

BENG KUANG MARINE LIMITED

Registration No. 199400196M

Financial Statement And Dividend Announcement for the Year Ended 31 December 2004**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF FULL YEAR RESULTS****Basis of Presentation**

Prior to the initial public offering ("IPO") of the ordinary shares of our Company in October 2004, we carried out a Restructuring Exercise on 23 August 2004. Prior to the Restructuring, the Company had a wholly-owned subsidiary in Malaysia. As a result, we have made comparison of the actual results for year ended 31 December 2004 to the proforma financial information for the corresponding period immediately preceding financial year. The unaudited proforma financial information has been prepared on the assumption that the Group structure has been in existence since 1 January 2001.

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

		GROUP		
		(Year to-date)		
		FY 2004	FY 2003 (Proforma)	Increase /
				(Decrease)
	Notes	S\$'000	S\$'000	%
REVENUE		48,130	37,390	29%
Cost of Sales		(36,889)	(27,692)	33%
GROSS PROFIT		11,241	9,698	16%
Other operating income (net)	(A)	115	18	539%
Administrative expenses		(7,087)	(4,869)	46%
Selling & Distribution expenses		(1,377)	(1,328)	4%
PROFIT FROM OPERATIONS		2,892	3,519	-18%
Financial Expenses		(572)	(551)	4%
Financial Income		45	18	150%
PROFIT BEFORE TAXATION	(B)	2,365	2,986	-21%
TAXATION		(405)	(481)	-16%
PROFIT AFTER TAXATION		1,960	2,505	-22%
Minority Interests		(161)	(201)	-20%
NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,799	2,304	-22%

Notes

(A) The Group's other operating income (net) includes:

		GROUP	
		(Year to-date)	
		FY 2004	FY 2003 (Proforma)
		S\$'000	S\$'000
Gain/(Loss) on disposal of fixed assets		99	(3)
Other Income		16	21

(B) The Group's profit from operations is arrived at after (charging) / crediting

		GROUP	
		(Year to-date)	
		FY 2004	FY 2003 (Proforma)
		S\$'000	(Proforma)
		S\$'000	S\$'000
Interest income		3	0
Interest expense on borrowings		(531)	(533)
Depreciation and amortisation		(1,580)	(1,642)
Bad debts written off		0	(2)
Provision for doubtful trade debts written back		67	215
Provision for doubtful trade debts		(617)	(91)
Provision for rebates / discounts		(1,039)	(624)
Provision for rebates / discounts written back		4	21
Provision for stock obsolescence written back		(21)	0
Foreign exchange gain		25	18

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	GROUP		COMPANY	
	31/12/2004	31/12/2003 (Proforma)	31/12/2004	31/12/2003 (Proforma)
	S\$'000	S\$'000	S\$'000	S\$'000
Share capital and reserves				
Share capital	9,299	1,316	9,299	1,316
Share premium	2,252	2,584	2,252	2,584
Revenue reserves	4,992	6,912	318	3,719
	16,543	10,812	11,869	7,619
Minority interests	1,076	896	0	0
	17,619	11,708	11,869	7,619
Fixed assets	7,315	7,947	1,004	1,829
Subsidiaries	0	0	2,641	2,299
Current assets				
Stocks	5,258	4,646	15	0
Work-in-progress in excess of progress billings	8,131	5,203	1,848	2,009
Trade debtors	18,015	16,277	1,493	7,699
Other debtors, deposits and prepayments	418	511	262	364
Due from subsidiaries (trade)	0	0	4,609	1,297
Due from subsidiaries (non trade)	0	0	15,638	14,206
Due from related companies (trade)	0	3,172	0	689
Due from related companies (non-trade)	0	334	0	2
Due from related parties (trade)	2,286	393	1,200	0
Due from related parties (non trade)	76	0	1	0
Loan to a related company	0	989	0	0
Fixed deposits	2,300	0	2,300	0
Cash and bank balances	1,257	763	9	194
	37,741	32,287	27,375	26,460
Current liabilities				
Trade creditors	5,172	4,717	662	1,050
Bills payable to bank	3,082	2,234	1,208	1,415
Other creditors and accruals	3,535	2,884	1,371	1,237
Due to subsidiaries (trade)	0	0	2,574	4,307
Due to subsidiaries (non-trade)	0	0	378	214
Due to holding company (trade)	0	225	0	169
Due to holding company (non trade)	0	22	0	13
Due to related companies (trade)	0	1,084	0	9
Due to related companies (non-trade)	0	486	0	3
Due to related parties (trade)	1,037	59	247	10
Due to related parties (non trade)	73	0	23	0
Loan from related companies	0	2,281	0	1,877
Lease obligations – current portion	196	441	11	96
Provision for taxation	573	638	211	294
Short-term bank loans	11,011	11,021	11,011	11,021
Bank overdrafts	1,699	1,147	1,256	802
	26,378	27,239	18,952	22,517
Net current assets	11,363	5,048	8,423	3,944
Non-current liabilities				
Lease obligations – non-current portion	239	353	35	206
Deferred taxation	820	934	164	247
	17,619	11,708	11,869	7,619

1(b)(ii) Aggregate amount of group's borrowings and debt securities
Amount repayable in one year or less, or on demand

Bank borrowings

Advances from related companies

As at 31/12/04		As at 31/12/03	
S\$'000		S\$'000	
Secured	Unsecured	Secured	Unsecured
	15,792		14,402
	0		2,281
0	15,792	0	16,683

Amount repayable after one year

As at 31/12/04		As at 31/12/03	
Secured	Unsecured	Secured	Unsecured
0	0	0	0

Details of any collateral

Some of the above bank borrowings are covered by corporate guarantees from Labroy Marine Limited.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	GROUP	
	FY 2004	FY 2003 (Proforma)
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	2,365	2,987
<u>Adjustments:</u>		
Depreciation of fixed assets	1,580	1,642
Gain on disposal of fixed assets	(99)	3
Fixed Assets written off	0	20
Bad debts written off	0	2
Provision for doubtful trade debts	617	91
Provision for doubtful trade debts written back	(67)	(215)
Provision for rebates / discounts	1,039	624
Provision for rebates / discounts written back	(4)	(21)
Provision for stock obsolescence written back	(21)	0
Interest income	(3)	0
Other interest expenses	531	533
Operating profit before working capital changes	5,938	5,666
<u>(Increase) / decrease in:</u>		
Stocks	(591)	(1,458)
Work-in-progress in excess of progress billings	(2,928)	(807)
Trade debtors	(3,323)	(981)
Other debtors, deposits and prepayments	92	196
Due from related companies	0	121
Due from related parties	1,537	(393)
<u>Increase / (decrease) in:</u>		
Trade creditors	456	1,695
Bills payable	848	392
Other creditors and accruals	650	255
Due to holding company	0	(26)
Due to related companies	0	(143)
Due to related parties	(765)	47
Cash generated from operations	1,914	4,564
Interest income	3	0
Interest paid	(541)	(561)
Income taxes paid	(584)	(499)
Net cash generated from operating activities	792	3,504
Cash flows from investing activities		
Purchase of fixed assets	(1,230)	(1,042)
Proceeds from disposal of fixed assets	513	62
Proceeds from a minority shareholder of a subsidiary	20	49
Net cash generated used in investing activities	(697)	(931)
Cash flows from financing activities		
Repayment of lease obligations	(493)	(598)
Repayment of loan to a related party	989	(989)
Net proceeds from Initial Public Offer	3,932	0
Repayment of loans from related parties	(2,281)	(5)
Dividends paid to a minority shareholder of a subsidiary	0	(38)
Net cash generated from (used in) financing activities	2,147	(1,630)
Net increase in cash and cash equivalents	2,242	943
Cash and cash equivalents at beginning of the year	(384)	(1,327)
Cash and cash equivalents at end of the year	1,858	(384)

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(Proforma)

	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Total S\$'000
GROUP				
Balance as at 1 Jan 2003	1,316	2,584	4,608	8,508
Net profit for the year	0	0	2,304	2,304
Balance as at 31 December 2003	1,316	2,584	6,912	10,812
Balance as at 1 Jan 2004	1,316	2,584	6,912	10,812
Capitalisation of reserves by way of bonus issue	6,303	(2,584)	(3,719)	0
Issuance of IPO shares	1,680	2,252	0	3,932
Net profit for the year	0	0	1,799	1,799
Balance as at 31 December 2004	9,299	2,252	4,992	16,543
	Share Capital S\$'000	Share Premium S\$'000	Revenue Reserve S\$'000	Total S\$'000
COMPANY				
Balance as at 1 Jan 2003	1,316	2,584	2,673	6,573
Net profit for the year	0	0	1,046	1,046
Balance as at 31 December 2003	1,316	2,584	3,719	7,619
Balance as at 1 Jan 2004	1,316	2,584	3,719	7,619
Capitalisation of reserves by way of bonus issue	6,303	(2,584)	(3,719)	0
Issuance of IPO shares	1,680	2,252	0	3,932
Net profit for the year	0	0	318	318
Balance as at 31 December 2004	9,299	2,252	318	11,869

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

At the Extraordinary General Meeting held on 25 August 2004, the Company's shareholders approved the following:

- the capitalisation of S\$6,302,622 out of the share premium and revenue reserves of the Company by way of a bonus issue of 6,302,622 ordinary shares of S\$1.00 each credited as fully paid to the shareholders;
- the Sub-division of each existing ordinary share of S\$1.00 each into 50 ordinary shares of S\$0.02 each; and
- the Consolidation of every four ordinary shares of S\$0.02 each into one ordinary share of S\$0.08 each.

On 15 October 2004, the Company issued a total of 21,000,000 ordinary shares of S\$0.08 each for cash pursuant to its initial public offering at S\$0.23 for each ordinary share.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

Figures have not been audited or reviewed.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted the same accounting policies and method of computation in the financial statements for the current financial reporting period as in the last annual audited financial statements.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Please refer to item 4.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	FY2004	FY2003
Earnings per Ordinary Share (cents) for the year:		
a) Based on weighted average number of ordinary shares in issue	1.80	2.42
b) On a fully diluted basis	1.80	2.42

(i) The earnings per ordinary share for FY2003 was computed based on the pre-invitation share capital of 95,236,875 ordinary shares of S\$0.08 each (assuming the Restructuring Exercise, Bonus Issue, Sub-division and Consolidation of shares had taken place as of 1 January 2003).

(ii) The earnings per ordinary share for FY2004 was computed based on the pre-invitation share capital of 95,236,875 ordinary shares being in issue for 366 days and 21,000,000 ordinary shares (issued pursuant to the IPO) being in issue for 78 days, giving rise to weighted average of 99,712,285 ordinary shares for the year.

(iii) There is no dilution of earnings per ordinary share since there is presently no share option scheme on unissued shares.

7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-
(a) current financial period reported on; and

(b) immediately preceding financial year.

	GROUP		COMPANY	
	31/12/2004	31/12/2003 (Proforma)	31/12/2004	31/12/2003 (Proforma)
Net asset value per ordinary share based on issued share capital at end of the year (in cents)	14.23	11.35	10.21	8.00

(i) Net asset value per ordinary share as at 31 December 2004 and 31 December 2003 (proforma) was calculated based on the number of shares in issue of 116,236,875 ordinary shares of S\$0.08 each.

(ii) Net asset value per ordinary share as at 31 December 2003 was computed based on the pre-invitation share capital of 95,236,875 ordinary shares of S\$0.08 each (assuming the Restructuring, Bonus Issue, Sub-division and Consolidation of shares had taken place as of 1 January 2003).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

The Group's turnover rose by 28.6% from S\$37.4 million in FY2003 to S\$48.1 million in FY2004. The profit before tax decreased by 20.8% from S\$2.99 million in FY2003 to S\$2.36 million in FY2004. The profit attributable to shareholders recorded a decrease of 21.7% from S\$2.30 million to S\$1.80 million.

The Corrosion Prevention Division's turnover registered an increase of 42.4% from S\$19.8 million in FY2003 to S\$28.2 million in FY2004. The increase in revenue is largely due to full year revenue generated from projects which commenced in the last quarter of FY2003 with a new customer. As at 31 December 2004, these projects are still in progress. However, profit before tax decreased by 10.0% to S\$1.70 million from S\$1.89 million in FY2003. This is due to lower margins from several corrosion prevention projects for new vessel construction undertaken during the year. Operating costs also increased as a result of an increase in the prices of raw materials, such as steel grit and diesel etc. The Division was not able to pass these costs on to its customers in FY2004. In addition, administrative expenses also increased by 48.3% to S\$4.6 million from S\$3.1 million. This being largely due to higher manpower cost which are mainly attributable to increase in staff strength to strengthen our management team as well as to expand our tank cleaning business and hydro-jetting services. All these contributed to a decrease in the Division's pretax margin from 9.6% to 6.0%.

The Supply & Distribution Division's turnover increased by 26.7% to S\$12.8 million from S\$10.1 million. This is mainly contributed by increased sales of our hardware products. However, pretax profit for the Division decreased by S\$0.5 million from S\$0.8 million to S\$0.3 million. This is mainly due to increase in doubtful debts provision of S\$0.5 million which is largely attributable to an overseas customer.

Turnover for the Infrastructure Engineering Division decreased marginally by S\$0.4 million to S\$7.2 million from S\$7.6 million. However, pretax profit increased by 17.9% or S\$0.05 million to S\$0.33 million from S\$0.28 million. This is due to decrease in administrative expenses arising primarily from a reduction in headcount resulting from a restructuring exercise undertaken by the Division.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The outlook for the industry sector that we serve, i.e. the marine-related and offshore oil and gas activities such as shipbuilding, ship conversion and ship repair activities and offshore engineering continues, is expected to remain strong in FY2005. To ride on the wave of this booming sector, we will continue to focus on enhancing our core Corrosion Prevention Division while concurrently improving the performance of the other two Divisions. This will be achieved through the expansion of the tank cleaning business and hydro-jetting services. Currently, we own 3 hydro-jetting machines. We are now sourcing for additional units of hydro-jetting machines to meet the increase in demand for such services. Barring any unforeseen circumstances, we expect to remain profitable in FY2005.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? None

(c) **Date payable**
Not applicable

(d) **Books closure date**
Not applicable

12 If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared/recommended for the current financial year ended 31 December 2004.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

BUSINESS SEGMENTS

		GROUP 2004 (Year to-date)				
	Notes	CORROSION PREVENTION S\$'000	INFRASTRUCTURE & ENGINEERING S\$'000	SUPPLY & DISTRIBUTION S\$'000	ELIMINATION S\$'000	GROUP S\$'000
Revenue						
Sales to external customers		28,176	7,181	12,773	0	48,130
Inter-segment sales		212	392	3,626	(4,230)	0
		<u>28,388</u>	<u>7,573</u>	<u>16,399</u>	<u>(4,230)</u>	<u>48,130</u>
Results						
Segment results	(A)	1,895	424	573	0	2,892
Financial expenses		(226)	(105)	(241)	0	(572)
Financial income		33	9	3	0	45
Profit before taxation		<u>1,702</u>	<u>328</u>	<u>335</u>	<u>0</u>	<u>2,365</u>
Taxation						(405)
Profit after taxation						<u>1,960</u>
Minority interests						(161)
Net profit for the year						<u>1,799</u>

BUSINESS SEGMENTS

		GROUP				
		Proforma 2003 (Year to-date)				
	Notes	CORROSION PREVENTION S\$'000	INFRASTRUCTURE & ENGINEERING S\$'000	SUPPLY & DISTRIBUTION S\$'000	ELIMINATION S\$'000	GROUP S\$'000
Revenue						
Sales to external customers		19,766	7,551	10,072	-	37,390
Inter-segment sales		906	1,469	2,170	(4,545)	-
		<u>20,672</u>	<u>9,021</u>	<u>12,242</u>	<u>(4,545)</u>	<u>37,390</u>
Results						
Segment results	(A)	2,050	445	1,025	-	3,519
Financial expenses		(171)	(175)	(206)	-	(551)
Financial income		9	10	(1)	-	18
Profit before taxation		<u>1,888</u>	<u>280</u>	<u>818</u>	<u>-</u>	<u>2,987</u>
Taxation						(481)
Profit after taxation						<u>2,506</u>
Minority interests						(201)
Net profit for the year						<u>2,304</u>

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to item 8.

15. A breakdown of sales.

Not applicable.

16. A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year()	Previous Full Year ()
Ordinary	0	0
Preference	0	0
Total:	0	0

17. Summary of Interested Person Transactions for the financial year ended 31 December 2004.

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920
[Revenue/(Expenses)]	S\$	S\$
<u>Labroy Shipbuilding & Engineering Pte Ltd</u>		
Provision of Corrosion Prevention Services	1,766,860	149,791
Sale of hardware equipment, tools and other consumables	401,285	246,298
Rental of Machineries	30,363	7,723
Rental of Property Expenses	(168,000)	
Procurement of Subcon Services	(4,810)	
Procurement of Yard's Consumables	(29,064)	(3,932)
Transportation Charges	(15,200)	
<u>PT Nanindah Mutiara Shipyard</u>		
Sale of hardware equipment, tools and other consumables	631,099	373,434
Rental of Property Expenses	(54,000)	(18,000)
Procurement of consumables	(490)	(48)
<u>Heng Huat Shipbuilding & Construction Pte Ltd</u>		
Provision of Infrastructure Engineering Services	153,708	
Sale of hardware equipment, tools and other consumables	132,095	8,766
Rental of property expenses	(420,000)	
Procurement of Subcon Services	(20,469)	
Procurement of consumables	(198)	
<u>Tellus Marine Engineering Pte Ltd</u>		
Sale of hardware equipment, tools and other consumables	343,278	131,066
Procurement of subcontract services	(1,950,000)	
Provision of Corrosion Prevention Services	84,839	
<u>Well Commercial Pte Ltd</u>		
Sale of stationery products	212,672	
Sale of Equipment and Consumables	17,605	
Procurement of Stationery Products	(48,833)	(6,113)
<u>Hwah Hong Lorry Crane Services</u>		
Transportation of Cranes, Equipment & other Machineries	(126,938)	(17,185)
Sale of hardware equipment, tools and other consumables	17,790	17,421
<u>Asian Sealand Infrastructure & Construction</u>		
Sale of hardware equipment, tools and other consumables	222,308	71,080
<u>Labroy Marine Limited</u>		
Sale of hardware equipment, tools and other consumables	3,166	983
<u>Tellus Engineering Construction Pte Ltd</u>		
Provision of Infrastructure Engineering Services	2,683	
Sale of hardware equipment, tools and other consumables	65,916	
Procurement of Subcon Services	(14,219)	
<u>Intone Pte Ltd</u>		
Sale of hardware equipment, tools and other consumables	392	
<u>Labroy Shipping Pte Ltd</u>		
Sale of hardware equipment, tools and other consumables	50	
<u>Labroy Ship Services Pte Ltd</u>		
Sale of hardware equipment, tools and other consumables	8,156	2,809
<u>Nexus Engineering Pte Ltd</u>		
Interest Expenses	(13,976)	
Management Fees	(6,000)	2,363

Our Shareholders' Mandate came into effect from our admission to the Official List of the SGX SESDAQ on October 15, 2004.

BY ORDER OF THE BOARD

Chua Meng Hua
Executive Director
18 February 2005