ES Group (Holdings) Limited

Annual Report 2013

Navigating New Frontier

Vision

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

Mission

To provide world-class services without compromising on safety.

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

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

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Corporate Profile

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

Listed on the Catalist board of the SGX-ST on 9 July 2010, ES Group has more than 30 years of experience in ship building and repair operations, working for prominent shipyard operators in Singapore. Upon its successful listing, it undertook a strategic shift to expand its revenue streams - the Group ventured into Engineering, Procurement and Construction ("EPC") projects and vessel owning and chartering which complement its core business. The EPC strategy will secure direct contracts to increase the Group's revenue and profitability. The vessel owning and chartering strategy will generate a stable stream of recurring revenue for the Group in the medium to long term.

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

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

With continued efforts to propel growth, the Group set up its Loyang workshop in 2013 to design and fabricate a range of offshore structures, such as Geotechnical drilling rigs. The new workshop also provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services. This new addition further diversifies the competencies and capabilities of its core business.

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.

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 2013 ("FY2013").

Financial Performance – Increased Revenue from Delivery of Bunker Vessels

The Group's revenue in the year under review increased 41.8% to $67.8 million, boosted significantly by the sale and demise charter of two bunker vessels which were delivered in the first half of FY2013.

Gross profit increased slightly to $11.8 million in FY2013 from $11.7 million in the financial year ended 31 December 2012 ("FY2012") despite the decrease in gross profit margin to 17.4% in FY2013 from 24.5% in FY2012. This was mainly due to lower margins from the sale and demise charter of the two bunker vessels.

Total expenses rose to $11.6 million in FY2013 from $11.2 million in FY2012, attributed by additional manpower in Thailand in preparation of the higher order book, higher rental expenses, and higher repair and maintenance costs. As a result, profit before tax for FY2013 decreased to $2.3 million from $2.6 million in FY2012.

The Group generated cash flow of $6.2 million from operating activities with a positive working capital of $23.4 million and cash and cash equivalents of $2.5 million as at 31 December 2013.

Vessel Owning and Chartering – Recurring Revenue Stream

The successful sale and demise charter of the two bunker vessels underscored the Group's capabilities to meet the high quality and safety standards required by the bunkering industry.

Upon delivery of Sea Tanker I to the charterer, the Group recognised a one-off gain and a recurring finance lease income from the demise charter over the lease period in FY2013.

The Group continues to be on the lookout for turnkey projects for our Thailand subsidiary and for charter opportunities.

Core Businesses – Strong Pipeline for New Build Jack-up Blocks

The Singapore ship-building sector experienced a slowdown in FY2013 due to competition from other countries, particularly China.

Barring any unforeseen circumstances, we are confident that the outlook for the financial year ending 31 December 2014 ("FY2014") remains positive as we secured more orders for our Thailand yard as demand for oil rigs and offshore services picked up early this year.

Following the release of the Group's full year results, we also announced new orders secured for three jack-up blocks worth a total of $15 million from a major customer in Singapore. They comprise part of a high-specification jack-up rig's main hull. Construction of the blocks has commenced at our Thailand yard and all three jack-up blocks are expected to be delivered in the last quarter of FY2014.

Dividends – 17.7% of FY2013 Net Profit Attributable to Shareholders

The Board has proposed a final one-tier exempt dividend of 0.15 cents per share, in addition to the interim dividend of 0.10 cents paid on 3 September 2013. If approved by shareholders of the Company ("Shareholders") at the forthcoming annual general meeting, this would bring the total dividends to 0.25 cents for FY2013 (representing 17.7% of the net profit attributable to owners of the Company), compared to 0.45 cents for FY2012.

FY2014 Group Outlook

Amidst current competitive environment, the outlook remains positive for FY2014 as the Group secured more orders for our Thailand yard. As we are seeing full capacity at our Thailand yard, the management is exploring the possibility of acquiring or leasing adjoining land in order to increase capacity, in anticipation of potential new orders. In view of the increased sales orders secured for our Thailand yard, the Group intends to channel more resources and efforts to increase the production capacity.

The Group has reduced our workforce in Singapore in anticipation of lower volume of work. We will continue to strengthen our relationship with customers with the aim to increase our volume of work.

In line with our expansion plans, the Group has also started operations at our newly established workshop in Loyang, where we design and fabricate a range of offshore structures, such as Geotechnical drilling rigs. The new workshop also provides mobilisation and demobilisation works, repair and maintenance works, and other offshore support services. The new services offered by the Group complement our existing range of services.

The Group remains on the lookout for opportunities to expand our core business while exploring possible mergers and acquisitions with the aim of enhancing Shareholder value.

Appreciation

On behalf of the board of directors ("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. We would also like to thank the management and our staff for their dedication and hard work in FY2013.

I also extend my appreciation to fellow Board members for their guidance, wise counsel and support. I look forward to the continued support from all our stakeholders as the Group enters into a significant year ahead.

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-feet office space and 43,000 square-feet 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 Star Certification

2010
- July, IPO listing on the Catalist Board of the SGX-ST as ES Group (Holdings) Limited
- August, secured first direct order from an international offshore engineering and construction contractor and vessel owner – Subsea 7 S.A.
- October, acquired Dalian ES Marine & Offshore Engineering Co., Ltd. – a company incorporated in Dalian, People's Republic of China ("PRC")

2011 Delivered an offshore barge to its first direct customer Subsea 7 S.A.

2012 Successfully launched two bunker vessels – Sea Tanker I and Sea Tanker II

2013
- Successfully delivered the two bunker vessels
- Incorporated a new subsidiary – ES Energy Pte. Ltd.
- Set-up Loyang workshop which designs and fabricates a range of offshore structures, such as Geotechnical drilling rigs, as well as provides mobilisation and demobilisation works, repair and maintenance works and other offshore support services

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 Chief Executive Officer ("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 and Mapletree Logistics Trust (both companies listed on the Main Board of the SGX-ST). 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 and Deputy CEO of ST Engineering 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.

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

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 Chief Financial Officer ("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.

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

Tan Swee Ling is our Independent Director and was appointed to our Board on 8 June 2010. 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 from 2001 to 2011), a position she held until 2002 while remaining as a Non-Executive Director of Want Want Holdings Ltd and Want Want Food Pte Ltd. Ms Tan obtained a Bachelor of Business Administration with Honours from the National University of Singapore in 1991 and is a Fellow of the Association of Chartered Certified Accountants.

Jens Rasmussen

Jens Rasmussen is our Non-Executive Director and was appointed to our Board on 1 January 2010. Since 2008, he has been the project manager for new building projects of accommodation and drilling vessels at Keppel FELS yard in Singapore and Yiulian Dockyard in China. 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 at GVA Consultants AB, where he was responsible for sales, concept development of new oil and gas fields, deep-water drilling semisubmersibles, commercial and technical feasibility evaluation for floating offshore platforms. During the period between 2000 and 2004, he also held the position of Engineering Manager and Construction Manager (Korea) and Engineering Coordination Manager (Houston) at BP Exploration Company Inc. In 2006, he was a project manager at Frontier Drilling Inc., where he was responsible for overseeing the upgrade and refurbishment of a drillship in Keppel FELS. Mr Rasmussen obtained a Master of Science in Engineering from the Technical University of Denmark, Copenhagen in 1980.

Management Profile

Chuah Keng Len Alice

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

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

Koay Swee Heng

Koay Swee Heng is our General Manager (Operations/Commercial), reporting directly to our CEO, Christopher Low Chee Leng. Mr Koay is largely in charge 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 the senior draughtsman/project coordinator at Ho & Associates Chartered Architects in Malaysia. Mr Koay joined our Group in 1998 as a commercial executive and was responsible for project coordination and tenders.

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

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

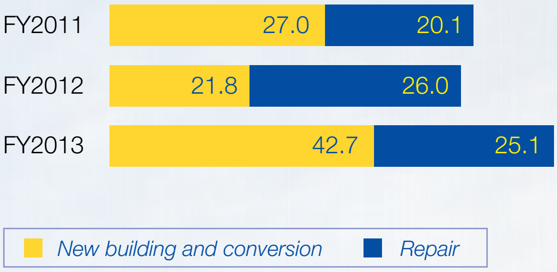
Financial Highlights

Financial Performance	FY2013 $´000	FY2012 $´000	FY2011 $´000
Revenue	**67,792**	**47,808**	**47,119**
Cost of services	(56,009)	(36,088)	(34,483)
Gross profit	**11,783**	**11,720**	**12,636**
Other operating income	2,038	2,063	2,134
Administrative expenses	(6,220)	(5,905)	(5,236)
Other operating expenses	(5,067)	(4,882)	(4,369)
Finance costs	(286)	(406)	(422)
Profit before income tax	**2,248**	**2,590**	**4,743**
Income tax expense	(174)	(529)	(243)
Profit for the year	**2,074**	**2,061**	**4,500**

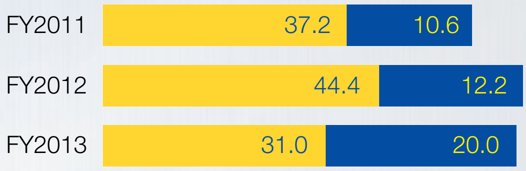
Financial Position	FY2013 $´000	FY2012 $´000	FY2011 $´000
Shareholders' equity	33,898	32,506	29,919
Total assets	61,302	69,822	68,457
Total liabilities	23,375	33,265	33,130

Per Share Data (in cents)	FY2013	FY2012	FY2011
Net asset value	24.01	23.02	21.19
Basic and diluted earnings	1.41	2.33	2.81

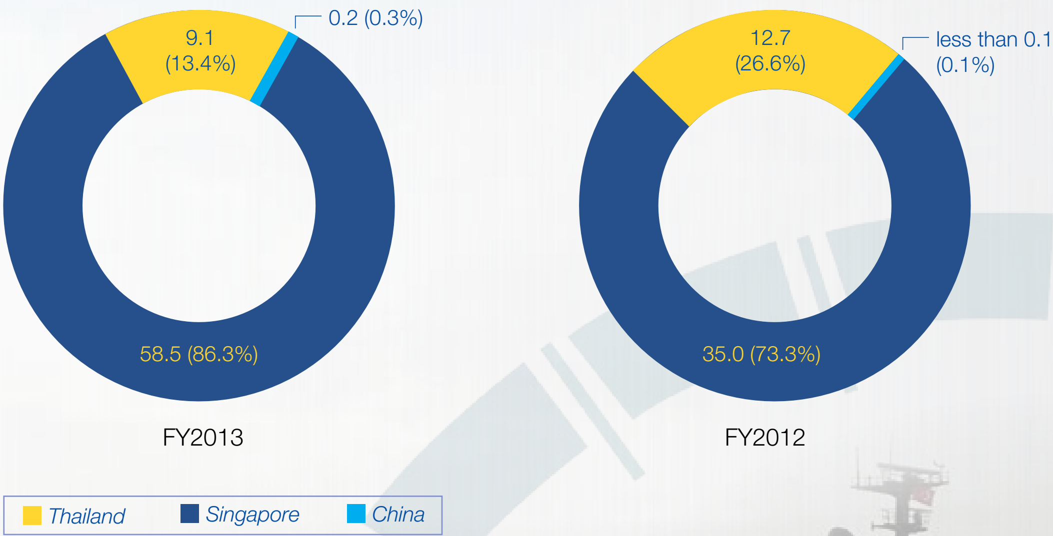
REVENUE BY BUSINESS SEGMENT
($´million)



SEGMENT ASSETS
($´million)



REVENUE BY GEOGRAPHICAL SEGMENT
($´million)



Financial Review

Review of Financial Performance

Revenue increased by $20.0 million or 41.8%, to $67.8 million in FY2013 from $47.8 million in FY2012 mainly due to the increase in revenue from the new building and conversion segment and was partially offset by a decline in revenue from the repair segment.

Gross profit increased by $0.1 million or 0.5%, from $11.7 million in FY2012 to $11.8 million in FY2013. However, gross profit margin decreased by 7.1 percentage points from 24.5% in FY2012 to 17.4% in FY2013 mainly due to the sale and demise charter of the bunker vessels which accounted for the lower margin.

In anticipation of the higher order book for the Thailand yard, we added more manpower in Thailand which resulted in higher administrative expenses of $0.3 million or 5.3%, from $5.9 million in FY2012 to $6.2 million in FY2013.

The Group's profit before income tax decreased by $0.3 million or 13.2%, from $2.6 million in FY2012 to $2.3 million in FY2013. Apart from the above factors, this was also affected by higher other operating expenses mainly due to rental expenses as well as repair and maintenance costs.

The Group's effective tax rate decreased from 20.4% in FY2012 to 7.7% in FY2013. The higher effective tax rate in FY2012 was mainly due to losses in the Group's Thailand subsidiary. In FY2013, the Group's Thailand subsidiary made profits which enjoyed tax exemptions.

The Group's profit after tax was relatively unchanged at $2.1 million in FY2012 and FY2013. However, net profit attributable to owners of the Company decreased by $1.3 million or 39.4%, from $3.3 million in FY2012 to $2.0 million in FY2013, mainly due to lower net profits from the Group's wholly-owned subsidiaries in Singapore and partially offset by a turnaround in the Group's 50%-owned Thailand subsidiary from net losses in FY2012 to net profits in FY2013.

Earnings per share of the Group based on the weighted average number of shares in issue of 141,200,000 decreased to 1.41 cents in FY2013 from 2.33 cents in FY2012.

Review of Financial Position

As at 31 December 2013, the Group's net asset value per share increased to 24.01 cents from 23.02 cents a year earlier, which comprised $61.3 million of total assets, including finance lease receivable of $11.4 million relating to the demise charter of Sea Tanker I, partly offset by the total liabilities of $23.4 million, which included $13.0 million of borrowings.

The Group's cash and cash equivalents decreased to $2.5 million as at 31 December 2013 from $5.3 million as at 31 December 2012. This was mainly due to cash used in investing activities of $2.1 million and net cash used in financing activities amounting to $6.9 million, partially offset by net cash generated from operating activities of $6.2 million.

Operations Review

Review by Business Segments

New Building and Conversion Segment

Revenue from the new building and conversion segment increased by $20.9 million or 95.5%, from $21.8 million in FY2012 to $42.7 million in FY2013, mainly due to the sale and demise charter of two bunker vessels. This segment was the major revenue contributor in FY2013 contributing 63.0% of the total revenue.

The gross profit of the new building and conversion segment was $5.8 million in FY2013, an increase of 34.9% as compared to $4.3 million in FY2012. However, gross profit margin declined to 13.7% as compared to 19.8% in FY2012 mainly due to lower margin from the sale and demise charter of the two bunker vessels.

This segment also includes finance lease income from the demise charter bunker vessel which commenced in March 2013.

Repair Segment

Revenue from the repair segment declined by $0.9 million or 3.3%, from $26.0 million in FY2012 to $25.1 million in FY2013 mainly due to fewer projects in Singapore. This segment contributed to 37.0% of the total revenue.

The gross profit of the repair segment was $5.9 million in FY2013, a decrease of 19.6% as compared to $7.4 million in FY2012. Gross profit margin declined to 23.7% as compared to 28.5% in FY2012 mainly due to higher costs in Singapore and lower margin projects.

Review by Geographical Segments

Singapore

Singapore accounted for 86.3% or $58.5 million of the Group's revenue in FY2013 as compared to 73.3% or $35.0 million in FY2012. The $23.5 million revenue increase was mainly due to the sale and demise charter of the two bunker vessels which was partially offset by lower revenue from the repair segment in Singapore.

The Group has reduced its workforce in Singapore in anticipation of lower volume of work. We will continue to strengthen our relationship with customers with the aim to increase our volume of work.

In line with our expansion plans, the Group has started operations at our newly set-up Loyang workshop where we design and fabricate a range of offshore structures, such as Geotechnical drilling rigs. The new workshop also provides mobilization and demobilisation works, repair and maintenance works and other offshore support services. These new services offered by the Group complement our existing range of services.

The Loyang workshop made its maiden revenue contribution to the Group in FY2013. The Group has delivered three projects in the first quarter of 2014.

Thailand

Revenue from Thailand decreased by $3.7 million, or 28.9%, from $12.7 million in FY2012 to $9.1 million in FY2013, mainly due to fewer new building and conversion projects in FY2013.

The Group secured an aggregate of $15.0 million contracts from its major customer in Singapore for three jack-up blocks. The order comprises part of a high-specification jack-up rig's main hull. Construction of the blocks has commenced in the Thailand yard and barring any unforeseen circumstances, the Group expects delivery in the last quarter of 2014.

With the new orders, the Group expects the Thailand yard to be running at full capacity in FY2014. In anticipation of potential new orders, the management is exploring the possibility of acquiring or leasing adjoining land to increase production capacity. In view of the increased sales orders secured for the Thailand yard, the Group intends to channel more resources and efforts to increase the production capacity.

PRC

Dalian ES Marine & Offshore Engineering Co., Ltd., contributed $198,000 to the Group's revenue in FY2013. It is more than a five-fold increase as compared to $30,000 in FY2012. This was mainly due to the completion of local engineering and design projects.

Corporate Information

Board of Directors

Wee Siew Kim
Non-Executive Chairman
and Independent Director

Christopher Low Chee Leng
CEO

Low Chee Wee
Executive Director

Eddy Neo Chiang Swee
Executive Director

Tan Swee Ling
Independent Director

Jens Rasmussen
Non-Executive Director

Audit and Risk Committee

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Nominating Committee

Wee Siew Kim
Chairman

Tan Swee Ling
Jens Rasmussen

Remuneration and Compensation Committee

Tan Swee Ling
Chairman

Wee Siew Kim
Jens Rasmussen

Company Secretaries

Adrian Chan Pengee
Chuah Keng Len Alice

Registered Office

8 Ubi Road 2
#06-26 Zervex
Singapore 408538
Tel: +65 6748 9111
Fax: +65 6284 3005
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)
6 Shenton Way OUE Downtown 2
#32-00
Singapore 068809
Partner-in-charge: Tan Hon Chye
Date of Appointment: 20 October 2011
(Public Accountants and Chartered Accountants)

Legal Adviser

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

Bankers

United Overseas Bank Limited
DBS Bank Ltd

Financial **Contents**

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 the Company is committed to continually develop and uphold 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. The Board confirms that, for the FY2013, the Group has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

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 are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Apart from its statutory responsibilities, the role of the Board is to, among other things:-

- provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
- review the Group's internal policies and procedures, investments and divestments and the performance of the business;
- review the Company's management's ("Management") performance;
- approve the release of the Group's half year and full year financial results;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- consider corporate governance matters;
- 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;
- set the Company's values and standards (including ethical standards), and ensure that obligations to the Shareholders and other stakeholders are understood and met;
- consider sustainability issues, for example, environmental and social factors, as part of its strategic formulation; and
- deliberate on other transactions and matters that require its direction or approval.

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

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The Board has, without abdicating its responsibility, delegated the authority to the Audit and Risk Committee, the Nominating Committee and the Remuneration and Compensation Committee (collectively referred to as the "Board Committees") to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. Each Board Committee is regulated by a set of written terms of reference endorsed by the Board setting out their duties and responsibilities. The Board Committees have explicit authority to investigate any matter within their terms of reference, have full access to and co-operation by the Management, have resources to enable them to discharge their functions properly and full discretion to invite any Director or executive to attend their meetings. The Board Committees report its activities regularly to the Board and minutes of the Board Committees are also regularly provided to the Board. In line with the spirit of the Code, the Board Committees had, in FY2013, tailored their terms of reference to ensure enhanced compliance with the Code. The Board Committees will also review their terms of reference on a regular basis to ensure their continued relevance. The composition and description of each Board Committee are set out in this Report.

During FY2013, the number of Board and Board Committee meetings held and the attendance of each Board member at the meetings are as follows:-

Board / Board Committees	Board	Audit and Risk Committee	Nominating Committee	Remuneration and Compensation Committee
Number of meetings held	3	3	1	2
Name of Director				
Mr. Wee Siew Kim	3	3	1	2
Mr. Christopher Low Chee Leng	3	-	-	-
Mr. Low Chee Wee	3	-	-	-
Mr. Eddy Neo Chiang Swee	3	-	-	-
Ms. Tan Swee Ling	3	3	1	2
Mr. Jens Rasmussen	3	3	1	2

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

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

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Upon the appointment of a new Director, the Company will provide a formal letter to the Director, setting out his or her duties and obligations. The Board will ensure that all incoming Directors receive relevant induction on joining the Board, including briefing on their duties as Directors and how to discharge those duties, and a comprehensive orientation programme to ensure that they are familiar with the business activities of the Group, its strategic plans and direction and corporate governance practices. The orientation programme will allow the new Director to get acquainted with the Management which aims to facilitate interaction and ensures that all Directors have independent access to the Management. The Company will also provide training for any new first-time Directors in areas such as accounting, legal and industry-specific knowledge as appropriate.

Trainings will be arranged and funded by the Company for all Directors as and when required. The Directors are provided with continuing briefings and updates in areas such as their duties and responsibilities and particularly on risk management (taking into account the changing commercial risks), corporate governance and key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Directors.

Principle 2: Board Composition and Guidance

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

Directors[(1)]	Board Membership	Date of First Appointment	Date of Last Re-Appointment	Audit and Risk Committee[(2)]	Nominating Committee[(2)]	Remuneration and Compensation Committee[(2)]
Mr. Wee Siew Kim	Non-Executive Chairman and Independent Director	8 June 2010	25 April 2013	Member	Chairman	Member
Mr. Christopher Low Chee Leng	Chief Executive Officer ("CEO")	19 August 2004	25 April 2013	-	-	-
Mr. Low Chee Wee	Executive Director	25 November 2009	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 of the annual report 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 and 29 respectively for key information regarding the composition of the Board Committees, names of chairmen and members and their primary responsibilities.

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

The chairmen of the Board Committees are Independent Directors and are considered by the Board to be well qualified to chair the Board Committees with their many years of relevant experience and expertise. The independence of each Independent Director is reviewed annually by the Nominating Committee based on the definition of independence as set out in the Code. The Independent Directors, who are members of the Nominating Committee, have abstained from voting on any resolutions and making any recommendations and/or participated in any deliberations of the Nominating Committee in respect of the evaluation of his or her independence. Taking into account the views of the Nominating 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 Shareholders who have an interest of at least 10% of the Company's voting shares or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The Board has considered its current size appropriate for effective debate and 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 a wide spectrum of industry skills, experience in accounting, finance, business strategies, management executive and objective perspective and knowledge to lead and govern the Group effectively. All Directors have exercised due diligence and independent judgement and demonstrated objectivity in their deliberations in the interests of the Company.

Principle 3: Chairman and Chief Executive Officer

In line with the Code, the chairman of the Board (the "Chairman") and the CEO are separate persons 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 and agreed by the Board, between the leadership of the Board and the executives responsible for managing the Company's business, in particular, the Chairman and the CEO. The Chairman, Mr. Wee Siew Kim, an Independent Director, and the CEO, Mr. Christopher Low Chee Leng, are not related to each other.

The responsibilities of the Chairman include:-

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

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- ensuring effective communication by the Board and the Management with the Shareholders;
- encouraging constructive relations within the Board and between the Board and the Management and between the Executive Directors and the 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 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.

Principle 4: Board Membership

The Nominating Committee comprises three Non-Executive Directors, namely, Mr. Wee Siew Kim (chairman), Ms. Tan Swee Ling and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. In accordance with its revised terms of reference, the responsibilities of the Nominating Committee include:-

(a) developing and maintaining a formal and transparent process for the appointment and re-appointment of Directors to the Board and all things incidental including without limitation:-

   (i) to determine annually, and as and when circumstances require, if a Director is independent, bearing in mind the circumstances set forth in guidelines 2.3 and 2.4 of the Code and any other salient factors;

   (ii) to make recommendations to the Board on relevant matters relating to the review of board succession plans for Directors, in particular, the Chairman and the CEO; the development of a process for evaluation of the performance of the Board, its Board Committees and Directors; the review of training and professional development programmes for the Board; and the appointment and re-appointment of Directors (including alternate directors, if applicable); and

   (iii) where a Director has multiple board representations, to decide if such Director is able to and has been adequately carrying out his or her duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments;

(b) assessing the effectiveness of the Board as a whole and its Board Committees and the contribution by each Director to the effectiveness of the Board; and

(c) deciding how the performance of the Board may be evaluated and to propose objective performance criteria.

The Nominating Committee works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole as well as its individual members based on attributes of the existing Board and the requirements of the Group. The Nominating Committee also considers the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director as part of the process for selection, appointment and re-appointment of Directors. 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 is encouraged to engage executive recruitment agencies to assist in the search process where necessary. The Nominating Committee will arrange for interviews with the shortlisted candidates for its assessment before arriving at a decision. Upon the Nominating Committee's review and recommendation to the Board, the new Directors will be appointed by way of a board resolution.

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In accordance with the Company's Articles, all Directors, including the CEO, are subject to re-nomination and re-appointment at regular intervals of at least once every three years. At each annual general meeting of the Company (the "AGM"), at least one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third, are required to retire and to submit themselves for re-election. The Company's Articles also provides that a newly appointed Director must retire and submit himself or herself for re-election at the next AGM following his or her appointment. In addition, Directors who are above the age of 70 are required under the Companies Act of Singapore, Chapter 50 (the "Act") to retire and offer themselves for re-appointment by the Shareholders at every AGM.

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

Principle 5: Board Performance

The Board has implemented a process to be carried out by the Nominating Committee to assess the performance and effectiveness of the Board as a whole and its Board Committees. Each member of the Nominating Committee shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the Nominating Committee in respect of the assessment of his or her performance or re-nomination as a Director.

An annual evaluation of the Board's performance for FY2013 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 or affairs, corporate strategy and planning, risk management and internal control, measuring and monitoring performance, recruitment and evaluation, compensation, succession planning, financial reporting and communication with Shareholders. Attendance at the meetings of the Board and Board Committee, 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 consolidated findings are then reported and recommendations are made to the Board for consideration for further improvements to assist the Board in discharging its duties more effectively. The performance criteria, which allows for comparison with industry peers, are approved by the Board and they address how the Board has enhanced long-term Shareholders' value. 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 Nominating Committee has assessed the Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory. The Board together with the Nominating Committee has decided that, due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director and the Board Committee.

The Nominating Committee will have regard to whether each Director has adequate time and attention to devote to the Company, in the case of Directors with multiple board representations. The Nominating Committee has provided in its revised terms of reference that the maximum number of listed company board representations which any Director may hold at any time shall be six (6) (the "Cap"). A Director who proposes to hold any additional appointment on the board of a listed company in excess of the Cap will have to submit an application in writing to the Nominating Committee which will make recommendation to the Board for its approval. Any Director who makes such application will not participate in deliberation of the Nominating Committee and Board in considering such application. No Director of the Company has exceeded the maximum number of listed company board representations. Although some of the Directors have other board representations, the Nominating Committee is satisfied that all Directors are able to devote adequate time and attention to the affairs of the Company to fulfil his or her duties effectively as a Director of the Company.

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Principle 6: Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, the Management provides all Directors with the appropriate financial accounts and complete, adequate and timely information detailing the Group's performance, financial position and prospects on an ongoing basis. The information provided by the Management includes background or explanatory information relating to matters to be brought before the Board, 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. This enables the Directors to make informed decisions to discharge their duties and responsibilities as and when there are affairs and issues that require the Board's decision. Draft agendas for the Board and Board Committee meetings are circulated to all members prior to the meetings so that they can suggest items for the agenda and review the usefulness of the items in the proposed agenda. This facilitates the ease and effectiveness of the conduct of the meetings. The meeting and presentation materials of each Board and Board Committee are also distributed to the Directors at least a week in advance of each meeting. This enables the discussion during the meetings to focus on questions that the Directors may have. Further enquires may be made by the Directors to discharge their duties properly and any additional material or information requested by the Directors is promptly furnished. The CFO, key management personnel of the Group 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, and are provided with the names and contact details of, the Company's senior management and the Company Secretaries at all times. The Board has established a procedure for Directors, either individually or as a group, in the furtherance of their duties, to obtain professional advice and assistance from the Company Secretaries or independent professionals, if necessary, and the cost of such advice and assistance will be borne by the Company.

The Company Secretaries provide secretarial support to the Board and Board Committees and their roles include:-

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

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

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

(d) advising the Board and the Management on the Company's compliance with the requirements of the Companies Act, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("Rules of Catalist") and all other rules, regulations and governance matters which are applicable to the Group;

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

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

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

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), Mr. Wee Siew Kim and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. According to its revised terms of reference, the responsibilities of the Remuneration and Compensation Committee include:-

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(a) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel and also reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;

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

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

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

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

(f) to have and exercise all the powers of the Board in respect of all matters relating to or in connection with the Eng Soon Employee Share Option Scheme ("ESOS") and the Eng Soon Performance Share Plan ("PSP") approved by Shareholders on 25 June 2010 and all things incidental thereto.

The Remuneration and Compensation Committee aims to motivate and retain Directors and key executives without being excessive, and 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.

In FY2013, the Company engaged an external management consultancy firm, Carrots Consulting Pte Ltd, to conduct a review on the current remuneration packages of the Executive Directors and key management personnel. Mr. Tin It San, a human resources consultant, was also appointed to work with the Remuneration and Compensation Committee and the Management to improve on the present compensation structure and performance management system of the Group. In line with the recommendation by the National Wages Council, the new system aims to be more flexible and appropriate for different levels of employees and looks at rewarding and motivating the employees competitively. An annual open evaluation system between the employers and the employees was also established. Both Carrots Consulting Pte Ltd and Mr. Tin It San have no existing relationship with the Company.

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.

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

No Director is involved in deciding his or her own remuneration. The recommendations made by the Remuneration and Compensation Committee in respect of the Non-Executive Directors' fees are subject to Shareholders' approval at the AGM. The Shareholders had approved the payment of the Non-Executive Directors' fees of $125,000 for FY2013. Executive Directors do not receive Directors' fees.

Principle 9: Disclosure on Remuneration

A breakdown, showing the level and mix of each individual Directors' remuneration for FY2013, is as follows:-

	Directors' Fees (%)	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Executive Directors					
$250,000 to $500,000					
Mr. Christopher Low Chee Leng	-	75	19	6	100
Mr. Low Chee Wee	-	77	18	5	100
Below $250,000					
Mr. Eddy Neo Chiang Swee	-	66	15	19	100
Non-Executive Directors					
Below $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.

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A breakdown, showing the level and mix of the top five key management personnel who are not Directors or CEO in remuneration bands of $250,000 for FY2013, is as follows:-

	Fixed Salary (%)	Bonus (%)	Benefits* (%)	Total (%)
Below $250,000				
Ms. Chuah Keng Len Alice	63	18	19	100
Mr. Koay Swee Heng	64	21	15	100
Mr. Teoh Han Chong	73	15	12	100
Mr. Lou Tin Boang	66	24	10	100
Mr. Neo Chiang Yee Eric	63	19	18	100

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

The total remuneration, in aggregate, paid to the above top five key management personnel for FY2013 is approximately $580,000.

Mr. Christopher Low Chee Leng and Mr. Low Chee Wee 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. Christopher Low Chee Leng and Mr. Low Chee Wee. Please refer to page 33 for key information regarding the provision of consultancy services.

Save as disclosed above, no employee of the Company and its subsidiaries, whose remuneration exceeded $50,000 during FY2013, was an immediate family[1] member of a Director or the CEO.

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 $50,000 given the competitive pressure and disadvantages that this might bring.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, CEO and key management personnel pursuant to the terms of their employment agreements.

The Company currently has in place the ESOS and the 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.

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

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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 Remuneration and Compensation Committee. In considering the grant of an award to a participant, the Remuneration and Compensation 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 the 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 Remuneration and Compensation Committee has the discretion to impose a further vesting period after the performance period to encourage the participant to continue serving the Group.

The 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 Shareholders' 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 Shareholders' value over time, taking into consideration current and future plans of the Company. For FY2013, 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 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/or issuable in respect of all options granted under the ESOS and any other 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.

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 FY2013, no options were granted and no shares were issued under the ESOS and the PSP respectively.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board provides Shareholders with the half year and full year financial results, which are reviewed by the Audit and Risk Committee and approved by the Board, within 45 days from end of the half year period and 60 days from end of the full year period respectively. In presenting the half year and full year financial results to the Shareholders, the Board aims to provide the Shareholders with a balanced and understandable assessment of the Group's performance, position and prospects. The responsibility to provide a balanced and understandable assessment extends to interim and other price sensitive public reports, and reports to regulators (if required). 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.

CORPORATE GOVERNANCE REPORT

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 keep abreast of the Group's operating and financial performance and position and effectively discharge its duties.

Principle 11: Risk Management and Internal Controls

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

The Board, who is responsible for the governance of risk, ensures that the Management maintains a sound system of risk management and internal controls to safeguard 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 determines the Group's levels of risk tolerance and risk policies, and oversees the Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board monitors the Group's risks through the Audit and Risk Committee, external and internal auditors. The Audit and Risk Committee reviews the audit plans of the external and internal auditors at least twice annually, including the results of the external and internal auditors' review and evaluation of the system of internal controls. During FY2013, the Company's external and internal auditors have conducted their annual review of the effectiveness of the Company's material internal controls, including financial, operational, compliance and information technology controls as well as risk management policy and these were reported to the Audit and Risk Committee. On behalf of the Board, the Audit and Risk Committee has also reviewed the adequacy and effectiveness of the Group's system of internal controls in light of the key business and financial risks affecting its business. The Board 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. Commentaries are then provided to the Shareholders in the annual report to enable them to make an informed assessment of the Company's risk management framework and internal control systems.

The Group has established its enterprise risk management framework to manage its exposure to risks that it is exposed to in the conduct of its business. The Group has engaged an external risk management consultant, Shinnes Consulting and Advisory Pte. Ltd. ("Shinnes"), to undertake the enterprise strategy and risk assessment exercise and produce the first strategy and risk assessment report for review by the Audit and Risk Committee. The exercise was aimed at identifying, filtering, assessing and compiling the enterprise strategies and key risks as well as assessing the general control environment of the Group. Shinnes had circulated an enterprise strategy-driven and risk-based-management manual to the Executive Directors and key management personnel and conducted an enterprise strategy-driven and risk-based-management workshop for the senior executive management and heads of department of the Group to stimulate a more effective control environment. From this exercise, an internal audit plan has been developed based on the identified strategies and respective key risks. Suitable audit resources are being allocated in priority of risk rating with a view to achieve an optimal balance between risks and returns.

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

CORPORATE GOVERNANCE REPORT

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

Principle 12: Audit and Risk Committee

In line with the recommendation of the Code, the Audit Committee will also assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies. The functions previously carried out by the Audit Committee are now assumed by the Audit and Risk Committee. The composition of the Audit and Risk Committee remains unchanged.

The Audit and Risk Committee comprises three Non-Executive Directors, namely Ms. Tan Swee Ling (chairman), Mr. Wee Siew Kim and Mr. Jens Rasmussen, the majority of whom, including the chairman, are independent. Members of the Audit and Risk 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 revised terms of reference, the duties and responsibilities of the Audit and Risk Committee include:-

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

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

    (i) changes in accounting policies and practices;

    (ii) major risk areas;

    (iii) significant adjustments resulting from the audit;

    (iv) the going concern statement;

    (v) compliance with accounting standards; and

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

(c) reviewing and reporting to the Board, at least annually, the adequacy and effectiveness of the Company's internal controls;

(d) at least annually, reviewing the adequacy and effectiveness of the Company's internal audit function and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;

(e) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors;

(f) making recommendations to the Board on the proposals to the Shareholders of the Company on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

CORPORATE GOVERNANCE REPORT

(g) reviewing the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;

(h) reviewing with the external auditors:-

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

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

  (iii) their audit report; and

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

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

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

The Audit and Risk Committee's primary role is to investigate any matter within its terms of reference. It has full access to, and the co-operation of, the Management and full discretion to invite any Director or executive to attend its meetings. The Audit and Risk Committee has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly. In performing its functions, the Audit and Risk Committee and the Management meet with the external and internal auditors to discuss and evaluate the internal controls of the Group and review the overall scope of both external and internal audit. The Audit and Risk Committee also meets regularly with the Management, the 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 and Risk Committee meets with the external and internal 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 and Risk Committee's responsibility is to monitor these processes. In addition to reviewing 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 and Risk 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 FY2013, the remuneration paid to the external auditors, is set out below:-

Service Category	**Fees**
	$
Audit services	172,396
Non-audit services	7,450
Total	179,846

CORPORATE GOVERNANCE REPORT

The Audit and Risk 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, the Board and the Audit and Risk 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, the Board and the Audit and Risk 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. The external auditors appointed/ re-appointed for the Company's significant subsidiaries are set out in the notes to financial statements at page 71 of the annual report.

To achieve a high standard of corporate governance for the operations of the Group, the Group has put in place a whistle-blowing policy which encourages and provides a channel to employees to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters to the chairman of the Audit and Risk Committee. The objective of such policy is to ensure independent investigation of such matters and for appropriate follow-up action. The Audit and Risk Committee will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. No such whistle-blowing letter was received in FY2013.

Principle 13: Internal Audit

As the size of the operations of the Group does not warrant the Group having an in-house internal audit function, the Group has therefore appointed a professional internal audit firm to undertake the functions of its internal audit. For the financial year under review, the Audit and Risk Committee has approved the change of the Group's internal auditors to Shinnes. The Audit and Risk Committee is responsible for approving the hiring, removal, evaluation and compensation of the professional firm to which the internal audit function is outsourced. The internal auditors' primary line of reporting is to the chairman of the Audit and Risk Committee.

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

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

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

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

CORPORATE GOVERNANCE REPORT

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. 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.

Principle 15: Communication with Shareholders

To promote regular, effective and fair communication with the Shareholders, the Company actively engages the Shareholders and has put 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 and the Act, the Board's policy is that the Shareholders be informed promptly of all major developments that would, or are likely to, impact the Group. The Company does not practice 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. As disclosed in the Chairman's message on page 3 of the annual report, the Board has proposed a final one-tier tax exempt dividend of 0.15 cents per share for FY2013, subject to Shareholders' approval.

Principle 16: Conduct of Shareholder Meetings

The Company's Articles allow the Shareholders to appoint proxies to attend and vote in their stead at general meetings. Pursuant to Article 77 of the Company's Articles, 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 or she shall specify the proportion of his or her 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. The Company has not amended its Articles 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, chairmen of the Board Committees and the Company's external auditors are normally present to address the Shareholders' questions. All minutes of general meetings that include substantial and relevant comments or queries from the Shareholders and responses from the Board and the Management are made available to the Shareholders upon their request.

CORPORATE GOVERNANCE REPORT

CODE OF BUSINESS CONDUCT

The Company has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Company, which provides that its Directors, officers and employees are required to observe and maintain high standards integrity with the law, regulations and Company's policies.

INTERESTED PERSON TRANSACTIONS

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

No general mandate has been obtained from the Shareholders in respect of interested person transactions for FY2013. The aggregate value of interested person transactions entered into during FY2013 is as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $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 $100,000)
Low Chye Hin		
Provision of consultancy services	$180,000	-
Total	$180,000	-

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 of the Company, either still subsisting at the end of FY2013 or if not then subsisting, entered into since the end of the financial year ended 31 December 2012.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Rules of Catalist, there were no non-sponsor fees paid to the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd., for FY2013.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the requirements of Rule 1204(19) of the Rules of Catalist on dealings in the Company's securities. The Company has devised and adopted its own internal compliance code to provide guidance to 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 2013.

1 DIRECTORS

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

Wee Siew Kim
Christopher Low Chee Leng
Low Chee Wee
Eddy Neo Chiang Swee
Tan Swee Ling
Jens Rasmussen

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
ES Group (Holdings) Limited				
(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	30,140,000	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 2014 were the same at 31 December 2013.

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 AND RISK COMMITTEE

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

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

The Audit and Risk Committee has met three 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;

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

REPORT OF THE DIRECTORS

6 AUDIT AND RISK COMMITTEE (cont'd)

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

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

The Audit and Risk Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Company 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 13 to the financial statements. In the opinion of the Board of Directors and Audit and Risk 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 27 February 2014, 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

28 March 2014

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 40 to 85 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 2013, 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

28 March 2014

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ES GROUP (HOLDINGS) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of ES Group (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, and the consolidated statement of profit or loss and other 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 40 to 85.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 2013, 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
Chartered Accountants
Singapore

28 March 2014

STATEMENTS OF FINANCIAL POSITION

31 December 2013

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
ASSETS					
Current assets					
Cash and bank balances	7	**2,495,471**	5,351,431	**35,615**	2,367
Trade receivables	8	**25,136,035**	16,455,111	**100,000**	-
Finance lease receivable	9	**1,782,257**	-	**-**	-
Work-in-progress	10	**6,764,354**	8,455,593	**-**	-
Other receivables	11	**1,211,507**	1,243,216	**2,755,656**	3,353,266
Inventories	12	**1,361,669**	1,350,176	**-**	-
Total current assets		**38,751,293**	32,855,527	**2,891,271**	3,355,633
Non-current assets					
Restricted cash	7	**-**	52,866	**-**	-
Finance lease receivable	9	**9,652,315**	-	**-**	-
Deposits	11	**21,255**	23,200	**-**	-
Subsidiaries	13	**-**	-	**21,181,669**	21,380,564
Club membership	14	**49,500**	49,500	**-**	-
Property, plant and equipment	15	**12,827,377**	36,841,111	**-**	-
Total non-current assets		**22,550,447**	36,966,677	**21,181,669**	21,380,564
Total assets		**61,301,740**	69,822,204	**24,072,940**	24,736,197
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans	16	**4,751,959**	9,208,017	**-**	-
Trade payables	17	**2,827,170**	2,978,329	**31,344**	81,705
Other payables	18	**7,299,863**	10,483,644	**186,813**	267,353
Current portion of finance leases	19	**320,202**	327,586	**-**	-
Income tax payable		**196,149**	622,000	**14,060**	46,000
Total current liabilities		**15,395,343**	23,619,576	**232,217**	395,058

See accompanying notes to financial statements.

STATEMENTS OF FINANCIAL POSITION

31 December 2013

		Group		Company	
	Note	2013	2012	2013	2012
		$	$	$	$
Non-current liabilities					
Bank loans	16	**7,308,955**	8,690,354	**-**	-
Finance leases	19	**594,814**	909,796	**-**	-
Deferred tax liabilities	20	**75,739**	45,739	**-**	-
Total non-current liabilities		**7,979,508**	9,645,889	**-**	-
Capital, reserves and non-controlling interests					
Share capital	21	**23,698,348**	23,698,348	**23,698,348**	23,698,348
Retained earnings		**29,169,991**	27,673,515	**142,375**	642,791
Currency translation reserve		**(399,699)**	(295,328)	**-**	-
Merger reserve	22	**(18,570,468)**	(18,570,468)	**-**	-
Equity attributable to owners of the Company		**33,898,172**	32,506,067	**23,840,723**	24,341,139
Non-controlling interests		**4,028,717**	4,050,672	**-**	-
Total equity		**37,926,889**	36,556,739	**23,840,723**	24,341,139
Total liabilities and equity		**61,301,740**	69,822,204	**24,072,940**	24,736,197

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2013

		Group	
	Note	2013	2012
		$	$
Revenue	23	**67,792,492**	47,808,237
Cost of services		**(56,009,129)**	(36,088,344)
Gross profit		**11,783,363**	11,719,893
Other operating income	24	**2,037,889**	2,063,321
Administrative expenses		**(6,220,665)**	(5,904,976)
Other operating expenses	25	**(5,067,194)**	(4,881,934)
Finance costs	26	**(285,555)**	(406,246)
Profit before income tax		**2,247,838**	2,590,058
Income tax expense	27	**(174,290)**	(528,753)
Profit for the year	28	**2,073,548**	2,061,305
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations, representing other comprehensive income for the year, net of tax		**(209,198)**	(266,847)
Total comprehensive income for the year		**1,864,350**	1,794,458
Profit attributable to:			
Owners of the Company		**1,990,676**	3,289,357
Non-controlling interests		**82,872**	(1,228,052)
		2,073,548	2,061,305
Total comprehensive income attributable to:			
Owners of the Company		**1,886,305**	3,151,861
Non-controlling interests		**(21,955)**	(1,357,403)
		1,864,350	1,794,458
Basic and diluted earnings per share (cents)	29	**1.4**	2.3

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2013

	Share capital	Currency translation reserve	Merger reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
	$	$	$	$	$	$	$
Group							
Balance at 1 January 2012	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:							
Profit for the year	-	-	-	3,289,357	3,289,357	(1,228,052)	2,061,305
Other comprehensive income for the year	-	(137,496)	-	-	(137,496)	(129,351)	(266,847)
Total	-	(137,496)	-	3,289,357	3,151,861	(1,357,403)	1,794,458
Transactions with owners, recognised directly in equity:							
Dividends (Note 30)	-	-	-	(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
Total comprehensive income for the year:							
Profit for the year	-	-	-	1,990,676	1,990,676	82,872	2,073,548
Other comprehensive income for the year	-	(104,371)	-	-	(104,371)	(104,827)	(209,198)
Total	-	(104,371)	-	1,990,676	1,886,305	(21,955)	1,864,350
Transactions with owners, recognised directly in equity:							
Dividends (Note 30)	-	-	-	(494,200)	(494,200)	-	(494,200)
Balance at 31 December 2013	23,698,348	(399,699)	(18,570,468)	29,169,991	33,898,172	4,028,717	37,926,889

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2013

	Share capital	Retained earnings	Total
	$	$	$
Company			
Balance at 1 January 2012	23,698,348	280,403	23,978,751
Profit for the year, representing total comprehensive income for the year	-	927,228	927,228
Dividends (Note 30)	-	(564,840)	(564,840)
Balance at 31 December 2012	23,698,348	642,791	24,341,139
Loss for the year, representing total comprehensive income for the year	-	(6,216)	(6,216)
Dividends (Note 30)	-	(494,200)	(494,200)
Balance at 31 December 2013	23,698,348	142,375	23,840,723

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Group	
	2013	**2012**
	$	**$**
Operating activities		
Profit before income tax	**2,247,838**	2,590,058
Adjustments for:		
Interest income	**(10,901)**	(51,188)
Interest expense	**285,555**	406,246
Reversal of provision for foreign workers' withholding tax	**-**	(404,394)
Inventory written off	**94,931**	-
Depreciation of property, plant and equipment	**1,551,409**	1,844,424
Gain on disposal of property, plant and equipment	**(408)**	(20,609)
Operating cash flows before movements in working capital	**4,168,424**	4,364,537
Trade receivables	**(8,859,904)**	806,937
Work-in-progress	**1,586,890**	2,580,114
Other receivables	**21,747**	826,394
Inventories	**11,569,495**	(537,740)
Trade payables	**(35,042)**	(1,206,924)
Other payables	**(3,036,173)**	2,926,266
Finance lease receivable	**1,365,428**	-
Cash generated from operations	**6,780,865**	9,759,584
Interest received	**10,901**	51,188
Income tax paid	**(570,141)**	(453,119)
Net cash from operating activities	**6,221,625**	9,357,653
Investing activities		
Proceeds on disposal of property, plant and equipment	**24,285**	21,560
Purchases of property, plant and equipment (Note A)	**(2,131,551)**	(5,952,371)
Net cash used in investing activities	**(2,107,266)**	(5,930,811)
Financing activities		
Dividends paid	**(494,200)**	(564,840)
Interest paid	**(383,570)**	(923,131)
Restricted cash	**105,870**	-
Proceeds from:		
Term loans	**5,100,000**	7,430,396
Factoring loans	**6,832,467**	3,291,869
Factoring creditor	**928,979**	1,165,832
Repayments of:		
Term loans	**(11,553,460)**	(2,428,903)
Bridging loan	**-**	(500,000)
Factoring loans	**(6,216,464)**	(4,624,860)
Obligations under finance leases	**(315,160)**	(350,096)
Factoring creditor	**(872,946)**	(1,338,381)
Net cash (used in) from financing activities	**(6,868,484)**	1,157,886

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Group	
	2013	**2012**
	$	**$**
Net (decrease) increase in cash and cash equivalents	**(2,754,125)**	4,584,728
Cash and cash equivalents at beginning of the year	**5,298,427**	794,834
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(48,831)**	(81,135)
Cash and cash equivalents at end of the year (Note B)	**2,495,471**	5,298,427

Notes to consolidated statement of cash flows:

(A) Cash payments on purchase of plant and equipment

	2013	**2012**
	$	**$**
Purchase of plant and equipment	**2,257,466**	6,469,256
Less: Finance cost capitalised as construction-in-progress (Note 15)	**(98,015)**	(516,885)
Less: Plant and equipment acquired under finance arrangements	**(27,900)**	-
Net cash payments	**2,131,551**	5,952,371

(B) Cash and cash equivalents comprise of:

	2013	**2012**
	$	**$**
Cash at bank and on hand (Note 7)	**2,342,414**	4,498,427
Fixed deposits (Note 7)	**153,057**	800,000
	2,495,471	5,298,427

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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 13.

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 2013 were authorised for issue by the Board on 28 March 2014.

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").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value adjustments are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value adjustments are observable and the significance of the inputs to the fair value measurement in its entirety which are described as follows:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2013, 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 significant changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to FRS 1 Presentation of Items of Other Comprehensive Income retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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:

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- Amendments to FRS 110 *Consolidated Financial Statements - Investment Entities*
- FRS 110, FRS 111, FRS 112 *Transition Guidance*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*

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

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except as disclosed below.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 112 *Disclosure of Interests in Other Entities*

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

FRS 112 will take effect from financial years beginning on or after 1 January 2014, and the Group is currently estimating extent of additional disclosures required.

Amendments to FRS 32 *Financial Instruments: Presentation*

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 32 are effective for annual periods beginning on or after 1 January 2014, with retrospective application required.

Management does not anticipate that the application of these amendments to FRS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to FRS 36 *Impairment of Assets*

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

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 profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

- liabilities or equity instruments related to 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.

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".

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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).

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 considered to be 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.

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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	-	over the terms of lease which are from 2% to 5%
Freehold property	-	over the terms of lease which are from 2% to 10%
Land improvement	-	10%
Plant, machinery and equipment	-	10% to 33%
Motor vehicles	-	20%
Other assets	-	20% to 33%

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

Sale of vessel and scrap income

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

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

Interest income

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 and the presentation currency for the consolidated financial statements.

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

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

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

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

On the disposal of a foreign operation, the accumulated 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

(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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

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 10.

<u>Allowance for bad and doubtful debts</u>

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 11 respectively, approximate their recoverable amounts.

<u>Useful lives of property, plant and equipment</u>

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 15.

<u>Impairment of investment in subsidiaries</u>

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

Management has estimated the recoverable amount based on the fair value less cost to sell and is satisfied that the recoverable amounts are higher than the carrying value of the subsidiaries. The fair value less cost to sell is determined by reference to the estimated realisable values of the net tangible assets of the subsidiaries. The assessment has led to the recognition of impairment loss of $198,896 during the year.

The carrying amounts of the investment in subsidiaries disclosed in Note 13.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Financial assets				
Loans and receivables (including cash and bank balances)	**39,745,868**	22,547,594	**2,842,190**	3,300,055
Financial liabilities				
Amortised cost	**23,102,963**	32,597,726	**218,157**	349,058

(b) *Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements*

The Group and Company do not have any financial instruments which are subjected to offsetting, enforceable master netting arrangements or similar netting agreements.

(c) *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 entities transact largely in their functional currencies, which in most instances is the Singapore dollars. Foreign exchange risk arises largely from transactions denominated in currencies such as Singapore dollars, Thai baht and United States dollars. 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	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Group				
Singapore dollars	**-**	-	**5,653,885**	5,615,426
Thai baht	**-**	-	**1,638,000**	1,680,000
United States dollars	**-**	-	**235,393**	237,482
Company				
Thai baht	**-**	-	**1,638,000**	1,680,000

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

(i) Foreign exchange risk management (cont'd)

Foreign currency sensitivity

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

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

	2013	2012
	$	$
Group		
Singapore dollars	**282,694**	280,771
Thai baht	**81,900**	84,000
United States dollars	**11,770**	11,874
Company		
Thai baht	**81,900**	84,000

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

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

(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 16, 18 and 19.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

(ii) Interest rate risk management (cont'd)

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 2013 would decrease/increase by $51,475 (2012: decrease/increase by $87,585). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

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

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and Company place 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 (2012: 3) major customers which accounted for 96.78% (2012: 96.96%) 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 11.

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 11 respectively.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

(iv) Liquidity risk management

As at the end of the reporting period, the Group's cash and cash equivalents amounted to $2,495,471 (2012: $5,298,427). 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 2013, the Group had available $15,068,114 (2012: $11,345,265) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

In addition, the Company enters into financial guarantee contracts on behalf of its subsidiaries as disclosed in Note 33.

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 credits lines.

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
Group						
2013						
Non-interest bearing	-	10,127,033	-	-	-	10,127,033
Fixed interest rate instruments	4.76	1,795,434	-	-	(29,606)	1,765,828
Finance leases (fixed rate)	5.51	362,116	628,875	-	(75,975)	915,016
Variable interest rate instruments	3.50	3,290,209	6,816,224	1,326,820	(1,138,167)	10,295,086
		15,574,792	7,445,099	1,326,820	(1,243,748)	23,102,963

NOTES TO FINANCIAL STATEMENTS

31 December 2013

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

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

(iv) Liquidity risk management (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2012						
Non-interest bearing	-	13,037,123	-	-	-	13,037,123
Fixed interest rate instruments	4.90	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

Company

All financial liabilities of the Company in 2013 and 2012 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 2013 and 2012 are repayable on demand or due within 1 year from the end of the reporting period, except for certain restricted cash, finance lease receivable and deposits as disclosed in Notes 7, 9 and 11 respectively.

(v) Fair value of financial assets and financial liabilities

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

(d) 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 16), factoring creditor (Note 18) and finance leases (Note 19), 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 2013

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

(d) 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 0.35 (2012: 0.54).

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2013 and 2012.

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:

	2013	2012
	$	$
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:

	2013	2012
	$	$
Short-term benefits	**1,549,089**	1,559,424
Post-employment benefits	**113,481**	119,290
Total	**1,662,570**	1,678,714

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

7 CASH AND BANK BALANCES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Cash at bank and on hand	**2,342,414**	4,498,427	**35,615**	2,367
Fixed deposits	**153,057**	800,000	**-**	-
Restricted cash [(a)]	**-**	105,870	**-**	-
Total	**2,495,471**	5,404,297	**35,615**	2,367
Less: Restricted cash [(b)]				
(shown under non-current assets)	**-**	(52,866)	**-**	-
Cash and bank balances classified as current assets	**2,495,471**	5,351,431	**35,615**	2,367

Fixed deposit bore an effective interest rate of 0.50% (2012: 2.15%) per annum and was for a tenure of approximately 30 to 60 days (2012: 30 days).

In 2012, the restricted cash included:

(a) Fixed deposits of $105,870 pledged to banks for bank facilities granted to the Group and had an average maturity of 3 months with weighted effective interest rates of 0.10% per annum.

(b) Fixed deposits of $52,866 were pledged to a bank for bank guarantee granted to the Group and had a weighted average effective interest rate of 2.25% per annum.

8 TRADE RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Third parties	**25,136,035**	16,455,111	**-**	-
Subsidiaries (Note 5)	**-**	-	**100,000**	-
	25,136,035	16,455,111	**100,000**	-

The average credit period granted to customers is 30 days (2012: 30 days). No interest is charged on the outstanding balances.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2013

8 TRADE RECEIVABLES (cont'd)

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Unbilled receivables	3,891,353	484,499	-	-
Not past due and not impaired	4,517,409	6,300,154	100,000	-
Past due but not impaired	16,727,273	9,670,458	-	-
	25,136,035	16,455,111	100,000	-

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

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
< 3 months	8,170,617	5,294,671	-	-
3 months to 6 months	2,917,405	2,522,245	-	-
6 months to 12 months	4,224,348	1,807,540	-	-
> 12 months	1,414,903	46,002	-	-
	16,727,273	9,670,458	-	-

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

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

As at the end of the reporting period, the Group has factored trade receivables with carrying amount of $646,964 (2012: $621,214) to the factoring creditor (Note 18) in exchange for cash. The transaction has been accounted for as a collaterised 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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9 FINANCE LEASE RECEIVABLE

	Minimum lease payments		Present value of minimum lease payments	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Group				
Amounts receivable under finance leases:				
Within one year	**2,760,000**	-	**1,782,257**	-
In the second to fifth year inclusive	**11,540,000**	-	**9,652,315**	-
	14,300,000	-	**11,434,572**	-
Less: Unearned finance income	**(2,865,428)**	-	**NA**	-
Present value of minimum lease payments receivable	**11,434,572**	-	**11,434,572**	-

Analysed as:

	2013	**2012**
	$	**$**
Current finance lease receivable (recoverable within 12 months)	**1,782,257**	-
Non-current finance lease receivable (recoverable after 12 months)	**9,652,315**	-
	11,434,572	-

The Group enters into finance leasing arrangement for its vessel. The lease is denominated in Singapore dollars. The term of finance lease entered into is 5 years.

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is approximately 9.2% per annum.

Finance lease receivable balances are secured over the vessel leased. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee.

The leased vessel has been pledged with a bank for banking facilities (Note 16).

NOTES TO FINANCIAL STATEMENTS

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10 WORK-IN-PROGRESS

	Group	
	2013	2012
	$	$
Costs and recognised profits of uncompleted contracts in excess of related billings (included in current assets):		
Contract costs incurred plus recognised profits	**17,696,637**	27,464,793
Less: Progress billings	**(10,932,283)**	(19,009,200)
	6,764,354	8,455,593

11 OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Third parties	**231,136**	194,419	**-**	-
Subsidiaries (Notes 5 and 13)	**-**	-	**2,706,575**	3,288,688
Prepayments	**435,398**	504,030	**49,081**	55,578
Deposits	**448,654**	493,767	**-**	9,000
Value-added tax receivables	**117,574**	74,200	**-**	-
Total	**1,232,762**	1,266,416	**2,755,656**	3,353,266
Less: Deposits (shown under non-current assets)	**(21,255)**	(23,200)	**-**	-
	1,211,507	1,243,216	**2,755,656**	3,353,266

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 were 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.

12 INVENTORIES

	Group	
	2013	2012
	$	$
Raw materials, at cost	**509,662**	680,818
Consumables, at cost	**852,007**	669,358
Total	**1,361,669**	1,350,176

NOTES TO FINANCIAL STATEMENTS

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13 SUBSIDIARIES

	Company	
	2013	2012
	$	$
Unquoted equity shares, at cost	**21,380,565**	21,380,564
Less: Impairment loss charged to profit or loss	**(198,896)**	-
Net	**21,181,669**	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	
		2013	2012	2013	2012	2013	2012
		$	$	%	%	%	%
Eng Soon Investment Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	**5,275,859**	5,275,859	**100**	100	**100**	100
Wang Fatt Oil & Gas Construction Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	**10,400,088**	10,400,088	**100**	100	**100**	100
Eng Soon Marine Pte Ltd (3)	Sale of consumables / Singapore	**782,272**	782,272	**100**	100	**100**	100
ES Offshore Engineering Pte. Ltd. (1)	Repairs of vessel and related engineering services / Singapore	**1,073,517**	1,073,517	**100**	100	**100**	100
Eng Soon Engineering (1999) Pte Ltd (1)	Repair of vessel and related engineering services / Singapore	**1,401,732**	1,401,732	**100**	100	**100**	100
ES Shipping Pte. Ltd. (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
ES Energy Pte. Ltd. (3) (5)	Offshore support services and investment holding / Singapore	**1**	-	**100**	-	**100**	-

NOTES TO FINANCIAL STATEMENTS

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13 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	
		2013	2012	2013	2012	2013	2012
		$	$	%	%	%	%
Dalian ES Marine & Offshore Engineering Co., Ltd. [3]	Technical development, design, and consultancy service for ship and offshore project / People's Republic of China ("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
		21,380,565	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.

[5] The subsidiary was incorporated during the year.

14 CLUB MEMBERSHIP

	Group	
	2013	2012
	$	$
Club membership, at cost	**65,000**	65,000
Allowance for impairment loss	**(15,500)**	(15,500)
Carrying amount	**49,500**	49,500

NOTES TO FINANCIAL STATEMENTS

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15 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 2012	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
Exchange translation	-	(87,140)	(20,681)	(16,629)	(171,058)	(445)	(5,535)	(4,277)	(305,765)
Additions	266,640	-	-	-	626,576	40,008	1,144,744	179,498	2,257,466
Reclassification	-	-	348,703	145,912	(1,320)	-	(584,474)	91,179	-
Disposals	-	-	-	-	(108,341)	-	(19,096)	(2,800)	(130,237)
Transfer to inventory	-	-	-	-	-	-	(24,503,013)	-	(24,503,013)
Write-off	-	-	-	-	-	-	-	(300)	(300)
At 31 December 2013	5,598,757	3,398,452	1,155,295	794,465	9,193,197	1,476,789	99,012	1,790,284	23,506,251
Accumulated depreciation:									
At 1 January 2012	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
Exchange translation	-	-	(5,992)	(7,513)	(95,629)	(563)	-	(3,167)	(112,864)
Charge for the year	215,529	-	71,227	72,473	701,043	159,473	-	331,664	1,551,409
Disposals	-	-	-	-	(104,104)	-	-	(2,256)	(106,360)
Write-off	-	-	-	-	-	-	-	(300)	(300)
At 31 December 2013	1,342,296	-	304,899	365,500	6,273,247	1,141,036	-	1,251,896	10,678,874
Carrying amount:									
At 31 December 2013	4,256,461	3,398,452	850,396	428,965	2,919,950	335,753	99,012	538,388	12,827,377
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

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

At the end of the reporting period, interest expense of $98,015 (2012: $516,885) was capitalised under construction-in-progress. In 2012, certain assets under construction-in-progress had been pledged with a bank for banking facilities (Note 16).

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.

As at the end of the reporting period, the Group's leasehold land and property with a carrying amount of $4,256,461 (2012: $4,205,350) have been pledged with a bank for banking facilities (Note 16).

NOTES TO FINANCIAL STATEMENTS

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15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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 19) with carrying amount of $1,051,173 (2012: $1,225,738) and $213,380 (2012: $419,463) respectively.

16 BANK LOANS

	Group	
	2013	**2012**
	$	**$**
Bank loans		
- Term loan 1 [a]	**246,060**	332,619
- Term loan 2 [a]	**471,518**	587,348
- Term loan 3 [a]	**1,420,122**	1,502,079
- Term loan 4 [a]	**6,520,000**	14,840,000
- Short-term loan 1 [b]	**1,021,383**	254,985
- Short-term loan 2 [c]	**1,765,828**	381,340
- Factoring loan [d]	**616,003**	-
Total	**12,060,914**	17,898,371
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(4,751,959)**	(9,208,017)
Amount due for settlement after 12 months	**7,308,955**	8,690,354

Notes:

[a] The term loans were arranged at floating interest rates, thus exposing the Group to cash flow risk. The term loans have an average effective interest rate ranging from 1.50% to 3.78% (2012: 1.80% to 5.75%) per annum.

[b] 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 2.30% to 4.60% (2012: 3.50% to 5.50%) per annum.

[c] The short-term loans were arranged at fixed interest rate of 4.50% and 5.30% (2012: 4.50%) per annum and thus exposing the Group to fair value interest rate risk.

[d] The factoring loan was arranged at floating interest rate ranging from 2.35% to 2.50% per annum and thus exposing the Group to fair value interest rate risk.

NOTES TO FINANCIAL STATEMENTS

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16 BANK LOANS (cont'd)

The maturity analysis of the above bank 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 15);

(ii) a pledge over a leased vessel (Note 9); and

(iii) corporate guarantees by the Company (2012: joint and several personal guarantees of directors) for all the monies owing.

In 2012, the term loan 4 was secured by a pledge over the construction-in-progress of two vessels in subsidiaries.

As at the end of the reporting period, the Group had available $15,068,114 (2012: $11,345,265) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

As at the end of the reporting period, the fair value of the Group's bank borrowings is approximately $10,007,000 (2012: $15,733,000).

The fair value measurement is classified under Level 2 of the fair value hierarchy. The fair value has been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with most significant input being the discount rate.

There has been no change to the valuation technique during the year.

17 TRADE PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Entities under common directors/ shareholders (Note 6)	**230,848**	86,671	**-**	-
Third parties	**2,596,322**	2,891,658	**31,344**	81,705
	2,827,170	2,978,329	**31,344**	81,705

The average credit period of trade payables is 30 days (2012: 30 days).

No interest is charged on the outstanding balances.

18 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$	$	$	$
Director of subsidiary (Note 6)[(a)]	**1,638,865**	1,680,865	**865**	865
Accruals[(b)]	**2,388,946**	3,032,330	**-**	262,133
Workers' guarantee payables	**1,361,720**	1,509,499	**184,798**	-
Other payables	**1,389,449**	1,668,101	**1,150**	4,355
Deposit received	**40,000**	2,167,999	**-**	-
Factoring creditor[(c)]	**480,883**	424,850	**-**	-
	7,299,863	10,483,644	**186,813**	267,353

NOTES TO FINANCIAL STATEMENTS
31 December 2013

18 OTHER PAYABLES (cont'd)

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

(b) Accruals principally comprise amounts outstanding for on-going costs.

(c) The Group's factoring creditor bears a fixed interest rate of 5.25% (2012: 5.25%) per annum and is repayable within the next 12 months. It was secured by certain trade receivables amounted to $646,964 (2012: $621,214) (Note 8).

19 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Group				
Amounts payable under finance leases:				
Within one year	**362,116**	387,145	**320,202**	327,586
In the second to fifth years inclusive	**628,875**	984,354	**594,814**	909,796
	990,991	1,371,499	**915,016**	1,237,382
Less: Future finance charges	**(75,975)**	(134,117)	**NA**	NA
Present value of lease obligations	**915,016**	1,237,382	**915,016**	1,237,382
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(320,202)**	(327,586)
Amount due for settlement after 12 months			**594,814**	909,796

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 (2012: 3 to 7 years). The average effective borrowing rate was 5.51% (2012: 5.40%) 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.

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 15) and joint and several personal guarantees of a director and related parties (immediate family members of directors/shareholders).

20 DEFERRED TAX LIABILITIES

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

	Group	
	2013	**2012**
	$	**$**
Accelerated tax depreciation		
At beginning of year	**45,739**	97,739
Charged (credited) to profit or loss (Note 27)	**30,000**	(52,000)
At end of year	**75,739**	45,739

NOTES TO FINANCIAL STATEMENTS

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21 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	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.

22 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).

23 REVENUE

	Group	
	2013	2012
	$	$
Service revenue and sale of vessels [a]	**66,857,920**	47,808,237
Finance lease income	**934,572**	-
	67,792,492	47,808,237

[a] Due to the confidentiality of pricing and competitive information relating to the sale of vessels, the revenue from the sale of vessels has not been presented separately.

24 OTHER OPERATING INCOME

	Group	
	2013	2012
	$	$
Reimbursement of expenses from foreign workers	**1,134,801**	1,322,552
Reversal of provision for foreign workers' withholding tax	**-**	404,394
Rental income	**243,500**	211,500
Interest income	**10,901**	51,188
Foreign exchange gain - net	**89,341**	23,774
Gain on disposal of property, plant and equipment	**408**	20,609
Scrap income	**358,240**	-
Others	**200,698**	29,304
	2,037,889	2,063,321

NOTES TO FINANCIAL STATEMENTS

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25 OTHER OPERATING EXPENSES

	Group 2013	Group 2012
	$	$
Rental expense		
- Land lease (Note 32)	**91,442**	85,564
- Workshop lease (Note 32)	**74,261**	-
- Others	**2,235,146**	2,174,244
Repair and maintenance	**1,080,306**	778,278
Travelling expense	**25,035**	227,702
Staff training and welfare	**322,151**	441,366
Food and refreshment	**240,571**	313,722
Water and electricity	**286,728**	277,301
Transportation	**109,277**	128,499
Depreciation on property, plant and equipment	**159,761**	134,935
Inventory written off	**94,931**	-
Staff uniform	**46,903**	43,036
Others	**300,682**	277,287
	5,067,194	4,881,934

26 FINANCE COSTS

	Group 2013	Group 2012
	$	$
Interest on bank borrowings	**249,495**	740,009
Interest on bank overdrafts	**3,332**	74,418
Interest on factoring creditor	**69,638**	30,450
Interest on obligations under finance leases	**61,105**	78,254
Total borrowing costs	**383,570**	923,131
Less: Finance cost capitalised as construction-in-progress	**(98,015)**	(516,885)
	285,555	406,246

27 INCOME TAX EXPENSE

	Group 2013	Group 2012
	$	$
Income tax:		
- Current tax	**164,500**	622,073
- Over provision in prior years	**(20,210)**	(41,320)
Deferred tax (Note 20)		
- Current	**30,000**	-
- Over provision in prior years	**-**	(52,000)
	174,290	528,753

Domestic income tax is calculated at 17% (2012: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

27 INCOME TAX EXPENSE (cont'd)

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

	Group	
	2013	**2012**
	$	**$**
Profit before income tax	**2,247,838**	2,590,058
Income tax expense at statutory rate of 17% (2012: 17%)	**382,132**	440,310
Effect of income that is exempt from taxation	**(27,963)**	-
Effect of expenses that are not deductible in determining taxable profit	**150,816**	19,102
Effect of unutilised tax losses not recognised as deferred tax asset	**-**	496,287
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(28,176)**	(74,443)
Tax exemption	**(133,132)**	(116,176)
Tax incentives	**(169,049)**	(135,612)
Over provision in prior years	**(20,210)**	(93,320)
Others	**19,872**	(7,395)
Total income tax expense	**174,290**	528,753

Subject to the agreement by the tax authorities, at the end of the reporting period, the Group has unutilised tax losses of $3,057,516 (2012: $3,180,620) 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).

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.

NOTES TO FINANCIAL STATEMENTS

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28 PROFIT FOR THE YEAR

Profit for the year is arrived at after charging:

	Group	
	2013	**2012**
	$	**$**
Depreciation of property, plant and equipment:		
- cost of services	**1,107,825**	1,409,464
- administrative expenses	**283,823**	300,025
- other operating expenses (Note 25)	**159,761**	134,935
	1,551,409	1,844,424
Directors' fee	**125,000**	125,000
Directors' remuneration:		
- of the Company	**817,200**	833,200
- of the subsidiaries	**107,489**	104,295
Employee benefits expense (including directors' remuneration)	**4,153,275**	3,600,396
Costs of defined contribution plans (included in employee benefits expense)	**496,906**	401,810
Audit fee:		
- paid to auditors of the Company	**122,000**	117,000
- paid to other auditors	**50,396**	41,989
Non-audit fee:		
- paid to other auditors	**7,450**	7,050
Cost of inventories recognised as expense	**3,265,564**	3,937,735

29 EARNINGS PER SHARE

Basic earnings per share for the financial year ended 31 December 2013 is calculated based on the net profit attributable to owners of the Company for the year of $1,990,676 (2012: $3,289,357) divided by the weighted average number of shares issued of 141,200,000 (2012: 141,200,000).

30 DIVIDENDS

On 22 May 2012, the Company declared and paid a final one-tier tax 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 tax 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 22 May 2013, the Company declared and paid a final one-tier tax exempt dividend of 0.25 cents per share amounting to $353,000 in respect of the year ended 31 December 2012, to its shareholders.

On 3 September 2013, the Company declared and paid an interim one-tier tax exempt dividend of 0.10 cents per share amounting to $141,200 in respect of the year ended 31 December 2013, to its shareholders.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

30 DIVIDENDS (cont'd)

On 27 February 2014, the directors proposed that a final one-tier tax exempt dividend of 0.15 cents per share amounting to $211,800 be paid to shareholders. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

31 SEGMENT INFORMATION

Services from which reportable segments derive their revenues

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

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

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

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.

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

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

The segment liabilities comprise of bank loans drawdown by a subsidiary for the purpose to finance the leased vessel (2012: 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.

NOTES TO FINANCIAL STATEMENTS

31 December 2013

31 SEGMENT INFORMATION (cont'd)

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

	New building and conversion	Repair	Total
	$	$	$
2013			
Revenue			
Segment revenue	42,682,813	25,109,679	67,792,492
Results			
Segment results	5,841,582	5,941,781	11,783,363
Other operating income			2,037,889
Administrative expenses			(6,220,665)
Other operating expenses			(5,067,194)
Finance costs			(285,555)
Profit before income tax			2,247,838
Income tax expense			(174,290)
Profit for the year			2,073,548
Other information			
Capital expenditure			2,257,466
Gain on disposal of property, plant and equipment			(408)
Depreciation of property, plant and equipment			1,551,409
Assets and Liabilities			
Segment assets	31,033,309	20,005,848	51,039,157
Unallocated corporate assets			10,262,583
Total assets			61,301,740
Segment liabilities	6,520,000	-	6,520,000
Unallocated corporate liabilities			16,854,851
Total liabilities			23,374,851

NOTES TO FINANCIAL STATEMENTS
31 December 2013

31 SEGMENT INFORMATION (cont'd)

	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	44,387,785	12,197,543	56,585,328
Unallocated corporate assets			13,236,876
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 2013

31 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:

	Revenue		Non-current assets	
Geographical segments	**2013**	**2012**	**2013**	**2012**
	$	**$**	**$**	**$**
Singapore	**58,531,434**	35,038,419	**14,811,997**	29,089,405
Thailand	**9,062,689**	12,739,671	**7,704,196**	7,777,873
PRC	**198,369**	30,147	**12,999**	23,333

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:

	2013	**2012**
	$	**$**
Top 1st customer	**26,600,636**	25,740,356
Top 2nd customer	**21,697,006**	11,932,279
Top 3rd customer	**9,527,793**	9,273,131
Top 4th customer	**7,557,888**	-

Each customer above contributes revenue to both reportable segments.

32 OPERATING LEASE ARRANGEMENTS

	Group	
	2013	**2012**
	$	**$**
Minimum lease payments under non-cancellable operating leases recognised as an expense during the year	**165,703**	85,564

NOTES TO FINANCIAL STATEMENTS

31 December 2013

32 OPERATING LEASE ARRANGEMENTS (cont'd)

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group	
	2013	**2012**
	$	**$**
Within one year	**346,964**	91,442
In the second to fifth year inclusive	**530,792**	365,767
After five years	**969,170**	1,013,479
	1,846,926	1,470,688

Leases comprise of:

(a) JTC land lease which is 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.

(b) Workshop lease which is negotiated for a term of 3 years and rentals are fixed over the term of the lease.

33 CONTINGENT LIABILITIES

	Company	
	2013	**2012**
	$	**$**
Guarantees given to banks in respect of credit facilities and finance lease obligations of subsidiaries	**35,768,700**	32,924,700

The maximum amount the Company could be forced to settle under the financial guarantee contract, if the full guaranteed amount is claimed by the counterparty to the guarantee is $35,768,700 (2012 : $32,924,700). The earliest period that the guarantee could be called is within 1 year (2012 : 1 year) from the end of the reporting period.

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

Statistics of **Shareholdings**

As at 14 March 2014

SHARE CAPITAL

Issued and fully paid-up capital	:	$ 23,698,348
Total number of issued 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 14 March 2014)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	49	28.32	359,000	0.26
10,001 - 1,000,000	113	65.32	15,227,000	10.78
1,000,001 AND ABOVE	11	6.36	125,614,000	88.96
TOTAL :	173	100.00	141,200,000	100.00

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register as at 14 March 2014)

NO.	NAME	NO. OF SHARES	%
1.	NEO PECK KEOW @ NG SIANG KENG	40,080,000	28.39
2.	LOW CHEE WEE	30,170,000	21.37
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 (EDDY LIANG JIANG SHUI)	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 PRIVATE LIMITED	3,023,000	2.14
9.	NEO CHIANG YEE ERIC (LIANG JIANGYI ERIC)	2,400,000	1.70
10.	ONG BENG CHYE	1,925,000	1.36
11.	RAFFLES NOMINEES (PTE) LIMITED	1,585,000	1.12
12.	MAYBANK KIM ENG SECURITIES PTE. LTD.	939,000	0.67
13.	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	856,000	0.61
14.	OCBC SECURITIES PRIVATE LIMITED	854,000	0.60
15.	TSAO SAN	839,000	0.59
16.	SERM TANTASATIEN	835,000	0.59
17.	PHILLIP SECURITIES PTE LTD	704,000	0.50
18.	KOK SIP CHON	650,000	0.46
19.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	520,000	0.37
20.	LIM SEET HUAT (LIN SHIFA)	454,000	0.32
	TOTAL :	132,265,000	93.67

Statistics of **Shareholdings**

As at 14 March 2014

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest		Total Interest	
NAME	**No. of shares**	**%**	**No. of shares**	**%**	**No. of shares**	**%**
LOW CHEE WEE [1]	30,170,000	21.37	40,080,000	28.39	70,250,000	49.75
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 are deemed interested in all the Shares held by their mother, Neo Peck Keow @ Ng Siang Keng, by virtue of Section 7 of the Act.

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

(3) Christopher Low Chee Leng is deemed interested in the Shares held by Hong Leong Finance Nominees Pte Ltd. Christopher Low Chee Leng pledged 14,120,000 Shares to Hong Leong Finance Nominees Pte Ltd for personal reasons.

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

Based on the information available to the Company as at 14 March 2014, approximately 15.64% of the issued ordinary shares of the Company are held by the public, and therefore, Rule 723 of the Rules of Catalist which requires that at least 10% of the ordinary shares of the Company be at all times held by the public, is complied with.

Notice of **Annual General Meeting**

NOTICE IS HEREBY GIVEN that the fourth annual general meeting ("**AGM**") of ES Group (Holdings) Limited will be held at 10 Kwong Min Road Singapore 628712 on Tuesday, 29 April 2014 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 2013. **Resolution 1**

2. To approve a final one-tier tax exempt dividend of 0.15 Singapore cents per ordinary share for the financial year ended 31 December 2013. **Resolution 2**

3. To approve the payment of Directors' fees of $125,000 for the financial year ending 31 December 2014. **Resolution 3**

4. To re-elect Mr. Low Chee Wee, a Director retiring pursuant to Article 98 of the Articles of Association of the Company. **Resolution 4**

5. To re-elect Ms. Tan Swee Ling, 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 Singapore Companies Act, Chapter 50 (the "**Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the board of directors of the Company ("**Directors**") 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, provided that:

Notice of Annual General Meeting

(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) and the Articles of Association for the time being of the Company; and

(iv) unless revoked or varied by the Company in a general meeting by an ordinary resolution, such authority shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, or the expiration of such other period as may be prescribed by the Act and every other legislation for the time being in force concerning companies and affecting the Company (whichever is the earliest).
(See Explanatory Notes) **Resolution 7**

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

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

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

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 vesting of awards under the PSP and/or exercise of options 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 (excluding treasury shares) for the time being and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.
(See Explanatory Notes) **Resolution 8**

9. To transact any other ordinary business which may properly be transacted at an AGM.

By Order of the Board

Adrian Chan Pengee
Company Secretary

Singapore, 11 April 2014

Notice of Annual General Meeting

Notes:

1. A member of the Company entitled to attend and vote at the AGM 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 AGM.

Explanatory Notes on Ordinary Business to be Transacted:

Resolution 4

The key information of Mr. Low Chee Wee can be found in the annual report.

Mr. Low Chee Wee, if re-appointed as Director of the Company, will remain as an Executive Director of the Company. Mr. Low Chee Wee has a total interest (direct and deemed) of 49.75% in the capital of the Company.

Resolution 5

The key information of Ms. Tan Swee Ling can be found in the annual report.

Ms. Tan Swee Ling, if re-appointed as Director of the Company, will remain as the Chairman of the Audit and Risk Committee and the Remuneration and Compensation Committee and member of the Nominating Committee, and shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist. There is no relationship including immediate family relationships between Ms. Tan Swee Ling and the other Directors, the Company and its 10% shareholders.

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 AGM until the next AGM, to allot and issue Shares and convertible securities in the Company, without seeking any further approval from shareholders in a 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 authorised and empower the Directors of the Company to grant awards and options in accordance with the provisions of the PSP and the ESOS respectively and allot and issue Shares pursuant to the vesting of awards under the PSP and/or exercise of options 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.

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Proxy Form
ES Group (Holdings) Limited

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

Annual General Meeting to be held on Tuesday, 29 April 2014

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

of ____ (Address)

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

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

and/or (delete as appropriate)

as *my/our *proxy/proxies to attend and to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the fourth annual general meeting ("AGM") of the Company to be held at 10 Kwong Min Road Singapore 628712 on Tuesday, 29 April 2014 at 2.00 p.m. and at any adjournment thereof.

(With reference to the agenda set out in the Notice of AGM, 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 for the financial year ended 31 December 2013		
2	Final dividend		
3	Directors' fees for the financial year ending 31 December 2014		
4	Re-election of Director (Mr. Low Chee Wee)		
5	Re-election of Director (Ms. Tan Swee Ling)		
6	Re-appointment of Auditors (Deloitte & Touche LLP)		
	Special Business		
7	Authority to allot and issue shares		
8	Authority to grant awards and options pursuant to the Eng Soon Performance Share Plan and the Eng Soon Employee Share Option Scheme respectively and to allot and issue shares pursuant to the Eng Soon Performance Share Plan and the Eng Soon Employee Share Option Scheme respectively		

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

Signed this ______ day of __________ 2014

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 the AGM 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 AGM.

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 AGM, 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 AGM as certified by The Central Depository (Pte) Limited to the Company.

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ES GROUP (HOLDINGS) LIMITED
Company Registration No.: 200410497Z
8 Ubi Road 2 #06-26 Zervex Singapore 408538
Tel: +65 6748 9111 Fax: +65 6284 3005
Website: www.esgroup.com.sg

Designed
& Produced by
+65 6880 2828
Xpress®