,000)	-
	528,753	242,542

Domestic income tax is calculated at 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	
	2012	2011
	\$	\$
Profit before income tax	2,590,058	4,742,719
Income tax expense at statutory rate of 17%	440,310	806,262
Effect of income that is exempt from taxation	-	(139,353)
Effect of expenses that are not deductible in determining taxable profit	19,102	42,182
Effect of unutilised tax losses not recognised as deferred tax asset	496,287	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(74,443)	-
Tax exemption	(116,176)	(205,165)
Tax incentives	(135,612)	(78,537)
Over provision in prior years	(93,320)	(184,937)
Others	(7,395)	2,090
Total income tax expense	528,753	242,542

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of \$3,180,620 (2011: \$699,185) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams and no certainty of realisation in the foreseeable future.

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

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

Notes to Financial Statements

31 December 2012



26 INCOME TAX EXPENSE (cont'd)

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:

	Group	
	2012	2011
	\$	\$
Depreciation of property, plant and equipment:		
- cost of services	1,409,464	1,537,599
- administrative expenses	300,025	201,282
- other operating expenses (Note 24)	134,935	136,281
	1,844,424	1,875,162
Directors' fee	125,000	125,000
Directors' remuneration:		
- of the Company	833,200	873,744
- of the subsidiaries	104,295	101,743
Employee benefits expense (including directors' remuneration)	3,600,396	2,514,006
Costs of defined contribution plans (included in employee benefits expense)	401,810	304,617
Audit fee:		
- paid to auditors of the Company	117,000	115,500
- paid to other auditors	41,989	34,269
Non-audit fee:		
- paid to other auditors	7,050	6,156
Cost of inventories recognised as expense	1,787,929	1,142,051

Notes to Financial Statements

31 December 2012

28 EARNINGS PER SHARE

Basic earnings per share for the financial year ended 31 December 2012 is calculated based on the net profit attributable to owners of the Company for the year of \$3,289,357 (2011: \$3,972,236) divided by the weighted average number of shares issued of 141,200,000.

29 DIVIDENDS

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.

On 22 May 2012, the Company declared and paid a final one-tier exempt dividend of 0.20 cents per share amounting to \$282,420 in respect of the year ended 31 December 2011, to its shareholders.

On 4 September 2012, the Company declared and paid an interim one-tier exempt dividend of 0.20 cents per share amounting to \$282,420 in respect of the year ended 31 December 2012, to its shareholders.

On 28 February 2013, the directors proposed that a final one-tier tax exempt dividend of 0.25 cents per share amounting to \$353,000 be paid to shareholders. This dividend is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements.

30 SEGMENT INFORMATION

Services from which reportable segments derive their revenues

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

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

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

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

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.

Notes to Financial Statements

31 December 2012



30 SEGMENT INFORMATION (cont'd)

The segment assets comprise of trade receivables, work-in-progress and construction-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.

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

	New building and conversion	Repair	Total
	\$	\$	\$
2012			
Revenue			
Segment revenue	21,834,860	25,973,377	47,808,237
Results			
Segment results	4,329,459	7,390,434	11,719,893
Other operating income			2,063,321
Administrative expenses			(5,904,976)
Other operating expenses			(4,881,934)
Finance costs			(406,246)
Profit before income tax			2,590,058
Income tax expense			(528,753)
Profit for the year			2,061,305
Other information			
Capital expenditure			6,469,256
Gain on disposal of property, plant and equipment			(20,609)
Depreciation of property, plant and equipment			1,844,424
Assets and Liabilities			
Segment assets	36,609,912	12,197,543	48,807,455
Unallocated corporate assets			21,014,749
Total assets			69,822,204
Segment liabilities	14,840,000	-	14,840,000
Unallocated corporate liabilities			18,425,465
Total liabilities			33,265,465

Notes to Financial Statements

31 December 2012

30 SEGMENT INFORMATION (cont'd)

	New building and conversion	Repair	Total
	\$	\$	\$
<u>2011</u>			
Revenue			
Segment revenue	26,969,168	20,149,815	47,118,983
Results			
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
Other information			
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
Assets and Liabilities			
Segment assets	37,231,522	10,571,606	47,803,128
Unallocated corporate assets			20,653,538
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 2012



30 SEGMENT INFORMATION (cont'd)

Geographical information

The Group operates in three principal geographical areas – Singapore (country of domicile), Thailand and PRC.

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

Geographical segments	Revenue		Non-current assets	
	2012	2011	2012	2011
	\$	\$	\$	\$
Singapore	35,038,419	35,946,119	29,089,405	23,881,758
Thailand	12,739,671	11,121,980	7,777,873	8,557,456
PRC	30,147	50,884	23,333	38,085

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:

	2012	2011
	\$	\$
Top 1 st customer	25,740,356	26,815,582
Top 2 nd customer	11,932,279	12,064,482
Top 3 rd customer	9,273,131	-

Each customer above contributes revenue to both reportable segments.

Notes to Financial Statements

31 December 2012

31 OPERATING LEASE ARRANGEMENTS

	Group	
	2012	2011
	\$	\$
Minimum lease payments under non-cancellable operating leases recognised as an expense during the year	85,564	76,228

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	
	2012	2011
	\$	\$
Within one year	91,442	80,408
In the second to fifth year inclusive	365,767	321,634
After five years	1,013,479	971,602
	1,470,688	1,373,644

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.

32 CONTINGENT LIABILITIES

	Company	
	2012	2011
	\$	\$
Guarantees given to banks in respect of credit facilities and finance lease obligations of subsidiaries	32,924,700	27,283,422

Statistics of Shareholdings

As at 15 March 2013



SHARE CAPITAL

Issued and fully paid-up capital	:	\$23,698,348
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

(As recorded in the Register of Members and Depository Register as at 15 March 2013)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	51	28.18	385,000	0.27
10,001 - 1,000,000	118	65.19	13,662,000	9.68
1,000,001 AND ABOVE	12	6.63	127,153,000	90.05
TOTAL :	181	100.00	141,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register as at 15 March 2013)

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	40,080,000	28.39
2.	LOW CHEE WEE	30,140,000	21.35
3.	CHRISTOPHER LOW CHEE LENG	15,905,000	11.26
4.	HONG LEONG FINANCE NOMINEES PTE LTD	14,926,000	10.57
5.	EDDY NEO CHIANG SWEE	6,000,000	4.25
6.	LOW YIN YIN	6,000,000	4.25
7.	LEOW MEI LEE	3,600,000	2.55
8.	UOB KAY HIAN PTE LTD	3,023,000	2.14
9.	NEO CHIANG YEE ERIC	2,400,000	1.70
10.	ONG BENG CHYE	1,925,000	1.36
11.	PHILLIP SECURITIES PTE LTD	1,602,000	1.13
12.	RAFFLES NOMINEES (PTE) LTD	1,552,000	1.10
13.	MAYBANK KIM ENG SECURITIES PTE LTD	939,000	0.67
14.	MAYBANK NOMINEES (SINGAPORE) PTE LTD	856,000	0.61
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	454,000	0.32
20.	LAI KHOON HUAT	400,000	0.28
	TOTAL :	132,466,000	93.81

Statistics of Shareholdings

As at 15 March 2013

SUBSTANTIAL SHAREHOLDERS

NAME	Direct Interest		Deemed Interest		Total Interest	
	No. of shares	%	No. of shares	%	No. of shares	%
LOW CHEE WEE ⁽¹⁾	30,140,000	21.35	40,080,000	28.39	70,220,000	49.73
CHRISTOPHER LOW CHEE LENG ^{(1) (3)}	15,905,000	11.26	54,200,000	38.39	70,105,000	49.65
LOW YIN YIN ⁽¹⁾	6,000,000	4.25	40,080,000	28.39	46,080,000	32.63
NEO PECK KEOW @ NG SIANG KENG ⁽¹⁾	40,080,000	28.39	-	-	40,080,000	28.39
EDDY NEO CHIANG SWEE ⁽²⁾	6,000,000	4.25	3,600,000	2.55	9,600,000	6.80

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 and Low Yin Yin is deemed interested in all the Shares held by their mother, by virtue of Section 7 of the Act, Chapter 50.
- (2) Eddy Neo Chiang Swee is deemed interested in 3,600,000 Shares held by his mother, by virtue of Section 7 of the Act, Chapter 50.
- (3) Christopher Low Chee Leng is deemed interested in 14,120,000 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 RULE 723 OF THE SGX-ST LISTING MANUAL (SECTION B: RULES OF CATALIST)

Based on the information available to the Company as at 15 March 2013, approximately 16.26% of the issued ordinary shares of the Company are held by the public, and therefore, Rule 723 of the Rules of Catalist of the SGX-ST 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 third Annual General Meeting of ES Group (Holdings) Limited will be held at 10 Kwong Min Road Singapore 628712 on Thursday, 25 April 2013 at 2.00 p.m. to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Financial Statements, the Directors' Report and the Auditors' Report for the financial year ended 31 December 2012. **Resolution 1**
2. To approve a final one-tier tax exempt dividend of 0.25 Singapore cents per ordinary share for the financial year ended 31 December 2012. **Resolution 2**
3. To approve the payment of Directors' fees of S\$125,000 for the financial year ending 31 December 2013. **Resolution 3**
4. To re-elect Mr. Christopher Low Chee Leng, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 4**
5. To re-elect Mr. Wee Siew Kim, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 5**
6. To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

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

7. That pursuant to Section 161 of the Act, Chapter 50 and Rule 806 of the Listing Manual Section B: Rules of Catalist of the SGX-ST, 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 of Catalist for the time being in force (unless such compliance has been waived by the 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 Act, Chapter 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 7**

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

- (a) grant awards in accordance with the provisions of the PSP; and
- (b) offer and grant options under the ESOS 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 PSP and/or the exercise of options granted by the Company under the ESOS, whether granted during the subsistence of this authority or otherwise provided always that:

the aggregate number of shares to be issued pursuant to the PSP and the ESOS shall not exceed fifteen per cent. (15%) of the issued share capital of the Company for the time being. **(See Explanatory Notes)**

Resolution 8

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

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 10 April 2013

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 8 Ubi Road 2 #06-26 Zervex Singapore 408538, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

Explanatory Notes on Ordinary Business to be Transacted:

Resolution 4

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

Resolution 5

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. The Board considers him to be independent for the purpose of Rule 704(7) of the Listing Manual Section B: Rules of Catalyst of the SGX-ST.

Explanatory Notes on Special Business to be Transacted:

Resolution 7

The Ordinary Resolution 7 proposed above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the next Annual General Meeting, to allot and issue shares and convertible securities in the Company, without seeking any further approval from shareholders in 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 8

The Ordinary Resolution 8 proposed above, if passed, will empower the Directors of the Company to grant awards and options in accordance with the provisions of the PSP and ESOS respectively and allot and issue Shares pursuant to the PSP and pursuant to the exercise of options granted or to be granted under the ESOS, provided that:

the aggregate number of shares to be issued pursuant to the PSP and the ESOS 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 PSP and no options have been granted under the ESOS. The PSP and the ESOS 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)

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.

Annual General Meeting to be held on Thursday, 25 April 2013

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 third Annual General Meeting of the Company to be held at 10 Kwong Min Road Singapore 628712, on Thursday, 25 April 2013 at 2.00 p.m. and at any adjournment thereof.

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

No.	Resolution	For	Against
	ORDINARY BUSINESS		
1	Financial Statements, Directors' Report & Auditors' Report		
2	Final dividend		
3	Directors' fees for the financial year ending 31 December 2013		
4	Re-election (Mr. Christopher Low Chee Leng)		
5	Re-election (Mr. Wee Siew Kim)		
6	Re-appointment (Deloitte & Touche LLP)		
	SPECIAL BUSINESS		
7	Authority to issue shares		
8	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 _____ 2013

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 Singapore 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 408538 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 Singapore 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.



ES GROUP (HOLDINGS) LIMITED

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Website: www.esgroup.com.sg