Annual Report 2006

EXPANDING HORIZON

Total Solutions For Today's Challenge

明 光 海 事 有 限 公 司
Beng Kuang Marine Limited
(Company Reg. No: 199400196M)

MISSION STATEMENT

Being an established provider of corrosion prevention services for the marine, offshore, oil and gas and other industries in Singapore, we are motivated by bringing our customers' satisfaction via our quality workmanship and services. We aspire to become an integrated marine services group with a major presence in South East Asia.

CONTENTS

CORPORATE PROFILE

Beng Kuang Marine had started from a mere sole proprietor in early 1990 to a private limited company in 1994. With a firm foundation in the marine industry and a proactive attitude towards changes in the marketplace, BKM cherished the opportunities for growth. Listed on the Singapore Exchange in October 2004, Beng Kuang Marine Limited ("BKM") and its subsidiaries (the "Group") are principally engaged in the provision of Corrosion Prevention services (comprising blasting and painting works), Infrastructure Engineering and Supply and Distribution serving the marine, offshore oil and gas and other industries.

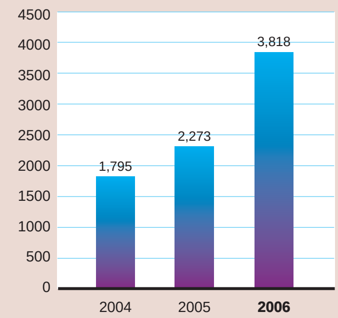
Since then, BKM has gained an industry reputation for providing comprehensive and quality solutions for its customers' needs. As a testament of its commitment to quality, the Group has been accredited with the ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators and vessel owners.

Its track record and reputation for reliability has enabled it to secure appointments as "Hullside Resident Contractor" for several established shipyards in Singapore and Batam, such as Keppel Offshore & Marine Group, Singapore Technologies Marine Limited, Pan United Limited and Labroy Group.

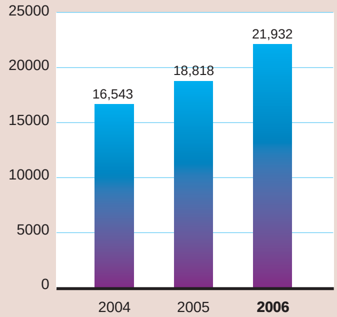
BKM provides turnkey engineering services from planning, project management to implementation involving fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the offshore oil and gas industry. In addition, BKM supplies over 300 types of hardware equipment, tools and other products under the house brand "Master", all of which are similarly used in the marine, offshore oil and gas, construction and other industries.

With Singapore as a leading maritime hub in the region and with an expected increase in regional marine activities and new vessel construction by local shipyards, BKM expects its business activities to increase. Riding on the wave of this booming sector provides BKM with opportunities for further growth and more importantly, for enhancement of its shareholders' value.

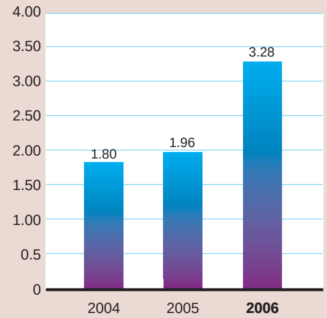
NET PROFIT (S$'000)



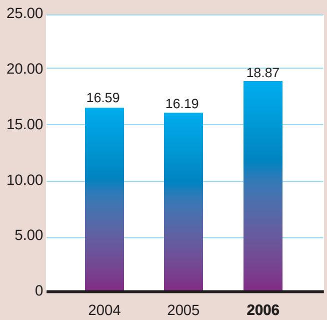
SHAREHOLDERS' EQUITY (S$'000)



EARNINGS PER SHARE (S$)



NTA PER SHARE (S$)



OPERATING RESULTS	**2006**	**2005**	**2004**
Turnover	70,550,051	53,246,389	48,130,076
EBITDA	7,359,359	5,379,049	4,481,470
Pretax profit	4,559,511	2,982,109	2,360,350
Net profit	3,818,270	2,273,099	1,794,528
Turnover growth	32%	11%	17%
EBITDA growth / (decline)	37%	20%	-14%
Pretax growth / (decline)	53%	26%	-22%
Net profit growth / (decline)	68%	27%	-23%
EBITDA margin	10%	10%	9%
Pretax margin	6%	6%	5%
Net margin	5%	4%	4%

FINANCIAL POSITION

Total assets	58,658,358	44,988,284	45,056,904
Total debt	17,380,519	13,457,437	16,226,368
Shareholders' equity	21,932,457	18,817,824	16,543,158
Net debt : equity	0.33	0.52	0.77

PER SHARE DATA

Earnings per share	3.28	1.96	1.80
Dividends per share	1.10 cents	0.75 cents	- cents
NTA per share	0.19	0.16	0.17

3 YEAR SEGMENT RESULTS

Turnover			
Corrosion Prevention	32,265,045	33,628,071	28,176,614
Infrastructure Engineering	16,192,578	5,102,096	7,180,626
Supply & Distribution	22,092,428	14,516,222	12,772,836
Pretax profit / (loss)			
Corrosion Prevention	2,298,745	2,406,521	1,696,155
Infrastructure Engineering	832,636	(320,899)	329,288
Supply & Distribution	1,717,870	1,053,487	334,907
Assets employed			
Corrosion Prevention	3,369,102	1,851,778	832,339
Infrastructure Engineering	927,262	346,818	127,418
Supply & Distribution	269,168	133,613	403,375

The synergy between the three divisions has given the Group a competitive edge by enabling it to achieve not only operational efficiencies and cost savings, but also realise the growth potential of the various divisions.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Group's annual report for the financial year ended 31 December 2006 ("FY2006").

Growing the Business

BKM was established in 1994 as a company providing Corrosion Prevention services to the marine industry. The management had the foresight to expand its business to include Infrastructure Engineering in 1999 and Supply and Distribution in 2000. These new business divisions are complementary to the flagship Corrosion Prevention division, and BKM was able to leverage on its existing client base to grow the business of these new divisions over the years.

In FY2006, the Group's Corrosion Prevention services accounted for 46% of sales while its Infrastructure Engineering and Supply and Distribution activities contributed 23% and 31% respectively.

The synergy between the three divisions has given the Group a competitive edge by enabling it to achieve operational effectiveness and efficiencies. It also allows for mutual growth of the various divisions. For instance, the Infrastructure Engineering division is supported by the Supply and Distribution division in the procurement of consumables and equipment. It is also to package contracts to include Corrosion Prevention services to better meet our customers' requirements, especially in major projects.

In FY2005, the Group expanded the scope of services offered by the Infrastructure Engineering division to include automation, electrical and installation engineering services for ship repair, shipbuilding and offshore projects. These initiatives are examples of its continual efforts towards positioning itself as a one-stop service provider to customers in the marine, offshore oil and gas industry. With the expected increase in shipbuilding and rig building activities of the major shipyards, the Group is well-positioned to ride on this growth momentum.

Strenghtened Financial Position

The Group's return on equity, a common measure of business efficiency, improved from 12.1% in FY2005 to 17.4% in FY2006. Its earnings per share also increased from 1.96 cents in FY2005 to 3.28 cents in FY2006 while net asset value per share rose by 16.6% from 16.19 cents in FY2005 to 18.87 cents in FY2006. The Group's financial position has consistently strengthened since its listing in 2004 and this has enhanced the underlying value of shareholders' investment in BKM.

In light of the improved financial position and in appreciation of support shown by shareholders, the Board of Directors is pleased to propose a dividend of 1.1 cent less tax per ordinary share in respect of FY2006. The proposed dividend will be subject to approval at the Annual General Meeting to be held on 27 April 2007, which if approved will be paid out on 18 May 2007.

Industry Outlook - Harvesting the Opportunities

The marine, offshore oil and gas industry recorded strong growth in 2006 and the trend is expected to continue through 2007. Factors which underlie BKM's confidence in this industry are: (1) the order books for new build vessels and oil rigs obtained by the Group's customers which fills their shipyard capacities until 2010; (2) consistently high utilisation rates and day rates of oil rigs in the offshore sector; and (3) the expected increase in global oil exploration and production budgets in response to high sustained oil prices. The Group believes that with its three well integrated business divisions, BKM is well positioned to leverage on the increase in shipyard activities, new build vessels and rig construction by local and overseas shipyards. Such increase in demand will present the Group with the opportunity to further develop its Corrosion Prevention, Infrastructure Engineering, and Supply and Distribution businesses.

Acknowledgements

The success of BKM over the years would not have been possible without the contribution and support from various parties. Therefore, I would like to take this opportunity to extend my appreciation to our shareholders, customers, bankers, business associates and suppliers for their unwavering support through the years. Last but not least, I would also like to thank the management team and staff for their hard work and the Board of Directors for their wise counsel and guidance provided to BKM.

Yours faithfully,
Tan Boy Tee, Chairman
27 March 2007

MANAGING DIRECTOR'S STATEMENT

There was an increase in net profit by 68% from S$2.3 million in FY2005 to S$3.8 million in FY2006. The main reason for the increase is the strong performance of the Infrastructure Engineering division which secured more projects, while the Corrosion Prevention and Supply and Distribution divisions continued to record stable growth in profits.

Dear Shareholders,

2006 was a fruitful year for the Group as the marine, offshore oil and gas industries continued to do well. Most of the shipyards at which the Group operates experienced a surge in activities, which resulted in an increase in demand for our services. It is my pleasure to note that all three of our business divisions performed well in 2006 and BKM is consolidating its position as a one-stop service provider to customers in the marine, offshore oil and gas sectors.

Financial Review

I am pleased to inform that the Group's revenue has increased by 32% from S$53.2 million in FY2005 to S$70.6 million in FY2006. Gross profit also increased by 17% from S$14.8 million in FY2005 to S$17.3 million in FY2006.

There was an increase in net profit by 68% from S$2.3 million in FY2005 to S$3.8 million in FY2006. The main reason for the increase is the strong performance of the Infrastructure Engineering division which secured more projects, while the Corrosion Prevention and Supply and Distribution divisions continued to record stable growth in profits.

The Group's financial position has also improved significantly from FY2005. Shareholders' equity increased from S$18.8 million as at 31 December 2005 to S$21.9 million as at 31 December 2006 and net gearing declined from 0.52 times a year earlier to 0.33 times as a result of concrete measures taken to improve credit control. Net cash flow from operating activities also rose from S$4.9 million in FY2005 to S$7.5 million in FY2006. Cash reserves as at 31 December 2006 stood at a healthy S$10.1 million.

Operations Review

(a) Corrosion Prevention Division

The marine, offshore oil and gas industry experienced a good year in 2006. Major shipyards in the region, many of which are the Group's customers, benefited from the increase in shipyard activities and the building of new vessels and rigs brought about by the buoyant industry conditions. As a "Hullside Resident Contractor" of several major shipyards, BKM benefits from the stability in demand for its Corrosion Prevention services. This division registered a slight 4% decrease in sales from S$33.6 million in FY2005 to S$32.3 million in FY2006. The decrease was mainly due to reduction in demand for tank cleaning services, and collection of used copper slag services. The Group, however, managed to remain profitable and was able to maintain its margins for this sector. The profit before tax declined 4% from S$2.4 million in FY2005 to S$2.3 million in FY2006.

The Corrosion Prevention division will continue to play a key role in BKM's foray into the rapidly expanding offshore market. The Group made a major breakthrough in November 2006 when it secured a S$3.9 million contract from a major rig building company to provide corrosion prevention services for a jack-up drilling rig. The contract will have a positive impact on the earnings for FY2007. We hope to secure similar contracts in the future.

(b) Infrastructure Engineering Division

Revenue for the Infrastructure Engineering division increased by 217% from S$5.1 million in FY2005 to S$16.2 million in FY2006. This division recorded the highest growth in revenue among all our business divisions. The marked increase in revenue is mainly due to revenue contribution from the Group's two new subsidiaries, Venture Automation & Electrical Engineering Pte. Ltd. (which specialises in industrial, automation and electrical engineering works), and ASIC Engineering Sdn Bhd (which mainly provides structural steel fabrication services to a shipyard in Malaysia) that were incorporated in the middle and end of FY2005 respectively. Since their incorporation, both subsidiaries have allowed the Group to expand its Infrastructure Engineering division geographically into new markets as well as expand the range of services it provides.

With the robust growth in new vessel and rig construction regionally, the Group's active expansion in recent years will place it in good stead to capitalise on the opportunities available. Coupled with restructuring efforts undertaken in past years, we believe this division will play a vital role in the growth of BKM in the future.

(c) Supply and Distribution Division

The growth in the Corrosion Prevention and Infrastructure Engineering divisions has resulted in an increase in demand for the Group's hardware products. As a direct consequence of the strategic integration of our business divisions, revenue for the Supply and Distribution division increased by 52% from S$14.5 million in FY2005 to S$22.1 million in FY2006. Profit before tax increased by 55% from S$1.1 million in FY2005 to S$1.7 million in FY2006, marking this the most profitable year for the Supply and Distribution division. The strong results posted by this division reinforced the Group's original strategy of growing this division for the purpose of complementing its other business divisions.

The increase in revenue of the Corrosion Prevention and Infrastructure Engineering divisions was one of the main factors for the strong performance in the Supply and Distribution division. This is a direct result of efforts made in emphasing on the quality of our personal protective and hardware products that meets stringent safety and certified standards which has in turn contributed to the positive returns.

Appreciation

Finally, I would like to thank all management and staff for their dedication and teamwork in making FY2006 a rewarding year for the Group. In addition, I would like to express my appreciation to all customers, suppliers, bankers, business associates and shareholders' for their staunch support over the years.

Yours faithfully,
Chua Beng Kuang, Managing Director
27 March 2007

BOARD OF DIRECTORS

Mr Tan Boy Tee
Chairman & Non-Executive Director

Mr Tan Boy Tee was appointed as our Chairman and Non-Executive Director on 28 April 1998. He has been the Executive Chairman of Labroy Marine Limited since 1996 and is responsible for the general administration and business development, overall strategic planning and direction of Labroy Marine Limited and its subsidiaries. He has been with Labroy Marine Limited since its inception in 1980, a company in the business of owning and managing tugs and barges, offshore vessles, tankers and container vessels before it was listed in 1996.

Mr Chua Beng Kuang
Managing Director

Mr Chua Beng Kuang is our Managing Director and one of our founders. He is in charge of overall management of our Group and is responsible for developing and steering the corporate plans, directions and business strategies of our Group. He has been involved in the corrosion prevention business in marine industry for over 26 years. He has led the management in pursuing our Group's mission and objectives and has been instrumental to our growth.

Mr Yong Thiam Fook
Non-Executive Director

Mr Yong Thiam Fook was appointed as our Non-Executive Director on 30 May 2002. He was formerly the Chief Financial Officer of Labroy Marine Limited where he was responsible for its treasury, accounting and finance control matters from 1994 to October 2006. He is currently the Group Financial Controller of JK Yaming International Holdings Limited and is responsible for its accounting, finance and tax matters. From 1989 to 1994, he was the Manager of the Accounts department of Kuok (Singapore) Ltd. and Island Concrete group of companies. From 1984 to 1988, he was the Manager of the Accounting and Corporate Budget department of Neptune Orient Lines Ltd. He was also the head of the Internal Audit Department of Singapore Polytechnic from 1982 to 1984 and the Audit Assistant to the Audit Senior of Citroen, Wells & Co, London from 1978 to 1982. He obtained a Bachelor of Science (Economics) from the University of London in 1978. He is currently fellow member of the Institute of Certified Public Accountants of Singapore. He is the Chairman of our Remuneration Committee as well as a member of our Audit Committee and Nominating Committee.



Mr Chua Meng Hua
Executive Director

Mr Chua Meng Hua is our Executive Director and is one of our founders. He oversees the overall administrative and the operational aspects of our Group and is in charge of the business development of our Group. He has had over 13 years of experience in the corrosion prevention business in the marine industry.

Mr Goh Chee Wee
Independent Director

Mr Goh Chee Wee was appointed as our Independent Director on 30 August 2004. He is currently the Chairman of NTUC Board of Trustees, and a director of several public listed companies. From 1980 to 2001, he was elected as a Member of Parliament and from 1993 to 1997, he served as the Minister of State for Trade and Industry, Labour and Communications. From 1997 to 2003, he was the Group Managing Director and Chief Executive Officer of Comfort Group Ltd. He obtained a Bachelor of Science (First Class Honours) from the then University of Singapore in 1969, a Master of Science (Engineering) from the University of Wisconsin in 1975 and a Diploma in Business Administration from the University of Singapore in 1980. He is the Chairman of our Nominating Committee as well as a member of our Audit Committee and Remuneration Committee.

Dr Wong Chiang Yin
Independent Director

Dr Wong Chiang Yin was appointed as our Independent Director on 30 August 2004. He is currently the Chief Operating Officer of the Changi General Hospital and the President of the Singapore Medical Association. From 1998 to April 2004, he held various senior positions, including the Chief Operating Officer of the Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He is a member of the Citizen's Consultative Committee of the Holland-Bukit Panjang Group Representation Constituency, Ulu Pandan Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001. He is the Chairman of our Audit Committee and a member of the Nominating Committee and Remuneration Committee.

EXECUTIVE OFFICERS

Mr Chua Beng Yong
General Manager
(Head of Infrastructure Engineering)

Mr Chua Beng Yong is one of the founders for the Group business. He is responsible for overseeing our Group's infrastructure engineering division, including its marketing and business development. He has over 15 years of experiences within the marine industry.

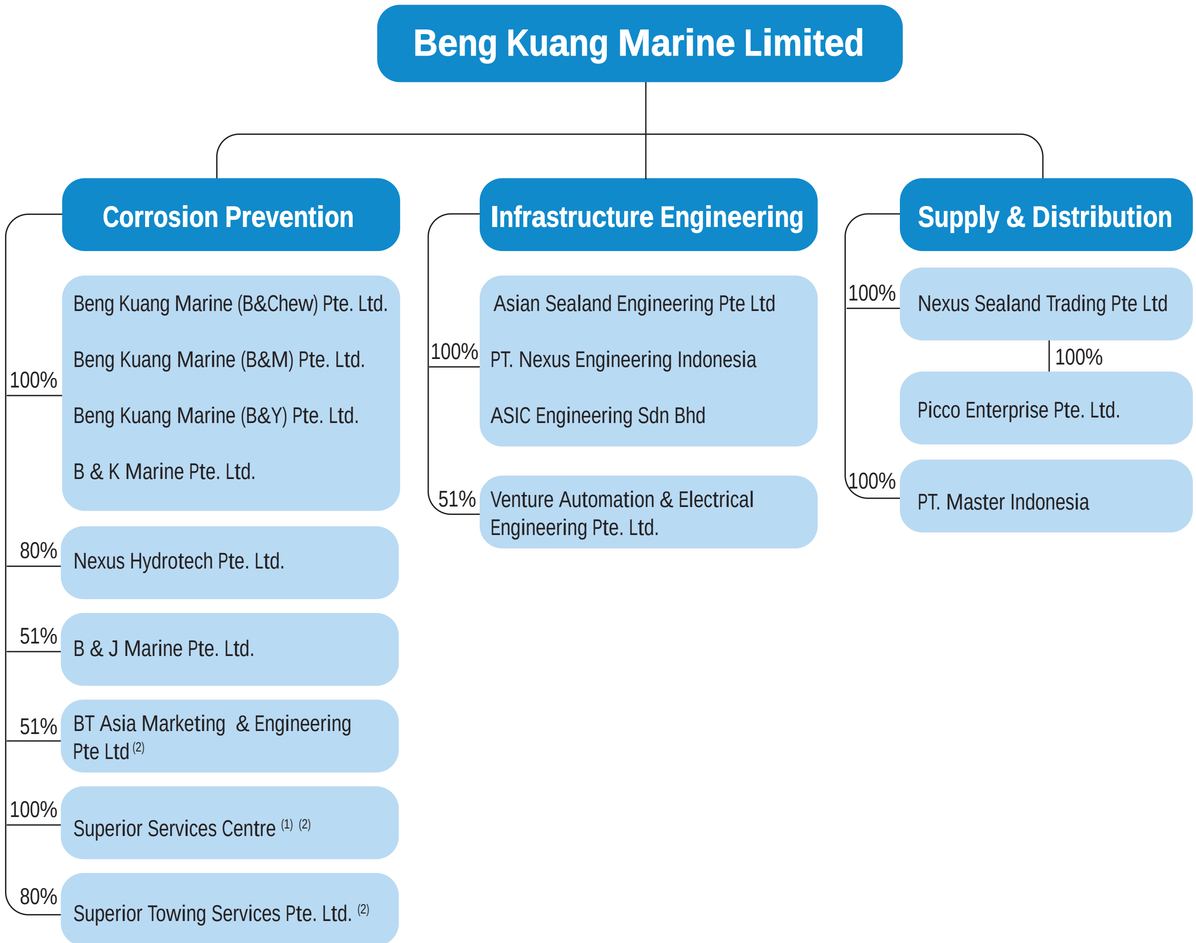
Mr Chua Beng Hock
Assistant General Manager
(Head of Corrosion Prevention Division)

Mr Chua Beng Hock is one of the founders for the Group business. He is responsible for overseeing our Group's corrosion prevention division, including its marketing business development. He has over 13 years of experiences within the marine industry.

Mr William Lee
Financial Controller

Mr William Lee is our Financial Controller. He is primarily responsible for our financing and accounting functions. He was seconded by Labroy to our Group as an accountant handling finance and accounting work since 2001 and was officially transferred to our Group as an employee with effect from 2004. From 2001 to 2004, he was also the Finance Manager of Nexus Engineering Pte Ltd where he was responsible for the finance and accounting work. From 1998 to 2000, he was an Audit Assistant of Bob Low and Company before being promoted to Audit Senior in 2000. He is an Associate Member of the Australian Society of Certified Practicing Accountants. He obtained a Bachelor of Accountancy from Queensland University of Technology in 1999.

GROUP STRUCTURE



Notes:

(1) Superior Service Centre is registered as a sole proprietorship in Singapore and is principally involved in the renting and repairing of blasting and painting equipment.

(2) These entities are held by Nexus Sealand Trading Pte Ltd.

Beng Kuang Marine Limited & Its Subsidiaries

Board of Directors
Tan Boy Tee, *Chairman and Non-Executive Director*
Chua Beng Kuang, *Managing Director*
Chua Meng Hua, *Executive Director*
Yong Thiam Fook, *Non-Executive Director*
Goh Chee Wee, *Independent Director*
Wong Chiang Yin, *Independent Director*

Audit Committee
Wong Chiang Yin, *Chairman*
Goh Chee Wee
Yong Thiam Fook

Remuneration Committee
Wong Chiang Yin, *Chairman*
Goh Chee Wee
Yong Thiam Fook

Nominating Committee
Goh Chee Wee, *Chairman*
Wong Chiang Yin
Yong Thiam Fook

Company Secretary
Wee Mae Ann, *L.L.B. (Hons)*

Registered Office
55 Shipyard Road
Singapore 628141
Tel: 65 - 6266 0010
Fax: 65 - 6264 0010
Email: bkm@bkmgroup.com.sg
Website: www.bkmgroup.com.sg

Auditors
Ernst & Young
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-Charge : Tham Chee Soon
(Since the financial year ended 31 December 2005)

Bankers
Malayan Banking Berhad
United Overseas Bank Limited

Legal Counsel
Loo & Partners
88 Amoy Street Level Three
Singapore 069907

Registrar and Share Transfer Office
M & C Services Private Limited
138 Robinson Road
The Corporate Office
#17-00
Singapore 068906
Tel: 65 - 6227 6660
Fax: 65 - 6225 1452

FINANCIAL REPORT

Index

REPORT OF CORPORATE GOVERNANCE

for the year ended 31 December 2006

The Board of Directors (the "Board") and management (the "Management") of Beng Kuang Marine Limited are committed to maintaining a high standard of corporate governance within the Group. The Company has, since its listing on the SGX-ST Dealing and Automated Quotation System in October 2004, put in place and adopted various policies and practices based on the Code of Corporate Governance (the "Code") where it is applicable and practical to the Group in the context of the Group's business and organisation structure.

The Company is pleased to report that it has generally adhered to the principles and guidelines as set out in the Code except for certain deviations which are explained below.

1. BOARD MATTERS

Principle 1: The Board's Conduct of Its Affairs

The Board is entrusted with the responsibility of the overall management of the business and corporate affairs of the Group. Every Director is expected, in the course of carrying out his duties, to act in good faith and to consider at all times the interests of the Company.

The principal function of the Board are to:–

(a) approve the Group's key business strategies and financial objectives, including the review of annual budgets, major investments/divestments, and funding proposals;

(b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

(c) review Management performance; and

(d) set the Company's values and standards, and ensure that obligations to shareholders and others are understood and met.

Matters that specifically require the Board's decision or approval, are those involving:–

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nominations of Directors and appointment of key personnel;
- Announcement of financial results, the annual report and accounts;
- Material acquisitions and disposal of assets; and
- All matters of strategic importance.

All other matters are delegated to committees whose actions will be monitored by the Board. These committees include the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), which operate within clearly defined terms of reference and functional procedures.

The Board conducts regular scheduled meetings on a quarterly basis at the registered office of the Company. Where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Article 120(2) of the Company's Articles of Association. The number of Board meetings held in the year and the attendance of the Directors of the Board and Board committees for FY2006 are as follows:–

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Boy Tee	4	1	–	–	–	–	–	–
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Yong Thiam Fook	4	4	4	4	1	1	1	1
Goh Chee Wee	4	4	4	4	1	1	1	1
Wong Chiang Yin	4	4	4	4	1	1	1	1

The Company believes that the attendance record of each Director at Board and/or Board committee meetings may not be a true reflection of his contributions. The Directors of the Company were appointed on the basis of their knowledge and experience as well as their potential to contribute to the proper guidance of the Group and its business. To focus on a Director's attendance at formal meetings may do injustice to his contributions, which can come in many different forms. For instance, the Company may look to him for guidance beyond the formal setting of Board meetings or he may be able to initiate relationships that are beneficial to the interests of the Group.

Where necessary, the Directors will be updated on the latest governance and listing policies that are relevant to the Group. All Directors are also updated regularly concerning any changes in company policies.

The Directors are welcome to request further explanations, briefings or informal discussions on any aspects of the Company's operations or business issues from the Management. The Chairman and Managing Director will make the necessary arrangements for the briefings, informal discussions or explanations required by the Director.

Newly appointed Directors will undergo an orientation programme and will be provided with materials to help them familiarise themselves with the business and governance practices of the Company.

Principle 2: Board Composition and Balance

(i) As at the date of this report, the Board comprises two Independent Directors, two Non-Executive Directors and two Executive Directors as follows:-.

Executive Directors

Chua Beng Kuang	(Managing Director)
Chua Meng Hua	(Executive Director)

Non-Executive Directors

Tan Boy Tee	(Chairman and Non-Executive Director)
Yong Thiam Fook	(Non-Executive Director)
Goh Chee Wee	(Independent Director)
Wong Chiang Yin	(Independent Director)

As the Independent Directors make up one third of the Board, there is a strong independent element on the Board, thereby allowing it to exercise objective judgment on corporate affairs independently from the Management.

(ii) The independence of each Director is reviewed annually by the NC, which adopts the Code's definition of what constitutes an independent director. The NC is of the view that the Independent Directors, namely Mr Goh Chee Wee and Dr Wong Chiang Yin, are independent.

(iii) The NC is of the view that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. It is also of the view that the current Board size of six Directors is appropriate for effective decision making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making processes.

Principle 3: Chairman and Managing Director

The Company keeps the posts of Chairman and Managing Director separate. There is a clear division of responsibilities between the Chairman and the Managing Director, which will ensure a balance of power and authority, such that no individual or small group of individuals represents a considerable concentration of power. Keeping the two posts separate will also ensure increased accountability and greater capacity of the Board for decision-making.

The Managing Director, Mr Chua Beng Kuang, is responsible for the overall management of the Group's operations.

The Chairman, Mr Tan Boy Tee, is a Non-Executive Director who is primarily responsible for the effective workings of the Board. He works together with the Managing Director in scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations. The Chairman and the Managing Director (with the assistance of the Company Secretary) also prepares the meeting agenda in consultation with the Directors.

The Chairman and the Managing Director also exercise control over quality, quantity and timeliness of the flow of information between the Management and the Board and assist in ensuring the Group's compliance with the Code.

The Chairman is not related to the Managing Director.

Principle 6: Access to Information

The Company believes that the Board should be provided with timely and complete adequate information prior to Board meetings and as and when the need arises.

The Company makes available to all Directors the management accounts, as well as the relevant background or explanatory information relating to matters, that are to be discussed at the Board meetings. Detailed board papers are sent out to the Directors before the scheduled meetings so that the members may be informed of the issues beforehand and have sufficient time to formulate questions that they may have. In respect of budgets, any material variance between the forecasts and actual results is reviewed by the Board and disclosed and explained by the Management, where required by the Board.

The Directors have also been provided with the contact details of the Company's Senior Management and Company Secretary to facilitate separate and independent access.

The Company's Secretary attends Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST. The appointments and removal of the Company Secretary would be a matter for the Board as a whole to decide.

Each member of the Board has independent access to the Group's independent professional advisers. Any cost of professional advice obtained will be borne by the Company.

2. BOARD COMMITTEES

Audit Committee

Principle 11: Audit Committee

The AC has been established with written terms of reference and comprises two Independent Directors and one Non-Executive Director. They are:–

Wong Chiang Yin*	(Chairman, Independent Director)
Goh Chee Wee**	(Member, Independent Director)
Yong Thiam Fook	(Member, Non-Executive Director)

Note:–
* appointed as Chairman on 19 May 2006.
** stepped down as Chairman on 19 May 2006.

Dr Wong Chiang Yin, an Independent Director, chairs this Committee. The AC met four times in the financial year under review. It performs the following functions:–

- Reviewing the announcement of the quarterly and full year results before submission to the Board for approval;
- Reviewing the audit plans and reports of the external auditors and to consider the effectiveness of the actions taken by the Management on the auditors' recommendations;
- Appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management, internal audit function and internal controls;
- Reviewing the assistance and co-operations given by the Management to the external auditors;

- Discussing problems and concerns, if any, arising from the interim and final audits;
- Recommending to the Board the external auditors for annual re-appointment; and
- Reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

Dr Wong Chiang Yin is the Chief Operating Officer of the Changi General Hospital and the President of the Singapore Medical Association. Mr Goh Chee Wee is a Chairman of NTUC Board of Trustees, and a director of several public listed companies whilst Mr Yong Thiam Fook is the Group Financial Controller of JK Yaming International Holdings Limited. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities.

The AC has explicit authority to investigate any matter within its terms of reference and has full access to and co-operation by the Management. It also has full discretion to invite any Director or Executive Officer to attend its meetings and reasonable resources to enable it to discharge its functions properly.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has confirmed their re-appointment.

The AC, has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken.

Where the need arises, the AC will meet with the external auditors, without the presence of the Management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors. The AC reviews the independence of the external auditors annually.

Principle 12: Internal Controls

The Board believes in the importance of maintaining a sound system of internal controls to safeguard shareholders' investments and the Group's assets.

The AC reviews the effectiveness of the Group's internal controls, including operational controls regularly and is responsible for the overall internal control framework. The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities. However, the system of internal controls maintained by the Management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk.

The Company's external auditors carried out, during the course of their audit, a review the effectiveness of the Company's material internal controls. Based on their review, the Board is of the view that the internal controls of the Group is adequate.

Principle 13: Internal Audit

The Company has in place an internal audit plan which is designed to provide reasonable assurance as to the effectiveness and efficiency of operations, integrity and reliability of financial information and to safeguard and maintain accountability of the Group's assets. An internal audit team is in place (consisting of staff from different departments) to conduct internal audits periodically for the Group.

An annual internal audit plan which covers areas such as the Group's payroll system, inventory control, cash handling and management is reviewed and approved by the AC. The AC also reviews the results of the internal audits during its quarterly meetings, to ensure the adequacy of the internal audit function. The internal audit team is responsible directly to the AC.

As and when the need arises, the AC will request for internal review assignments to be delegated or outsourced. The Company's external auditors also conducts an annual review of the effectiveness of the Company's internal controls during the course of their audit and reports its findings to the AC.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:–

Wong Chiang Yin*	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Yong Thiam Fook**	(Member, Non-Executive Director)

Note:–
* appointed as Chairman on 28 February 2007.
** stepped down as Chairman on 28 February 2007.

The RC members are familiar with executive compensation matters as they are performing executive functions in the companies where they are employed and/or are holding directorships in other public listed companies.

The RC recommends to the Board (in consultation with the Chairman) a framework of remuneration for the Board and the Executive Officers as well as specific remuneration packages for the Executive Director and the Managing Director. The recommendations were submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and Executive Officers' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. The members of the RC do not participate in any decisions concerning their own remuneration package.

Principle 8: Level and Mix of Remuneration

The remuneration packages for Executive Directors take into account the performance of the Group and the individual Director. The RC also ensures that the Executive Directors are adequately but not excessively remunerated as compared to industry and comparable companies. The Non-Executive Directors' remuneration in the form of directors' fees take into account the roles that the individual Directors play, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Directors. The Directors' fees are subject to shareholders' approval at the forthcoming AGM.

The Company has entered into separate service agreements with the Managing Director and Executive Director for an initial period of three years commencing 1 January 2004 and which shall be automatically renewed on a three-year basis. There are no onerous removal clauses in the service agreements. The remuneration includes a fixed salary and a variable performance related bonus that is designed to align their interests with those of the shareholders and link rewards to corporate and individual performance.

The Company does not have any employee share option schemes.

Principle 9: Disclosure on Remuneration

The Board has not included a separate annual remuneration report as it is of the view that the matters, that are required to be disclosed in the annual remuneration report, have been sufficiently disclosed in this corporate governance report and the financial statements of the Group.

The breakdown, showing the level and mix of each individual Directors' remuneration in FY2006 is as follows:–

Name of Directors	**Fees* %**	**Salary# %**	**Bonus %**	**Benefits %**	**Total %**
$500,001 to $750,000					
Chua Beng Kuang	0	61	39	0	100
$250,001 to $500,000					
Chua Meng Hua	3	56	41	0	100
$0 to $250,000					
Tan Boy Tee	100	0	0	0	100
Yong Thiam Fook	100	0	0	0	100
Goh Chee Wee	100	0	0	0	100
Wong Chiang Yin	100	0	0	0	100

** These fees are subject to approval of the shareholders at the forthcoming AGM.*
 # Salary is inclusive of fixed allowance and CPF contributions.

Top 5 Executives Officers	**Number**
$250,001 to $500,000	2
$0 to $250,000	3

The top five Executive Officers of the Group, are Mr Chua Beng Yong (General Manager, Head of Infrastructure Engineering Division), Mr Chua Beng Hock (Assistant General Manager, Head of Corrosion Prevention Division), Mr Ong Hock Sze (Assistant General Manager, Batam Operations), Mr Lee Choon Hwee (Assistant General Manager, Head of Supply and Distribution Division) and Mr Tan Say Tian (Senior Manager, Corrosion Prevention Division).

Our Executive Directors (Mr Chua Beng Kuang and Mr Chua Meng Hua) and our Executive Officers (Mr Chua Beng Yong and Mr Chua Beng Hock) are brothers.

No employee (not being a Director or an Executive Officer) who is an immediate family member of any Director was paid more than $150,000 during the financial year.

The gross remuneration disclosed is computed on gross salaries, allowances and other benefits accruing during the financial year.

Nominating Committee

Principle 4: Board Membership

The NC has been established with written terms of reference and comprises two Independent Directors and one Non-Executive Director. They are:–

Goh Chee Wee*	(Chairman, Independent Director)
Wong Chiang Yin**	(Member, Independent Director)
Yong Thiam Fook	(Member, Non-Executive Director)

Note:–
* appointed as Chairman on 19 May 2006.
** stepped down as Chairman on 19 May 2006.

The main terms of reference of the NC are as follows:–

- To review nominations for the appointment and re-appointment to the Board and the various Board committees;
- To decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;
- To decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company (in a case where the Director has multiple board representations);
- To ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years; and
- To determine, on an annual basis, whether a Director is independent.

The NC is responsible for the re-nomination of the Directors. Article 107 of the Company's Articles of Association requires one-third of the Directors to retire from office at least once in every three years at the Company's AGM whereas Article 112 provides that each term of appointment of the Managing Director shall not exceed five years. Retiring Directors are eligible to offer themselves for re-election pursuant to Article 109.

The NC will determine the criteria for the appointment of new Directors and will set up a process for selection and appointment of such Directors (when necessary) taking into account the experience and expertise of each candidate.

Director	Position	Date of Initial Appointment	Date of Last Re-election
Tan Boy Tee	Chairman & Non-Executive Director	28/04/98	28/04/05
Chua Beng Kuang	Managing Director	08/01/94	26/04/06
Chua Meng Hua	Executive Director	08/01/94	28/04/05
Yong Thiam Fook	Non-Executive Director	30/05/02	26/04/06
Goh Chee Wee	Independent Director	30/08/04	28/04/05
Wong Chiang Yin	Independent Director	30/08/04	28/04/05

Principle 5: Board Performance

Based on the recommendation of the NC, the Board has established processes and objective performance criteria for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director. The objective performance criteria addresses how the Board has enhanced long-term shareholders' value and includes a comparison with the industry peers. The performance evaluation also includes consideration of return on equity, our share price vis-à-vis the Singapore Straits Times Index, Sesdaq Index and a benchmark index of its industry peers. The selected performance criteria will not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as Director.

3. COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

The Company has taken efforts to comply with the Listing Manual of the SGX-ST on the disclosure requirements of material information. The Board is mindful of the obligation to provide shareholders of all major developments that affect the Group and strives to maintain a high standard of transparency.

The Board provides the shareholders with a detailed and balanced explanation and analysis of the Company's performance, position and prospects on a quarterly basis. This responsibility extends to reports to regulators. The Management provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a quarterly basis.

Information is communicated to shareholders on a timely basis through financial results and annual reports that are prepared and issued to all shareholders within the mandatory period, SGXNET, press releases and the Company's website at which the shareholders can access information on the Group. The Company does not practice selective disclosure and price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM. Shareholders are informed of shareholders' meetings through notices published in the newspapers and circulars sent to all shareholders. Each item of special business included in the notices of shareholders' meetings is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues. The members of the AC, NC and RC will be present at these meetings to answer questions relating to matters, that are overseen by these committees. The external auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

The Articles of Association of the Company allows for members to appoint up to two proxies to attend and vote in place of the member. The Company does not intend to implement absentia voting methods until security, integrity and other pertinent issues are resolved.

4. DEALINGS IN SECURITIES

The Company has adopted policies in line with the Rule 1207(18) set out in the Listing Manual of the SGX-ST on dealings in the Company's securities.

The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information. They are not allowed to deal in the Company's shares during the "black-out periods" prior to and ending on the date of the announcement of the results.

5. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested person which set out the procedures for review and approval of such transactions.

All interested person transactions will be documented and submitted on a quarterly basis to the AC for their review to ensure that such transactions are carried out at arm's length basis and on normal commercial terms and are not prejudicial to the Company.

Disclosure of interested person transactions are made together with the Company's quarterly results and also set out on page 56 of this Annual Report. The AC reviewed the significant transactions entered into by the Company with its interested persons for the year ended 31 December 2006 in accordance with its existing procedures.

The Board confirms that these interested person transactions were entered into at arm's length basis and on normal commercial terms and are not prejudicial to the shareholders of the Company.

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2006, and the balance sheet of the Company as at 31 December 2006.

Directors

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

Tan Boy Tee
Chua Beng Kuang
Chua Meng Hua
Yong Thiam Fook
Goh Chee Wee
Wong Chiang Yin

Arrangements to enable Directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object are, or one of whose objects is, to enable Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in shares of the Company and related corporations, as stated below:

	Direct interest		**Deemed interest**	
	At 1.1.2006	**At 31.12.2006**	**At 1.1.2006**	**At 31.12.2006**
Name of director				
The Company				
Beng Kuang Marine Limited (ordinary shares)				
Tan Boy Tee	100,000	100,000	48,570,875	48,570,875
Chua Beng Kuang	11,882,500	11,982,500	–	–
Chua Meng Hua	11,666,500	11,666,500	–	–
Yong Thiam Fook	50,000	50,000	–	–
Goh Chee Wee	100,000	100,000	–	–
Wong Chiang Yin	100,000	100,000	–	–

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2007.

By virtue of section 7 of the Singapore Companies Act, Cap. 50, Mr Tan Boy Tee is deemed to have an interest in the shares held by Labroy Marine Limited in the Company.

Except as disclosed above, no Director who held office at the end of the financial year had interests in shares or debentures of the Company, or of related corporations either, at the beginning or end of the financial year.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Share options

During the financial year, no options to take up unissued shares of the Company or any subsidiary were granted and no shares were issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

Audit Committee

The Audit Committee carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report of Corporate Governance.

Auditors

Ernst & Young have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Tan Boy Tee
Director

Singapore
27 March 2007

STATEMENT BY DIRECTORS

We, Chua Beng Kuang and Tan Boy Tee, being two of the Directors of Beng Kuang Marine Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto, 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 2006 and the results of the business, changes in equity and cash flows of the Group for the financial year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Tan Boy Tee
Director

Singapore
27 March 2007

INDEPENDENT AUDITORS' REPORT

To the Members of Beng Kuang Marine Limited

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages •• to ••, which comprise the balance sheets of the Group and the Company as at 31 December 2006, the statement of changes in equity of the Group, the profit and loss account and cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 directors, 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.

In our opinion,

(i) the consolidated financial statements of the Group and the balance sheet 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 2006 and the results, changes in equity and cash flow of the Group for the year ended on that date; and

(ii) 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.

Ernst & Young
Certified Public Accountants

Singapore
27 March 2007

BALANCE SHEETS
as at 31 December 2006

	Note	Group 2006	Group 2005	Company 2006	Company 2005
		$	$	$	$
Non-current assets					
Fixed assets	3	9,826,571	7,631,133	439,562	720,905
Subsidiaries	4	–	–	2,786,278	2,684,280
Due from subsidiaries (non-trade)	5	–	–	75,376	340,720
Current assets					
Stocks	6	8,656,442	6,007,469	–	–
Work-in-progress in excess of progress billings	7	5,492,533	7,674,745	719,159	1,012,877
Trade debtors	8	18,512,626	16,231,348	1,865	8,701
Other debtors	9	791,405	519,986	52,543	26,952
Prepayments		454,656	178,639	13,282	18,735
Due from subsidiaries (trade)	10	–	–	2,695,165	5,105,186
Due from subsidiaries (non-trade)	10	–	–	17,091,652	14,736,606
Due from related parties (trade)	10	4,777,249	3,185,874	1,655,904	1,447,332
Due from related parties (non-trade)	10	54,729	78,711	18	18
Fixed deposits	11	86,957	448,229	–	–
Cash and bank balances		10,005,190	3,032,150	3,303,382	613,910
		48,831,787	37,357,151	25,532,970	22,970,317
Current liabilities					
Trade creditors	13	8,585,387	5,503,933	62,478	191,353
Bills payable to banks	12	5,615,323	3,196,444	1,863,516	615,485
Other creditors and accruals	13	7,698,780	4,188,371	1,653,888	1,571,279
Due to related parties (trade)	10	238,384	345,793	73,500	138,758
Due to related parties (non-trade)	10	57,238	44,787	–	500
Due to subsidiaries (trade)	10	–	–	548,480	494,251
Due to subsidiaries (non-trade)	10	–	–	8,848	5,782
Provision for income tax		999,382	940,656	44,818	61,399
Lease obligations (current portion)	14	665,744	123,284	11,461	11,461
Bank overdrafts	12	6,557	30,091	–	30,091
Short-term bank loans	15	10,034,977	10,011,926	10,034,977	10,011,926
		33,901,772	24,385,285	14,301,966	13,132,285
Net current assets		14,930,015	12,971,866	11,231,004	9,838,032
Non-current liabilities					
Lease obligations (non-current portion)	14	1,057,918	95,692	12,389	23,850
Deferred taxation	24	660,070	682,699	62,000	101,600
		1,717,988	778,391	74,389	125,450
Net assets		23,038,598	19,824,608	14,457,831	13,458,487
Equity attributable to equity holders of the Company					
Share capital	16	11,551,142	9,298,950	11,551,142	9,298,950
Share premium		–	2,252,192	–	2,252,192
Revenue reserve	17	10,385,963	7,265,115	2,906,689	1,907,345
Translation reserve		(4,648)	1,567	–	–
		21,932,457	18,817,824	14,457,831	13,458,487
Minority interests		1,106,141	1,006,784	–	–
Total equity		23,038,598	19,824,608	14,457,831	13,458,487

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2006

	Note	Group 2006	Group 2005
		$	$
Revenue	18	70,550,051	53,246,389
Cost of sales		(53,278,015)	(38,427,243)
Gross profit		17,272,036	14,819,146
Other operating income – net	19	40,300	105,352
Administrative expenses		(9,813,441)	(9,830,528)
Selling and distribution expenses		(2,082,773)	(1,481,779)
Profit from operations	20	5,416,122	3,612,191
Financial income	22	8,690	15,649
Financial expenses	23	(865,301)	(645,731)
Profit before taxation		4,559,511	2,982,109
Taxation	24	(739,884)	(749,502)
Profit for the year		3,819,627	2,232,607
Attributable to:			
Equity holders of the Company		3,818,270	2,273,099
Minority interests		1,357	(40,492)
		3,819,627	2,232,607
Earnings per share (cents)			
– basic	25	3.28	1.96
– diluted	26	3.28	1.96

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

	Attributable to equity holders of the Company						
2005 Group	**Share capital**	**Share premium**	**Revenue reserve**	**Translation reserve**	**Total reserve**	**Minority interests**	**Total equity**
	$	**$**	**$**	**$**	**$**	**$**	**$**
At 1 January 2005	9,298,950	2,252,192	4,992,016	–	4,992,016	1,076,476	17,619,634
Net profit/(loss) for the year	–	–	2,273,099	–	2,273,099	(40,492)	2,232,607
Currency translation differences representing net gains and losses not recognised in statement of profit and loss	–	–	–	1,567	1,567	–	1,567
Issuance of shares to minority interest	–	–	–	–	–	10,000	10,000
Dividend paid	–	–	–	–	–	(39,200)	(39,200)
At 31 December 2005	9,298,950	2,252,192	7,265,115	1,567	7,266,682	1,006,784	19,824,608
2006 Group							
At 1 January 2006	9,298,950	2,252,192	7,265,115	1,567	7,266,682	1,006,784	19,824,608
Net profit/(loss) for the year	–	–	3,818,270	–	3,818,270	1,357	3,819,627
Transfer of share premium reserve to share capital (Note 16)	2,252,192	(2,252,192)	–	–	–	–	–
Currency translation differences representing net gains and losses not recognised in statement of profit and loss	–	–	–	(6,215)	(6,215)	–	(6,215)
Issuance of shares to minority interest	–	–	–	–	–	98,000	98,000
Dividend paid (Note 17)	–	–	(697,422)	–	(697,422)	–	(697,422)
At 31 December 2006	11,551,142	–	10,385,963	(4,648)	10,381,315	1,106,141	23,038,598

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	Group 2006	Group 2005
Cash flows from operating activities			
Profit before taxation		4,559,511	2,982,109
Adjustments for:			
Allowance for doubtful debts		525,130	1,674,424
Write-back of allowance for doubtful debts		(1,193,685)	(63,534)
Gain on disposal of fixed assets		(78,623)	(10,947)
Fixed assets written off		68,487	40,216
Depreciation of fixed assets		1,964,149	1,786,157
Interest income		(8,690)	(15,649)
Interest expenses		844,389	626,432
Operating profit before working capital changes		6,680,668	7,019,208
(Increase)/decrease in:			
Stocks		(2,648,973)	(749,006)
Work-in-progress in excess of progress billings		2,182,212	455,881
Trade debtors		(1,612,723)	172,703
Other debtors		(271,419)	(348,026)
Prepayments		(276,017)	67,775
Due from related parties, net		(1,567,393)	(902,431)
(Decrease)/increase in:			
Trade creditors		3,081,454	331,557
Other creditors and accruals		3,510,409	682,804
Due to related parties, net		(94,958)	(720,137)
Cash generated from operations		8,983,260	6,010,328
Interest received		8,690	15,649
Interest paid		(821,338)	(626,432)
Income taxes paid		(703,787)	(548,389)
Net cash generated from operating activities		7,466,825	4,851,156
Cash flows from investing activities			
Proceeds from disposal of fixed assets		414,014	201,065
Purchase of fixed assets	29(b)	(2,802,432)	(2,296,809)
Proceeds from minority shareholders of a subsidiary		98,000	10,000
Net cash used in investing activities		(2,290,418)	(2,085,744)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2006

	Note	Group 2006	Group 2005
Cash flows from financing activities			
Repayment of finance lease liabilities		(258,414)	(251,430)
Increase in bills payable to banks		2,418,879	114,628
Proceeds from short-term bank loans		5,000,000	9,000,000
Repayment of short-term bank loans		(5,000,000)	(9,998,612)
Dividends paid on ordinary shares by the Company		(697,422)	–
Dividends paid to minority shareholders of a subsidiary		–	(39,200)
Net cash generated from/(used in) financing activities		1,463,043	(1,174,614)
Net effect of exchange rate changes in consolidating subsidiaries		(4,148)	1,567
Net increase in cash and cash equivalents		6,635,302	1,592,365
Cash and cash equivalents at beginning of year		3,450,288	1,857,923
Cash and cash equivalents at end of year	29(a)	10,085,590	3,450,288

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

Beng Kuang Marine Limited (the "Company") is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange.

Prior to 15 October 2004, its immediate and ultimate holding company was Labroy Marine Limited ("LML"), incorporated in Singapore. On 15 October 2004, LML ceased to be the holding company and became a major shareholder of the Company.

Related companies refer to LML and its subsidiaries prior to 15 October 2004. Related parties refer to LML and its subsidiaries after 15 October 2004 and other entities in which the Company's and its subsidiaries' shareholders or directors exercise significant influence over their financial and operating policy decisions.

The registered office of the Company is located at 55 Shipyard Road, Singapore 628141 which is also its principal place of business.

The principal activities of the Company are provision of corrosion prevention services relating to repairing of ships, tankers and other ocean-going vessels.

The principal activities of the subsidiaries are shown in Note 4 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

The financial statements are presented in Singapore Dollars ("SGD" or "$") except when otherwise indicated.

2.2 FRS and INT FRS not yet effective

The Group and the Company has not applied the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (Annual periods beginning on or after)
FRS 1	Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)	1 January 2007
FRS 40	Investment Property	1 January 2007
FRS 107	Financial Instruments: Disclosures	1 January 2007
FRS 108	Operating Segments	1 January 2009
INT FRS 107	Applying the Restatement Approach under FRS 29, Financial Reporting in Hyperinflationary Economies	1 March 2006
INT FRS 108	Scope of FRS 102, Share-based Payment	1 May 2006
INT FRS 109	Reassessment of Embedded Derivatives	1 June 2006
INT FRS 110	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 FRS and INT FRS not yet effective (cont'd)

The Directors expect that the adoption of the above pronouncements will have no material impact to the financial statements in the period of initial application, except for FRS 107 and the amendment to FRS 1 as indicated below.

(i) FRS 107, Financial Instruments: Disclosures

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

(ii) Amendment to FRS 1 (revised), Presentation of financial statements (Capital Disclosures)

The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The Group will apply FRS 107 and the amendment to FRS 1 from the financial year beginning 1 January 2007.

2.3 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Key sources of estimation uncertainty

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

(i) Income taxes

The Group has exposure to income taxes in a number of jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2006 was $999,382 (2005: $940,656) and $660,070 (2005: $682,699) respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Significant accounting estimates and judgements (cont'd)

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

(ii) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these machinery, tools and equipment to be within 10 years. The carrying amount of the Group's machinery, tools and equipment at 31 December 2006 was stated in Note 3 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

Revenue recognition

The Group recognises revenue arising from provision of corrosion prevention and infrastructure engineering services to the extent of contract costs incurred where it is probable those costs will be recoverable or based on the stage of completion method. The stage of completion is measured by reference to the contract costs incurred to date and the estimated total costs for the contract.

Significant judgment is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contract costs incurred. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgment, the Group relies on past experience and history of settlements with the customers.

2.4 Functional and foreign currency

(a) Functional currency

The management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency, to be Singapore Dollars ($). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Singapore Dollars ($).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Functional and foreign currency (cont'd)

(b) Foreign currency transactions (cont'd)

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit and loss account.

(c) Foreign currency translation

The results and financial position of foreign operations are translated into Singapore Dollars ($) using the following procedures:

(i) Assets and liabilities for each balance sheet presented are translated at the rate ruling at that balance sheet date; and

(ii) Income and expenses for each income statement are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions.

All resulting exchange differences are recognised in a separate component of equity as translation reserve.

2.5 Subsidiaries and principles of consolidation

(a) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the holding company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions, are eliminated in full.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Subsidiaries and principles of consolidation (cont'd)

(b) Principles of consolidation (cont'd)

Acquisitions of subsidiaries are accounted for using the purchase method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group. They are presented in the consolidated balance sheet within equity, separately from the parent shareholders' equity, and are separately disclosed in the consolidated profit and loss account.

2.6 Fixed assets

All items of fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are stated at cost less accumulated depreciation and any impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

2.7 Depreciation

Depreciation is calculated on the straight-line method to write off the cost of fixed assets over their estimated useful lives. The estimated useful lives of fixed assets are as follows:

Motor vehicles	10 years
Computers	3 years
Office equipment	10 years
Furniture and fittings	10 years
Forklifts	10 years
Machinery, tools and equipment	10 years
Air-conditioners	5 years
Leasehold improvement and renovation	3 - 10 years
Leasehold building	over the lease period of 20 years

No depreciation is provided for fixed assets under construction as these assets are not available for use.

Fully depreciated fixed assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of fixed assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Leases

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the lease item, are capitalised at the present value of the minimum lease payments at the inception of the lease term and disclosed as leased fixed assets. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of liability. Finance charges are charged directly against the profit and loss account.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight line basis.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that a non-financial asset may be impaired. If any such indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses are recognised in the profit and loss account as 'other operating expenses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses recognised for an asset may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit and loss account unless the asset is carried at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit and loss account is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Stocks and work-in-progress

Stocks relate to trading goods and materials to be used in the rendering of services. These stocks are stated at the lower of cost (determined on a weighted average basis) and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Provision is made for deteriorated, damaged, obsolete and slow-moving stocks.

Work-in-progress comprises uncompleted repair and fabrication contracts and includes cost of materials, all direct expenditure and an attributable proportion of overheads plus recognised profit less recognised losses and progress billings. Provision for foreseeable losses on uncompleted contracts is made in the year in which such losses are determined.

2.11 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

The Group classifies the following financial assets as loans and receivables:

– cash and bank balances and fixed deposits
– trade and other debtors, including loans and amounts due from subsidiaries and related parties

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

(a) Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

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 was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(b) Assets carried at cost

If there is objective evidence that an impairment loss on a financial asset carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.14 Financial liabilities

Financial liabilities include trade creditors, which are normally settled on 30-120 day terms, other amounts payable, payables to related parties and interest-bearing loans and borrowings. Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process. The liabilities are derecognised when the obligation under the liability is discharged or cancelled or expired.

2.15 Loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in the profit and loss account when the liabilities are derecognised as well as through the amortisation process.

Borrowing costs are recognised as expenses in the period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Provisions

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

2.17 Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund (CPF), a defined contribution pension scheme in Singapore. Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

Employment leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

2.18 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have expired.

On derecognition of a financial asset, the difference between the carrying amount and the sum of (a) the consideration received and (b) any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Revenue

Revenue from corrosion prevention and infrastructure engineering services is recognised to the extent of contract costs incurred where it is probable those cost will be recoverable or based on the percentage-of-completion method. The percentage of completion for a given project is measured by reference to the contract costs incurred to date and the estimated total costs for the contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised, which are recoverable.

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from the repairing of ships is taken to the statement of profit and loss in the period in which repair works are completed and accepted by the customers.

(ii) Interest income

Interest income is recognised as interest accrues (using the effective interest method) unless collectibility is in doubt.

(iii) Dividends

Dividend income is recognised when the Group's or Company's right to receive payment is established.

2.20 Income tax

(a) Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Income tax (cont'd)

(b) Deferred tax (cont'd)

- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences (other than those mentioned above), carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

3. FIXED ASSETS

Group	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Leasehold building	Construction In Progress	Total
	$	$	$		$	$	$	$	$	$	$
Cost:-											
At 1 January 2005	2,546,955	334,768	410,418	148,821	835,582	9,068,939	90,680	2,430,683	533,230	–	16,400,076
Additions	414,032	71,028	17,515	4,001	8,700	1,796,813	1,648	18,472	–	–	2,332,209
Disposals/written off	(239,137)	(10,347)	(7,649)	(27,463)	(190,763)	(391,197)	–	(9,382)	–	–	(875,938)
At 31 December 2005 and 1 January 2006	2,721,850	395,449	420,284	125,359	653,519	10,474,555	92,328	2,439,773	533,230	–	17,856,347
Additions	331,873	64,903	34,818	23,361	141,000	3,510,094	8,774	39,739	–	410,970	4,565,532
Disposals/written off	(285,603)	(2,544)	–	(13,937)	(16,500)	(854,998)	–	–	–	–	(1,173,582)
Net exchange differences	(1,231)	–	(589)	(139)	–	(307)	(57)	(9)	–	–	(2,332)
At 31 December 2006	2,766,889	457,808	454,313	134,642	778,019	13,129,344	101,045	2,479,503	533,230	410,970	21,245,965
Accumulated depreciation:-											
At 1 January 2005	1,342,479	284,586	306,601	95,072	503,834	4,502,431	80,636	1,547,061	421,961	–	9,084,661
Charge for the year	277,353	52,676	30,609	14,381	60,833	1,210,085	1,927	129,765	8,528	–	1,786,157
Disposals/written off	(189,604)	(7,778)	(3,822)	(16,301)	(165,273)	(261,262)	–	(1,564)	–	–	(645,604)
At 31 December 2005 and 1 january 2006	1,430,228	329,484	333,388	93,152	399,394	5,451,254	82,563	1,675,262	430,489	–	10,225,214
Charge for the year	280,854	54,693	33,926	16,169	57,327	1,316,218	4,542	186,001	14,419	–	1,964,149
Disposals/written off	(193,592)	(2,332)	–	(2,582)	(16,500)	(554,698)	–	–	–	–	(769,704)
Net exchange differences	(136)	–	(70)	(12)	–	(41)	(4)	(2)	–	–	(265)
At 31 December 2006	1,517,354	381,845	367,244	106,727	440,221	6,212,733	87,101	1,861,261	444,908	–	11,419,394
Net carrying amount:-											
At 31 December 2005	1,291,622	65,965	86,896	32,207	254,125	5,023,301	9,765	764,511	102,741	–	7,631,133
At 31 December 2006	1,249,534	75,963	87,269	27,917	337,798	6,916,611	13,944	618,242	88,322	410,970	9,826,571

As at 31 December 2006, the Group had motor vehicles and machinery, tools and equipment, and forklifts purchased under finance lease contracts with net book value of $231,932, $2,185,347 and $NIL (2005 : $371,196, $NIL and $96,308) respectively.

3. FIXED ASSETS (CONT'D)

Company	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Tools and equipment	Air-conditioners	Renovation	Total
	$	$	$	$	$	$	$	$	$
Cost:-									
At 1 January 2005	574,329	168,341	58,287	64,424	526,000	2,300,842	28,090	56,965	3,777,278
Additions	45,213	47,032	–	–	–	–	–	–	92,245
Disposals	(126,356)	–	(3,000)	–	(116,500)	(239,460)	–	–	(485,316)
Transfer to subsidiaries	–	–	–	–	–	(18,880)	–	–	(18,880)
At 31 December 2005 and 1 January 2006	493,186	215,373	55,287	64,424	409,500	2,042,502	28,090	56,965	3,365,327
Additions	–	7,171	2,761	–	–	–	–	–	9,932
Disposals	(55,000)	–	–	–	(16,500)	(264,010)	–	–	(335,510)
At 31 December 2006	438,186	222,544	58,048	64,424	393,000	1,778,492	28,090	56,965	3,039,749
Accumulated depreciation:-									
At 1 January 2005	411,920	144,458	37,094	42,615	410,317	1,661,606	28,057	37,508	2,773,575
Charge for the year	37,461	25,862	5,179	5,712	25,643	212,489	33	5,697	318,076
Disposals	(126,172)	–	(1,750)	–	(116,500)	(197,299)	–	–	(441,721)
Transfer to subsidiaries	–	–	–	–	–	(5,508)	–	–	(5,508)
At 31 December 2005 and 1 January 2006	323,209	170,320	40,523	48,327	319,460	1,671,288	28,090	43,205	2,644,422
Charge for the year	38,215	26,499	5,492	5,271	15,809	157,199	–	5,697	254,182
Disposals	(55,000)	–	–	–	(16,500)	(226,917)	–	–	(298,417)
At 31 December 2006	306,424	196,819	46,015	53,598	318,769	1,601,570	28,090	48,902	2,600,187
Net book value:-									
At 31 December 2005	169,977	45,053	14,764	16,097	90,040	371,214	–	13,760	720,905
At 31 December 2006	131,762	25,725	12,033	10,826	74,231	176,922	–	8,063	439,562

As at 31 December 2006, the Company had motor vehicles purchased under finance lease contracts with a net book value of $45,930 (2005 : $55,116).

4. SUBSIDIARIES

	Company 2006	Company 2005
	$	$
Unquoted equity shares, at cost	2,786,278	2,684,280

Details of the subsidiaries as at 31 December are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2006 %	Effective equity held by the Group 2005 %	Cost of investment held by the Company 2006 $	Cost of investment held by the Company 2005 $
Held by the Company						
Nexus Sealand Trading Pte Ltd#	Supply and distribution of products	Singapore	100	100	2	2
Asian Sealand Engineering Pte Ltd#	Provision of infrastructure engineering services	Singapore	100	100	1,800,000	1,800,000
PT Nexus Engineering Indonesia*	Provision of corrosion prevention and infrastructure engineering services	Indonesia	100(1)	100(1)	132,797	132,797
PT Master Indonesia*	Supply and distribution of products	Indonesia	100(1)	100(1)	177,000	177,000
B&J Marine Pte Ltd#	Provision of hydro-jetting and tank cleaning services	Singapore	51	51	51,000	51,000
B & K Marine Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&Chew) Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&M) Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&Y) Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Nexus Hydrotech Pte. Ltd.#	Provision of corrosion prevention services (utilising hydro-jetting machines)	Singapore	80	80	80,000	80,000
ASIC Engineering Sdn Bhd.^	Provision of infrastructure engineering services	Malaysia	100	100	43,479	43,479
Venture Automation & Engineering Pte. Ltd.#	Provision of industrial & marine automation works	Singapore	51	100	102,000	2
					2,786,278	2,684,280

4. SUBSIDIARIES (CONT'D)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment held by the Company	
			2006 %	2005 %	2006 $	2005 $
Held by Nexus Sealand Trading Pte Ltd						
BT Asia Marketing & Engineering Pte Ltd#	Trading of copper slag and waste management	Singapore	51	51		
Picco Enterprise Pte. Ltd.#	Supply and distribution of products	Singapore	100	100		
Superior Towing Services Pte. Ltd.#	Provision of towing truck services	Singapore	80	80		

Audited by Ernst & Young Singapore.
^ Audited by Ernst & Young Malaysia.
* Not required to be audited by the laws of country of incorporation.
(1) 1% of the shareholding is held in trust for the Company by an Executive Officer of the company's major shareholder.

5. DUE FROM SUBSIDIARIES (NON-TRADE)

The amount is unsecured, bears fixed rate of interest at 6.7% (2005: 6.6%) per annum and is repayable over a period ranging from 12 to 21 months.

6. STOCKS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Trading goods	8,530,146	5,818,702	–	–
Materials for own use	126,296	188,767	–	–
Total stocks at lower of cost and net realisable value	8,656,442	6,007,469	–	–

7. WORK-IN-PROGRESS IN EXCESS OF PROGRESS BILLINGS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Costs incurred to date	14,838,711	18,117,743	1,001,760	2,628,263
Add: Attributable profits	2,095,839	2,425,456	49,899	704,364
	16,934,550	20,543,199	1,051,659	3,332,627
Less: Progress billings	(11,442,017)	(12,868,454)	(332,500)	(2,319,750)
	5,492,533	7,674,745	719,159	1,012,877

8. TRADE DEBTORS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Trade debtors	21,009,879	19,964,201	5,455	22,591
Less: Estimated rebates/discounts	(1,305,647)	(1,707,751)	–	–
	19,704,232	18,256,450	5,455	22,591
Allowance for doubtful receivables	(1,191,606)	(2,025,102)	(3,590)	(13,890)
	18,512,626	16,231,348	1,865	8,701

Trade debtors are non-interest bearing and are generally on 30 to 120 days' payment terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade debtors for the Group are $277,932 (2005 : $3,579) and $1,270,360 (2005 : $54,263) denominated in US dollars and Malaysian Ringgit respectively.

Movements in allowance for doubtful debts during the year are as follows:

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Balance as at 1 January	2,025,102	885,508	13,890	10,240
Charged to profit and loss account	525,130	1,674,424	–	3,650
Written off against allowance	(164,941)	(471,296)	(10,300)	–
Write back to profit and loss account	(1,193,685)	(63,534)	–	–
Balance as at 31 December	1,191,606	2,025,102	3,590	13,890

9. OTHER DEBTORS

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Staff loans	–	1,400	–	650
Sundry debtors	692,055	256,150	–	26,302
Deposits	74,757	85,883	17,050	–
Others	24,593	176,553	35,493	–
	791,405	519,986	52,543	26,952

Included in other debtors for the Group are $66,275 (2005 : $10,718) and $2,055 (2005 : $nil) denominated in Indonesian Rupee and Malaysian Ringgit respectively.

10. DUE FROM/TO SUBSIDIARIES/RELATED PARTIES

(a) Non-trade

These amounts are unsecured, interest-free and are repayable on demand except for: -

(i) an amounts due from certain subsidiaries of $9,565,821 (2005 : $7,867,666) which bear floating rate of interest at 2.12% to 5.0% (2005 : 2.0% to 5.0%) per annum; and

(ii) an amount due from certain subsidiaries of $265,344 (2005 : $265,356) which bears fixed rate of interest at 6.7% (2005 : 6.6.%) per annum and is repayable within 1 year from 1 January 2007.

(b) Trade

These are non-interest bearing and subject to normal credit terms of 30 to 120 days.

11. FIXED DEPOSITS

Fixed deposits with a financial institution mature on varying periods within 1 month from the financial year end at a fixed rate of 3.10% (2005: 1.19% to 3.00%) per annum.

12. BANK OVERDRAFTS/BILLS PAYABLE TO BANKS

The bank overdrafts and bills payable are unsecured and they bear floating rate of interest at 4.50% to 5.50% (2005 : 4.50% to 5.50%) and 3.8125% to 6.98% (2005 : 2.91% to 4.85%) per annum, respectively.

13. TRADE AND OTHER CREDITORS

(a) Trade creditors

Trade creditors are non-interest bearing and are normally settled on 60 to 120 days' terms.

Included in trade creditors for the Group are $4,697 (2005 : $nil), $176,876 (2005 : $121,255) and $103,858 (2005 : $12,896) denominated in US dollars, Indonesian Rupee and Malaysian Ringgit respectively.

(b) Other creditors and accruals

	Group		**Company**	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Other creditors	1,241,943	372,662	319,777	249,561
Accrued operating expenses	6,456,837	3,815,709	1,334,111	1,321,718
	7,698,780	4,188,371	1,653,888	1,571,279

Included in other creditors for the Group is $104,550 (2005 : $11,712) denominated in Malaysian Ringgit.

14. LEASE OBLIGATIONS

	2006			2005		
	Minimum lease payments	Interest	Present value of payments	Minimum lease payments	Interest	Present value of payments
	$	$	$	$	$	$
Group						
Within 1 year	724,467	58,723	665,744	141,699	18,415	123,284
Within 2 to 5 years	1,150,988	93,070	1,057,918	112,937	17,245	95,692
	1,875,455	151,793	1,723,662	254,636	35,660	218,976
Company						
Within 1 year	13,968	2,507	11,461	13,968	2,507	11,461
Within 2 to 5 years	15,100	2,711	12,389	29,068	5,218	23,850
	29,068	5,218	23,850	43,036	7,725	35,311

Finance leases bear interest ranging from 2.23% to 3.60% (2005 : 2.30% to 3.50%) per annum. The effective interest rates range from 4.30% to 7.06% (2005 : 4.30% to 6.75%) per annum.

All assets acquired under finance leases are charged to secure the obligations under the finance leases. The net book value of assets acquired under finance leases is disclosed in Note 3.

The finance leases do not contain any escalation clauses and do not provide for contingent rents. Lease terms do not contain restrictions on the Group activities concerning dividends, additional debts or entering into other leasing agreements.

15. SHORT-TERM BANK LOANS

The short-term bank loans are unsecured and bear floating rate of interest ranging from 4.36% to 5.06% (2005: 2.73% to 4.68%) per annum which are also the effective interest rates. The repricing interval for the interest rate ranges from 1 to 3 months.

16. SHARE CAPITAL

	Group and Company			
	2006		2005	
	No. of shares	$	No. of shares	$
Issued and fully paid:				
At 1 January	116,236,875	9,298,950	116,236,875	9,298,950
Transfer of share premium reserve to share capital	–	2,252,192	–	–
At 31 December	116,236,875	11,551,142	116,236,875	9,298,950

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions.

In accordance with the Companies (Amendment) Act 2005, on 30 January 2006, the shares of the Company ceased to have a par value and the amount standing in the share premium reserve became part of the Company's share capital.

17. REVENUE RESERVES

Movements in revenue reserve for the Group are disclosed in the Consolidated Statement of Changes in Equity. Movements in revenue reserve for the Company are set out below:-

	Company	
	2006	2005
	$	$
Balance as at 1 January	1,907,345	318,313
Net profit for the year	1,696,766	1,589,032
Dividends paid	(697,422)	–
Balance as at 31 December	2,906,689	1,907,345

The directors proposed a first and final dividend of 1.10 cent (2005 : 0.75 cent) per share less tax of 18% (2005 : 20%) amounting to $1,156,697 (2005 : $697,422) in respect of the financial year ended 31 December 2006.

Final dividend for the financial year ended 31 December 2006 is calculated based on 128,236,875 ordinary shares (2005 : 116,236,875 ordinary shares) subsequent to the placement of 12,000,000 new ordinary shares as disclosed in Note 33.

The dividends have not been recognised as a liability at year end as it is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

18. REVENUE

	Group	
	2006	2005
	$	$
Corrosion prevention services	32,265,045	33,628,071
Infrastructure engineering services	16,192,578	5,102,096
Supply and distribution of products	22,092,428	14,516,222
	70,550,051	53,246,389

Revenue is stated net of estimated rebates and discounts.

19. OTHER OPERATING INCOME/(EXPENSES) – NET

	Group	
	2006	2005
	$	$
Gain on disposal of fixed assets	78,623	10,947
Exchange (losses)/gain	(61,843)	72,440
Fixed assets written off	(68,487)	(40,216)
Other income	92,007	62,181
	40,300	105,352

20. PROFIT FROM OPERATIONS

This is determined after charging the following:

	Group	
	2006	2005
	$	$
Non-audit fees paid to auditors of the Company	39,759	25,500
Depreciation of fixed assets	1,964,149	1,786,157
Allowance for doubtful debts	525,130	1,674,424
Write back of allowance for doubtful debts	(1,193,685)	(63,534)
Personnel expenses		
– Wages, salaries and bonuses	13,842,676	11,897,407
– Central Provident Fund contributions	516,341	459,975
– Other personnel expenses	1,611,536	1,048,286

The personnel expenses include the amounts shown as Directors' and Executive Officers' remuneration in Note 26.

21. DIRECTORS' REMUNERATION

The number of Directors of the Company whose remuneration falls within the following bands:

	Group	
	2006	2005
	$	$
$500,000 and above	1	–
$250,000 to below $500,000	1	2
Below $250,000	4	4
Total	6	6

22. FINANCIAL INCOME

	Group	
	2006	2005
	$	$
Interest income – fixed deposits	8,690	15,649

23. FINANCIAL EXPENSES

	Group	
	2006	2005
	$	$
Interest expense:-		
Bank overdrafts	72,162	130,568
Finance leases	26,448	28,038
Short-term bank loans	470,272	376,205
Bills payable	275,507	91,621
Bank charges	20,912	19,299
	865,301	645,731

24. TAXATION

	Group 2006	Group 2005
	$	$
Current tax:-		
Current year	921,139	906,089
Overprovision in prior year	(158,626)	(19,186)
Deferred tax:-		
Current year	(39,860)	(122,097)
Under/(over) provision in prior year	17,231	(15,304)
	739,884	749,502

The Group has unutilised tax losses of approximately $547,000 (2005 : $291,000) available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provisions of the Singapore Income Tax Act.

The potential deferred tax asset arising from these unutilised tax losses had been recognised in the financial statements in accordance with accounting policy Note 2 in the financial statements.

A reconciliation of the amount determined by multiplying the statutory tax rate against the accounting profit to the Group's tax expense for the years ended 31 December is as follows:

	Group 2006	Group 2005
	$	$
Profit before taxation	4,559,511	2,982,109
Tax at the applicable tax rate of 20% (2005 : 20%)	911,902	596,422
Tax effect of expenses that are not deductible in determining taxable profit	72,285	200,174
Tax exemption and rebates	(100,264)	(57,383)
Tax effect of different tax rates in foreign jurisdictions	28,693	62,439
Overprovision of current tax in respect of prior years	(158,626)	(19,186)
Under/(over) provision of deferred tax in respect of prior years	17,231	(15,304)
Others	(31,337)	(17,660)
Tax expense	739,884	749,502

24. TAXATION (CONT'D)

Deferred taxation at 31 December relate to the following:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Deferred tax liabilities (assets):				
Excess of net book value over tax written down value of fixed assets	899,150	822,755	76,000	114,600
Provisions	(108,193)	(81,856)	(14,000)	(13,000)
Unutilised tax losses	(134,000)	(58,200)	–	–
	656,957	682,699	62,000	101,600

25. EARNINGS PER SHARE

The calculations of earnings per share are based on the profit attributable to ordinary equity holders of the Company and the number of shares shown below:

	Group	
	2006	**2005**
	$	**$**
Profit attributable to ordinary equity holders of the Company	3,818,270	2,273,099

	Number of shares	
	2006	**2005**
	$	**$**
Weighted average number of shares for basic and diluted earnings per share	116,236,875	116,236,875

(a) Earnings per ordinary share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

(b) There is no dilution of earnings per ordinary share since there is presently no share option scheme on un-issued shares.

26. RELATED PARTY DISCLOSURES

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties on terms agreed between the parties were as follows:

	Group	
	2006	2005
	$	$
Income:		
Sales to related parties	4,857,444	4,232,097
Service rendered to related parties	5,226,065	3,318,888
Expenses:		
Purchases from related parties	182,829	501,036
Services from related parties	3,904	–
Rental of premises from related parties	540,000	660,000
Transport services from related parties	100,966	142,815

	Group	
	2006	2005
	$	$
Directors' and Executive Officers' remuneration		
Directors' fees	89,000	104,000
Wages, salaries and bonuses	2,326,920	1,683,908
Central Provident Fund contributions	144,002	102,800
Total	2,559,922	1,890,708
Short–term employee benefits comprise amounts paid to:		
Directors of the Company	1,098,359	928,255
Executive Officers of the Group	1,461,563	962,453
Total	2,559,922	1,890,708

27. OPERATING LEASE COMMITMENTS

The Group has various operating lease agreements for office premises and workers' accommodation.

	Group		Company	
	2006	2005	2006	2005
	$	$	$	$
Future minimum lease payments				
– Within 1 year	549,000	753,000	420,000	420,000
– Within 2 to 5 years	1,604,000	473,000	1,260,000	–
	2,153,000	1,226,000	1,680,000	420,000

Rental expense was $789,039 for the years ended 31 December 2006 and 2005.

The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing, escalation clauses and do not provide for contingent rents for the financial years ended 31 December 2006 and 2005. For the financial year ended 31 December 2006 and 2005, certain lease agreements contain renewal option for additional lease period of 1 year at prevailing market rates.

28. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group	
	2006	2005
	$	$
Purchase of fixed assets approved but not provided for in the financial statements as at 31 December	898,200	237,000

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	2006	2005
	$	$
Cash and bank balances		
– non-interest bearing	4,884,380	1,560,450
– interest bearing	5,120,810	1,471,700
Fixed deposits (Note 11)	86,957	448,229
Bank overdrafts (Note 12)	(6,557)	(30,091)
	10,085,590	3,450,288

Bank overdrafts are included in the determination of cash and cash equivalents because they form an integral part of the Group's cash management.

29. NOTES TO CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

(a) Cash and cash equivalents (cont'd)

Cash and bank balances earn interest of 1.1875% (2005 : 1.1875%) per annum.

Included in cash and cash equivalents for the Group are $858,827 (2005 : $61,414), $76,913 (2005 : $59,665) and $840,090 (2005 : $832,474) denominated in US dollars, Indonesian Rupee and Malaysian Ringgit respectively.

(b) Fixed assets

During the financial year, the Group acquired fixed assets with an aggregate cost of $4,565,532 (2005 : $2,332,209) of which $1,763,100 (2005 : $35,400) were acquired by means of lease agreements and cash payments of $2,802,432 (2005 : $2,296,809).

30. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged in providing services/products (business segment), or in providing such services/products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(a) Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the services provided. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the type of services provided, with each segment representing a strategic business unit that offers different services and serves different markets.

(b) Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, liabilities and expenses.

Transfer prices between business segments are set in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

(c) Business segments

The Group has 3 main business segments as detailed below.

Corrosion Prevention : This relates to the provision of corrosion prevention services, mainly blasting and painting services as part of the shipbuilding, ship conversion and ship repair activities in the marine, oil and gas and other industries. It also includes corrosion prevention services for steel work structures and piping modules of oil rigs and jack-up rigs.

Infrastructure Engineering : This relates to the provision of turnkey engineering services from planning project management to implementation involving fabrication, corrosion prevention, testing, installation and pre-commissioning steel work modules and structures.

Supply and Distribution : This relates to the supply and distribution of hardware equipment, tools and other products used in the marine, oil and gas, and construction industries.

30. SEGMENT INFORMATION (CONT'D)

(c) Business segments (cont'd)

	Corrosion Prevention $	Infrastructure Engineering $	Supply and Distribution $	Elimination $	Consolidated $
Year ended 31 December 2006					
Sales to external customers	32,265,044	16,192,578	22,092,428	–	70,550,051
Inter-segment sales	244,812	532,614	4,226,484	(5,003,910)	–
Total revenue	32,509,857	16,725,192	26,318,912	(5,003,910)	70,550,051
Segment results	2,650,176	977,128	2,140,401	–	5,767,707
Unallocated expenses					(289,740)
Financial income					(927,144)
Financial expenses					8,690
Profit before taxation					4,559,511
Taxation					(739,884)
Profit after taxation					3,819,627
Minority interest					1,357
Net profit					3,818,269
Segment assets	51,006,521	11,999,471	21,088,044	(25,435,678)	58,658,357
Segment liabilities	(31,709,775)	(10,805,786)	(16,880,425)	25,435,678	(33,960,308)
Unallocated liabilities					(1,659,452)
Total liabilities					(35,619,760)
Capital expenditure	3,369,102	927,743	269,168	–	4,566,013
Depreciation	1,599,800	206,588	157,761	–	1,964,150
Non-cash expense (Allowance for doubtful debts)	(52,905)	(72,000)	(400,225)	–	(525,130)

30. SEGMENT INFORMATION (CONT'D)

(c) Business segments (cont'd)

	Corrosion Prevention $	Infrastructure Engineering $	Supply and Distribution $	Elimination $	Consolidated $
Year ended 31 December 2005					
Sales to external customers	33,628,071	5,102,096	14,516,222	–	53,246,389
Inter-segment sales	164,028	10,602	3,847,423	(4,022,053)	–
Total revenue	33,792,099	5,112,698	18,363,645	(4,022,053)	53,246,389
Segment results	2,671,305	(281,288)	1,306,734	–	3,696,751
Unallocated expenses					(157,000)
Financial income					88,089
Financial expenses					(645,731)
Profit before taxation					2,982,109
Taxation					(749,502)
Profit after taxation					2,232,607
Minority interest					40,492
Net profit					2,273,099
Segment assets	36,010,413	6,877,568	13,749,859	(11,649,556)	44,988,284
Segment liabilities	19,415,280	6,210,482	9,564,115	(11,649,556)	23,540,321
Unallocated liabilities					1,623,355
Total liabilities					25,163,676
Capital expenditure	1,851,778	346,818	133,613	–	2,332,209
Depreciation	1,423,754	175,447	186,956	–	1,786,157
Non-cash expense (Allowance for doubtful debts)	600,603	884,903	188,918	–	1,674,424

30. SEGMENT INFORMATION (CONT'D)

(c) Business segments (cont'd)

Revenue is based on the billing location of customers. Assets and additions to property, plant and equipment are based on the location of the companies that own those assets.

	Singapore		Others[1]		Eliminations		Consolidated	
	2006	2005	2006	2005	2006	2005	2006	2005
	$	$	$	$	$	$	$	$
Revenue:								
Sales to external customers	551,146,101	41,751,146	15,403,950	11,495,243	–	–	70,550,051	53,246,389
Inter-segment sales	8,251,502	4,869,398	3,613,038	1,586,736	(11,864,540)	(6,456,134)	–	–
Total revenue	63,397,603	46,620,544	19,016,988	13,081,979	(11,864,540)	(6,456,134)	70,550,051	53,246,389
Other segment information:								
Segment assets	53,899,815	43,571,771	10,404,000	8,255,325	(5,645,457)	(6,838,812)	58,658,358	44,988,284
Total assets							58,658,358	44,988,284
Capital expenditure	4,125,953	2,036,409	439,579	295,800	–	–	4,565,532	2,332,209

[1] Others include Indonesia and Malaysia.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other debtors and creditors (including balances with related parties and subsidiaries) and loans and borrowings. Trade debtors and creditors arise directly from the Group's operations while loans and borrowings are obtained to provide financing for the Group's operations.

It is, and has been throughout the financial year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group obtains additional financing through bank borrowings and leasing arrangements. The Group's policy is to obtain the most favourable interest rates available in the market.

Information relating to the Group's interest rate exposure is disclosed in the notes on the Group's borrowings.

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Short-term funding is obtained from short-term bank loans and overdraft facilities.

Foreign exchange risk

Certain subsidiaries of the Group generate revenue and incur certain operating costs in foreign currencies which give rise to foreign exchange risk. The Group's exposure to foreign exchange risk is not considered as significant by management and the risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group will closely monitor the foreign exchange risk and will consider hedging significant foreign currency exposure should the need arise in future.

Credit risk

Credit risk, or the risk of counterparties defaulting, is managed through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company or its subsidiaries obtain guarantees from the customer or arrange netting agreements. Cash terms, advance payments, and letters of credit are required for customers of lower credit standing. The extent of the Group's and the Company's credit exposure is represented by aggregate carrying amount of cash and cash equivalents, trade debtors (including due from related parties and subsidiaries) and other debtors.

As at 31 December 2006, the Group has no significant concentrations of credit risk.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents, trade and other trade debtors, and amounts due from related parties and subsidiaries

The carrying amount approximates fair value due to the short-term maturity of these financial instruments.

Short-term borrowings, trade and other creditors, and amounts due to related parties and subsidiaries

The carrying amount approximates fair value because of the short period to maturity of these instruments.

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

Lease obligations

The fair value of lease obligations is determined by discounting the relevant cash flow using current interest rate for similar instruments as of balance sheet date.

As at 31 December 2006, the fair values of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table.

		2006		**2005**	
	Note	**Carrying amount**	**Estimated fair value**	**Carrying amount**	**Estimated fair value**
		$	**$**	**$**	**$**
Group					
Lease obligations	14	1,723,662	1,825,017	218,976	261,404
Company					
Lease obligations	14	23,850	28,100	35,311	41,023

33. SUBSEQUENT EVENT

On 9 February 2007, it was announced that 12,000,000 new ordinary shares were allotted and issued at a placement price of S$0.38 for each ordinary share. This will increase the issued and paid up share capital of the Company to 128,236,875 ordinary shares.

34. COMPARATIVE FIGURES

Certain prior year comparatives have been reclassified to better reflect the nature of the balances and to conform to the current year's presentation.

	Group	
	As reclassified 2005	**As previously classified 2005**
	$	**$**
Presentation in the Balance Sheet:		
Other debtors	519,986	698,625
Prepayments	178,639	–
Presentation in the Consolidated Profit & Loss Account:		
Other operating income – net	105,352	32,912
Finance income	15,649	88,089

34. COMPARATIVE FIGURES (CONT'D)

	Group	
	As reclassified 2005	As previously classified 2005
	$	$
Presentation in the Consolidated Cash Flow Statement:		
Cash flows from operating activities		
(Increase)/decrease in:		
Other debtors	(348,026)	(280,251)
Prepayments	67,775	–
Cash flows from financing activities		
Proceeds from short-term bank loans	9,000,000	–
Repayment of short-term bank loans	(9,998,612)	(998,612)

	Company	
	As reclassified 2005	As previously classified 2005
	$	$
Presentation in the Balance Sheet:		
Other debtors	26,952	45,687
Prepayments	18,735	–

35. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of Beng Kuang Marine Limited for the year ended 31 December 2006 were authorised for issue in accordance with a resolution of the Directors on 27 March 2007.

STATISTICS OF SHAREHOLDINGS

as at 15 March 2007

SHARE CAPITAL

Issued and fully paid	:	SGD16,111,142.00
Number of shares	:	128,236,875
Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote of each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	0	0.00	0	0.00
1,000 – 10,000	372	51.59	2,167,000	1.69
10,001 – 1,000,000	338	46.88	19,388,000	15.12
1,000,001 and above	11	1.53	106,681,875	83.19
TOTAL	721	100.00	128,236,875	100.00

SHAREHOLDINGS IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as at 15 March 2007, approximately 25.17% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

TOP TWENTY SHAREHOLDERS

No.	Name	No. of Shares	%
1	Labroy Marine Limited	48,570,875	37.88
2	Chua Beng Kuang	11,982,500	9.34
3	Chua Beng Hock	11,666,500	9.10
4	Chua Beng Yong	11,666,500	9.10
5	Chua Meng Hua	11,666,500	9.10
6	HSBC (Singapore) Nominees Pte Ltd	3,691,000	2.88
7	DBS Vickers Securities (S) Pte Ltd	2,140,000	1.67
8	UOB Kay Hian Pte Ltd	2,062,000	1.61
9	OCBC Securities Private Ltd	1,171,000	0.91
10	CIMB-GK Securities Pte. Ltd.	1,043,000	0.81
11	Phillip Securities Pte Ltd	1,022,000	0.80
12	Subramaniam S/O Muneyandi	620,000	0.48
13	United Overseas Bank Nominees Pte Ltd	616,000	0.48
14	Kim Eng Securities Pte. Ltd.	468,000	0.36
15	Tan Thee Sun @ Tan Boon Choo	437,000	0.34
16	Chua Wui Wui	402,000	0.31
17	Singapore Nominees Pte Ltd	350,000	0.27
18	DBS Nominees Pte Ltd	337,000	0.26
19	Citibank Nominees Singapore Pte Ltd	325,000	0.25
20	Lee Choon Hwee	320,000	0.25
		110,556,875	86.20

STATISTICS OF SHAREHOLDINGS

Substantial Shareholders
(as shown in the Company's register of substantial shareholders)
as at 15 March 2007

	Direct interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Substantial Shareholders				
Tan Boy Tee[1]	100,000	0.08	48,570,875	37.88
Chua Beng Kuang	11,982,500	9.34	–	–
Chua Meng Hua	11,666,500	9.10	–	–
Labroy Marine Limited	48,570,875	37.88	–	–
Chua Beng Yong	11,666,500	9.10	–	–
Chua Beng Hock	11,666,500	9.10	–	–

[1] Tan Boy Tee is deemed to be interested in 48,570,875 shares held by Labroy Marine Limited in the Company by virtue of Section 7 of the Companies Act, Cap. 50.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of Beng Kuang Marine Limited will be held at 55 Shipyard Road, Singapore 628141 on Friday, 27 April 2007 at 11.00 a.m. for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Report and audited Accounts for the financial year ended 31 December 2006 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 1.10 cent less tax per ordinary share for the year ended 31 December 2006. **(Resolution 2)**

3. To re-elect the following directors retiring under Article 107 of the Company's Articles of Association:-

   (i) Mr Chua Meng Hua **(Resolution 3)**

   (ii) Mr Tan Boy Tee **(Resolution 4)**

4. To approve the amount of S$74,000.00 proposed as Directors' Fees for the financial year ended 31 December 2006. **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

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

As Special Business:-

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

7. **Authority to allot and issue shares up to 50 per centum (50%) of issued share capital**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company for the time being, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company for the time being (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier." **[See Explanatory Note 1]** **(Resolution 7)**

8. **Renewal of Shareholders' Mandate for Interested Person Transactions**

(a) That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company and its subsidiaries, to enter into any of the transactions falling within the categories of interested person transactions set out in the Appendix to this Annual Report of the Company dated 12 April 2007 (the "Appendix") with any party who is of the class of interested persons described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "Shareholders' Mandate"); **(Resolution 8)**

(b) That the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and

(c) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution." **[see Explanatory Note 2]**

By Order Of The Board

Wee Mae Ann
Company Secretary
Singapore, 12 April 2007

NOTES:

(i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.

(ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 55 Shipyard Road, Singapore 628141 not less than 48 hours before the time appointed for holding the above Meeting.

EXPLANATORY NOTES:

1. The Ordinary Resolution 7 proposed in item 7 above, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

2. The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorise the interested person transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

12 April 2007

This Appendix is circulated to Shareholders of Beng Kuang Marine Limited ("the Company") together with the Company's annual report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Interested Person Transactions Mandate to be tabled at the Annual General Meeting to be held on 27 April 2007 at 11:00 a.m. at 55 Shipyard Road, Singapore 628141.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.

BENG KUANG MARINE LIMITED

(Company Registration Number : 199400196M)
(Incorporated in the Republic of Singapore)

APPENDIX

IN RELATION

TO DETAILS OF THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

APPENDIX

DEFINITIONS

In this appendix ("Appendix"), the following definitions apply throughout unless otherwise stated:-

"AGM"	:	The annual general meeting of the Company
"Company"	:	Beng Kuang Marine Limited
"Group"	:	The Company and its subsidiaries
"Labroy"	:	Labroy Marine Limited
"Labroy Group"	:	Labroy and its subsidiaries
"Act"	:	The Companies Act (Chapter 50) of Singapore
"Board" or "Directors"	:	The directors of our Company as at the date of this Appendix
"Controlling Shareholder"	:	A person who has an interest in our Shares of an aggregate of not less than 15% of the total votes attached to all our Shares, or in fact exercises control over our Company
"*Executive Director*"	:	The executive Directors of our Company as at the date of this Appendix, unless otherwise stated, and *"Non-Executive Director"* refers to our non-executive Director
"Hwah Hong"	:	Hwah Hong Transportation Pte. Ltd.
"*Executive Officers*"	:	The executive officers of our Group as at the date of this Appendix, unless otherwise stated
"Independent Directors"	:	*The independent Directors of our Company as at the date of this Appendix, unless otherwise stated*
"Interested Person"	:	*A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder*
"*Interested Person Transaction*"	:	Transactions proposed to be entered into between the Group and any interested person
"Latest Practicable Date"	:	*15 March 2007, being the latest practicable date prior to the printing of this Appendix*
"Listing Manual"	:	The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX SESDAQ"	:	Stock Exchange of Singapore Dealing and Automated Quotation System
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

"Shares"	:	Ordinary shares in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Substantial Shareholder"	:	A person who owns directly or indirectly 5% or more of the total share capital in our Company or in a company, as the case may be
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent."	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the same meanings ascribed to them respectively in Section 130A of the Act.

The expressions "our", "ourselves", "us", "we" or other grammatical variations thereof shall, unless otherwise stated, mean our Company and subsidiaries.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

BENG KUANG MARINE LIMITED

(Company Registration Number : 199400196M)
(Incorporated in the Republic of Singapore)

1. Introduction

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the Group's existing general mandate, renewed by the Shareholders during the last AGM held on 26 April 2006, which will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual ("Shareholders' Mandate").

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations which may be carried out with the listed company's interested persons, but not the purchase or sale of assets, undertakings or businesses provided such transactions are entered into at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

The current Shareholders' Mandate, which was renewed by the Shareholders during the last AGM held on 26 April 2006, will continue to be in force until the forthcoming AGM, which is to be held on 27 April 2007. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as "interested person", "associate", "associated company" and "controlling shareholder", are set out in the annexure of this Appendix.

2. Shareholders' Mandate For Interested Person Transactions

2.1 Categories of Interested Persons

The renewed Shareholders' Mandate will apply to our transactions (as identified below) with:-

(a) The Labroy Group; and

(b) Hwah Hong.

Transactions with the Labroy Group, Hwah Hong or any other Interested Person of the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Mandate.

2.2 Categories of Interested Persons Transactions

The Interested Person Transactions with the Labroy Group and/or Hwah Hong which will be covered by the Shareholders' Mandate ("Mandate Transactions") include the following:

(a) our provision of corrosion prevention services and infrastructure engineering services to the Labroy Group;

(b) our engagement of services and sub-contract work from the Labroy Group to fulfill our contractual commitments relating to our infrastructure engineering projects including but not limited to pipe fabrication services and steel welding services, and our purchase of items necessary from the Labroy Group to carry out such work including steel materials, angle bars and electrodes ;

(c) our supply of hardware equipment and tools (such as electrode holders, welding cables, wire brushes) and other consumables (such as electrodes and gloves) to the Labroy Group;

(d) our engagement of sea transportation services from the Labroy Group for our projects and products; and

(e) our engagement of lorry and crane services from Hwah Hong.

The Shareholders' Mandate will not cover any Mandate Transaction that is below S$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Interested Person Transactions entered or to be entered into by the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Mandate.

2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by our Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. Our Directors are of the view that it will be beneficial to our Group to transact with the Labroy Group and Hwah Hong. It is intended that the Mandate Transactions shall continue in the future as long as the Labroy Group and/or Hwah Hong (as the case may be) are Interested Persons of our Group and so long as the transactions are at arm's length basis and on normal commercial terms and are not prejudicial to our Company and our minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce and/or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by our Group into Mandate Transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficiency, and allow resources and time of the Group to be focused towards other corporate and business opportunities.

The Shareholders' Mandate is intended to facilitate the Mandate Transactions, provided that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to our Company and minority Shareholders.

2.4 Review Procedures for Mandate Transactions

To ensure that Mandate Transactions are undertaken at arm's length basis and on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to the Labroy Group and Hwah Hong than those extended to unrelated third parties, we will adopt the specific guidelines and procedures as set out below:-

(i) All Mandate Transactions of which are S$100,000 and above in value shall not be entered into unless the terms are determined as follows:-

(a) In relation to the sale of products to the Labroy Group, the selling price or fee shall not be more favourable to the Labroy Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;

(b) In relation to the supply of services to the Labroy Group, the fee shall not be more favourable to the Labroy Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors as mentioned in (a) above and additional factors such as the type of facilities available and material requirements; and

(c) In relation to the purchase of items and the engagement of services from the Labroy Group and Hwah Hong, our Group shall obtain two other quotations from non-Interested Persons for comparison. The purchase price or fee shall not be less favourable to our Group than the most competitive price or fee of the other quotations from non-Interested Persons. In determining the most competitive price or fee, non-price factors such as quality, delivery time, credit terms granted and track record will be taken account.

(ii) In the event that it is not possible for external quotations to be obtained (for instance, if there is no unrelated third party who is able to provide the same products or perform the same function) or there are no relevant successful sales of products or services to unrelated third party customers for our comparison, our Group will adopt the following procedures to determine whether the prices or fees offered by or to the Labroy Group and Hwah Hong are in accordance with the industry norms, at arm's length basis and on normal commercial terms:-

(a) For purchases of products and/or engagement of services from the Labroy Group and Hwah Hong, our purchase price must be no less favourable to the Group than that charged by the Labroy Group and/or Hwah Hong to their other unrelated customers after taking into consideration other non-price factors such as quality, delivery time, track record, and credit terms granted. We will obtain from the Labroy Group, Hwah Hong and elsewhere, the necessary evidence to satisfy ourselves that the basis set out herein have been adhered to in our purchases from them. We will also consider the cost and benefits of such transactions to our Group; and

(b) For sale of products and services to the Labroy Group, the price charged by our Group shall be determined in accordance with the Group's usual business practices and consistent with the Group's profit margin to be obtained by the Group for the same or substantially the same products and services after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship, type of working facilities and equipment available, scope of supply of materials and potential for future repeat business.

(iii) In addition, the following review and approval procedures will be implemented by our Group.

(a) Any Mandate Transaction which equals or exceeds more than S$100,000 but less than or equal to 3% of our Group's latest audited NTA in value will be reviewed and approved by either a Director, the Financial Controller or an Executive Officer of our Group (each of whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction;

(b) Any Mandate Transaction which exceeds 3% of our Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.

(iv) Our Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):-

(a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on at least a quarterly basis;

(b) The Company will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into); and

(v) Our Audit Committee will review the Interested Person Transactions on at least a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to Interested Person Transactions. Our Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

(vi) In the event that the Financial Controller, Executive Officer, Director or a member of our Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. Our Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

(vii) Our Audit Committee shall review from time to time the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis and on normal commercial terms and are not prejudicial to our Company and minority Shareholders. Further, if during these periodic reviews by our Audit Committee, our Audit Committee is of view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Company will (pursuant to Rule 920(1)(B)(IV) and (VII) of the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures.

2.5 Audit Committee's Statements

(a) The Audit Committee (currently comprising Dr Wong Chiang Yin, Goh Chee Wee and Mr Yong Thiam Fook) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 26 April 2006.

(b) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.

(c) The Audit Committee will also ensure that all disclosure and approval requirements for Interested Person Transactions, including those required by the prevailing legislation, the Listing Manual and the applicable accounting standards, as the case may be, are complied with.

3. Directors' And Substantial Shareholders' Interests

The interests of the Directors and the Substantial Shareholders in shares as at Latest Practicable Date are set out below:

	Direct interest		**Deemed Interest**	
	No. of Shares	**%**	**No. of Shares**	**%**
Directors				
Tan Boy Tee[(2)]	100,000	0.08	48,570,875	37.88
Chua Beng Kuang[(1)]	11,982,500	9.34	–	–
Chua Meng Hua[(1)]	11,666,500	9.10	–	–
Yong Thiam Fook	50,000	0.04	–	–
Goh Chee Wee	100,000	0.08	–	–
Wong Chiang Yin	100,000	0.08	–	–
Substantial Shareholders				
Labroy Marine Limited[(3)]	48,570,875	37.88	–	–
Chua Beng Yong[(1)]	11,666,500	9.10	–	–
Chua Beng Hock[(1)]	11,666,500	9.10	–	–

In the event that any of the above Directors and Substantial Shareholders is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

Notes:-

(1) Chua Beng Kuang (our Managing Director), Chua Meng Hua (our Executive Director), Chua Beng Yong (our Executive Officer) and Chua Beng Hock (our Executive Officer) are brothers.

(2) Tan Boy Tee is deemed to be interested in 48,570,875 Shares held by Labroy Marine Limited in our Company by virtue of his interest in shares representing 58.59% of the total issued share capital in Labroy at the Latest Practicable Date.

(3) Labroy Marine Limited is a company incorporated in Singapore and is listed on the Main Board of the SGX-ST. It business activities are mainly shipping, shipbuilding and repair, and technology. Its directors are Tan Boy Tee, Chan Sew Meng @ Chan Kwan Bian, Ong Lian Choon, Sitoh Yih Pin, Peter Chen Siow Hsing and Yong Thiam Fook. Our Non-Executive Directors, Tan Boy Tee and Yong Thiam Fook, are nominated by Labroy as its representatives.

4. Directors Recommendations

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Goh Chee Wee and Dr Wong Chiang Yin (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 8, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

5. Annual General Meeting

The AGM, notice of which is set out in the Annual Report 2006 of the Company, will be held on 27 April 2007 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

6. Action to be taken by shareholders

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his or her behalf, he or she should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with instructions printed thereon as soon as possible and, in any event, so as to reach the Company at 55 Shipyard Road, Singapore 628141 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him or her from attending and voting at the AGM if he or she so wishes. As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Appendix together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 8 at the AGM to be held on 27 April 2007.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2005 and 31 December 2006 are available for inspection at the registered office of the Company at 55 Shipyard Road, Singapore 628141 during normal business hours from the date of the Appendix up to the date of AGM.

8. Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

Annexure

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

Scope

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (other than a subsidiary that is listed on an approved stock exchange) or associated companies (other than an associated company that is listed on an approved stock exchange or over which the listed group and/or its interested person(s) has no control) proposes to enter into with a counter-party who is an interested person of the listed company.

Definitions

An "interested person" means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An "associate" means:-

(a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:-

- (i) his immediate family;
- (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
- (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more

(b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

An "associated company" means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A "controlling shareholder" means a person who holds (directly or indirectly) 15% or more of the nominal amount of all voting shares in the listed company or one who in fact exercises control over its listed company.

General Requirements

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement, or, immediate announcement and shareholders' approval would be required in respect of transactions with interested persons if certain thresholds (which are based on the value of the transaction as compared with the listed company's latest audited consolidated NTA), are reached or exceeded. In particular, shareholders' approval is required where:

(a) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group. However, a transaction which has been approved by shareholders, or is the subject approved by shareholders, need not be included in any subsequent aggregation.

Immediate announcement of a transaction is required where:

(a) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 3% of the latest audited consolidated NTA of the group.

The above requirements for immediate announcement and for shareholders' approval do not apply to any transaction below $100,000.

General Mandate

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual renewal.

BENG KUANG MARINE LIMITED
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:

1 For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

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

I/We, ____(Name)

of ____ (Address)
being a member/members of BENG KUANG MARINE LIMITED (the "Company") hereby appoint the Chairman of the Meeting or:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Thirteenth Annual General Meeting ("AGM") of the Company, to be held on Friday, 27 April 2007 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of Directors' Report and Audited Accounts		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Chua Meng Hua as a Director		
4	Re-election of Mr Tan Boy Tee as a Director		
5	Approval of proposed Directors' Fees of S$74,000.00		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
8	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ______ day of ______________, 2007.

TOTAL NUMBER OF SHARES IN :	
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

(Please see notes overleaf before completing this form)

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

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

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

5. This proxy form must be deposited at the Company's registered office at No. 55 Shipyard Road, Singapore 628141 not less than 48 hours before the time set for the Meeting.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with this proxy form, failing which this proxy form shall be treated as invalid.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Designed & Printed by SNP Security Printing Pte Ltd

Beng Kuang Marine Limited
55 Shipyard Road Singapore 628141
Tel: (65) 6266 0010   Fax: (65) 6264 0010
Website: www.bkmgroup.com.sg
Email: bkm@bkmgroup.com.sg