明 光 海 事 有 限 公 司

Beng Kuang Marine Limited

(Company Reg. No: 199400196M)

Believe | Beyond | Become

ANNUAL REPORT **2007**

MISSION STATEMENT

Being an established service provider of corrosion prevention to the marine, oil and gas industries in Singapore, our main motivation factor comes from customers' satisfaction via our quality workmanship and services.

We aspire to become an integrated marine service group with a major presence in South East Asia.

We are motivated to meet our customers' satisfaction with our quality workmanship and services.

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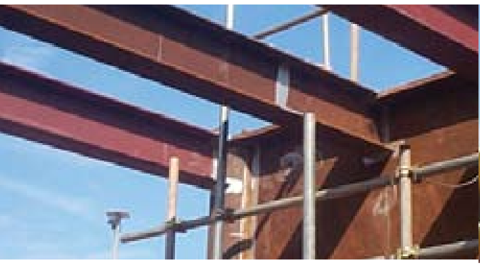


Listed on the Singapore Exchange in October 2004, Beng Kuang Marine Limited ("BKM") and its subsidiaries (the "Group") are principally engaged in the provision of Corrosion Prevention ("CP") services, comprising blasting and painting works, to customers in the marine, offshore oil and gas and other industries.

Its track record and reputation for reliability has enabled it to secure appointments as the "Resident Contractor" for vessel hull for several established shipyards in Singapore and Indonesia, Batam, such as Keppel Shipyards, Singapore Technologies Marine Ltd, Drydocks World – Singapore Pte Ltd (previously known as Pan United Marine Limited) and PT Nanindah Mutiara Shipyard (a subsidiary of Labroy Marine Limited).

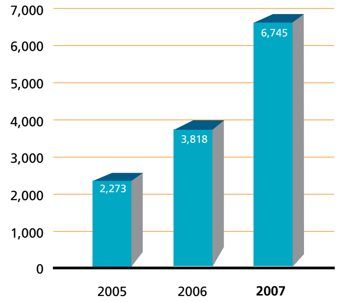
Established in 1994, BKM has gained an industry reputation for providing comprehensive and quality solutions for its customers' needs. As a testament of its commitment to quality, our Infrastructure Engineering ("IE") division has been accredited with the ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators, vessel owners, etc. BKM also 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 engages in Supply and Distribution ("SD") of over 400 types of marine 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.

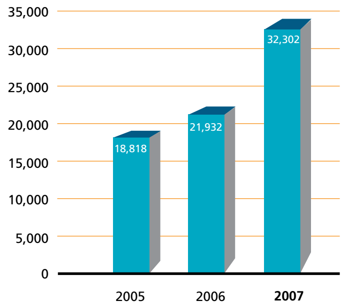
In May 2007, BKM has also expanded into the new Environment and Resource ("ER") division to engage in water and wastewater treatment and industrial waste management businesses.

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 corrosion prevention 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.

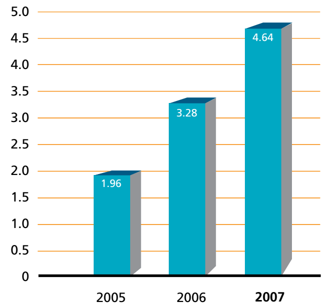
NET PROFIT (S$'000)



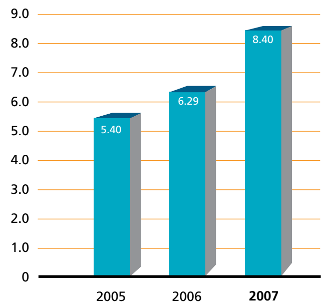
SHAREHOLDER'S EQUITY (S$'000)



EARNINGS PER SHARE (Cents)



NTA PER SHARE (Cents)



OPERATING RESULTS	**2007**	**2006**	**2005**
Turnover	95,686,996	70,550,051	53,246,389
EBITDA	12,439,695	7,359,359	5,379,049
Pretax profit	11,757,301	4,559,511	2,982,109
Net profit	6,744,648	3,818,270	2,273,099
Turnover growth	36%	32%	11%
EBITDA growth	69%	37%	20%
Pretax growth	158%	53%	26%
Net profit growth	77%	68%	27%
EBITDA margin	13%	10%	10%
Pretax margin	12%	6%	6%
Net profit margin	7%	5%	4%
FINANCIAL POSITION			
Total assets	90,831,476	58,658,358	44,988,284
Total debts	27,199,641	17,380,519	13,457,437
Shareholders' equity	32,301,888	21,932,457	18,817,824
Net debt : equity	0.52	0.33	0.52
PER SHARE DATA			
Earnings per share	4.64	3.28	1.96
Dividends per share	0.70	1.10	0.75
NTA per share +	8.40	6.29	5.40
3 YEAR SEGMENT RESULTS			
Turnover			
Corrosion Prevention	38,923,475	32,265,045	33,628,071
Infrastructure Engineering	28,546,836	16,192,578	5,102,096
Supply & Distribution	28,216,685	22,092,428	14,516,222
Pretax profit / (loss)			
Corrosion Prevention	4,440,467	2,298,745	2,406,521
Infrastructure Engineering	3,015,873	832,636	(320,899)
Supply & Distribution	2,499,947	1,717,870	1,053,487
Environment & Resource	2,477,030	–	–
Assets employed			
Corrosion Prevention	7,240,002	3,369,102	1,851,778
Infrastructure Engineering	5,366,877	927,262	346,818
Supply & Distribution	898,358	269,168	133,613
Environment & Resource	44,886	–	–

+ *Comparative figures for net asset value per ordinary share have been re-stated for the sub-division of shares by share split of each ordinary share into 3 ordinary shares.*

"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. The Group's earnings per share also increased from 3.28 cents in FY2006 to 4.64 cents in FY2007."

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 2007 ("FY2007").

GROWING THE BUSINESS

BKM was established in 1994 as a company providing only corrosion prevention ("CP") services to the marine industry. In 1999, the management had the foresight to expand its business to include Infrastructure Engineering ("IE"), and in 2000 also started a Supply and Distribution ("SD") division. These divisions are complementary to the flagship CP division and BKM was able to leverage on its existing client base to grow its businesses over the years. On hindsight, these initiatives were timely. The foray has continued to show remarkable results.

In FY2007, the Group's CP division accounted for 40.7% of sales while its IE and SD divisions contributed 29.8% and 29.5% respectively.

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 realize the growth potential of the various divisions. For instance, the IE division taps on the services of the CP division to offer a complete solution to customers' requirements in major projects, while the SD division provides the necessary tools and equipment.

Among the various sectors, the IE division is the star performer, recording the largest increase in revenue. This division looks set to grow even faster in 2008 as we have successfully acquired a 30-year leasehold waterfront land of approximately 32.8 hectare in Batam, Indonesia. With the 350-metres waterfront, the Group will be able to bid for more sophisticated engineering works such as fabrication of oil rig modules.

In FY2007, the Group expanded its activities into the waste management business with the acquisition of a 51% stake in an environmental firm, Water and Environmental Technologies (WET) Pte Ltd ("WET"). More cost savings will come in with the provision of cheaper waste disposal alternatives with the acquisition. It will also be beneficial for our existing subsidiaries that deals with collection and disposal of used copper slag as well as tank cleaning services for vessels.

With WET, the Group's has formed its fourth division - Environment and Resource ("ER"), which will be beneficial for BKM in future expansion opportunities to provide a wider spectrum of services for the marine, offshore oil and gas sectors.

STRENGTHENED FINANCIAL POSITION

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. The Group's earnings per share also increased from 3.28 cents in FY2006 to 4.64 cents in FY2007.

In light of the improved financial position and in appreciation of support shown by shareholders, the Board of Directors is pleased to propose a first and final tax exempt one-tier dividend of 0.70 cent per ordinary share in respect of FY2007. The proposed dividend will be subject to approval at the Annual General Meeting to be held on 22 April 2008, which if approved will be paid out on 13 May 2008.

INDUSTRY OUTLOOK – HARVESTING THE OPPORTUNITIES

The marine, offshore and the oil and gas industries recorded strong growth in 2007 and the trend is expected to continue through to 2008. Several factors underlie BKM's confidence in the industry: the recorded order-books for newbuilds obtained by the Group's major shipyard customers with their yard capacities stretched until 2010, consistently high utilization rates and day rates of rigs in the offshore sector, and the expected increase in global exploration and production budgets in response to high sustained oil prices.

According to the latest industry report by DBS Vickers in Jan 2008, the outlook for the oil and gas sector remains positive, underpinned by high order-books for newbuilds, and strong contract flows for vessel replacements to develop new oil fields. Also from the report, it is believed that the replacement cycle is yet to be completed, and the oil and gas industry would continue to re-invest in new rigs and vessels to replace ageing global fleets.

The Group believes that with its well integrated business divisions, BKM is well positioned to leverage on the increase in shipyard activities and new vessel and rig construction by local and overseas shipyards. The increase in demand for our valued services will provide the Group with the opportunity to further develop its 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,
Chua Beng Kuang
Managing Director

FINANCIAL & OPERATIONS REVIEW

2007 was a record year for the Group as the marine and offshore industry continues to surge on highly sustained oil prices. Most of the shipyards in which the Group operates are experiencing a high surge in activities, which has resulted in an increase in demand for our services. BKM's three core divisions delivered record performances in 2007 and has strengthened its position as a one-stop service provider to customers in the marine and offshore sectors.

FINANCIAL REVIEW

The Group's gross profit increased by 50.2% to S$25.9 million in FY2007 on the back of revenue increase from S$70.6 million to S$95.7 million for the same period.

Net Profit attributable to shareholders increased by 76.6% from S$3.8 million in FY2006 to S$6.2 million in FY2007. The increase was mainly attributable to the strong performance of the Infrastructure Engineering ("IE") Division, which had secured higher value projects, while the Corrosion Prevention ("CP") and Supply & Distribution ("SD") divisions continue to record stable growth in profits.

The Group's financial position has improved significantly from FY2006 to FY2007. Shareholders' equity increased from S$21.9 million as at 31 December 2006 to S$32.3 million as at 31 December 2007. This increase was mainly attributable to retained profits for the year.

Non-current assets increased by S$18.24 million to S$28.07 million as at 31 December 2007 as compared to S$9.83 million as at 31 December 2006. This increase was mainly due to provisional goodwill on consolidation arising from the acquisition of WET, investment in associates and the provisional intellectual property rights owned by WET and its associates. The increase in fixed assets was due mainly to the acquisition of a 32.8 hectare leasehold land, and leasehold improvement in Batam. The Group has also purchased a new fleet of air compressors and an auto-blasting machine to support the increasing operational needs. Banking facilities such as short-term loans and bank overdrafts were being utilised to finance the purchases which led to a marginal increase for our net gearing from 0.33 times in FY2006 to 0.52 times in FY2007.

There is a decrease in the net cash flow generated from operating activities from S$7.5 million in FY2006 to S$5.5 million in FY2007. This decrease was mainly due to an increase in trade receivables which is in line with the higher turnover. Cash and cash equivalents remains healthy at S$8.6 million despite the decrease in operational cashflow.

OPERATIONS REVIEW

Corrosion Prevention ("CP") Division

The marine and offshore industry had one of its best years in 2007. Major shipyards in the region, many of which are the Group's customers, benefited from the increase in shipyard activities, including new vessel and rig building brought about by the buoyant industry conditions. As the "Resident Contractor" for vessel hull to several major shipyards, BKM also gained from the increase in demand for its CP services. The division registered a 20.6% increase in sales from S$32.3 million in FY2006 to S$38.9 million in FY2007. Despite the positive industry outlook, the Group had to contend with the rising costs of raw materials and fuel. BKM had managed to alleviate the impact of the cost increases by upgrading and improving our resources management and work processes. As a result of these efforts, the Group was able to maintain its margins for this sector. Together with increased sales, profit before tax grew by a commendable 93.2% from S$2.3 million in FY2006 to S$4.4 million in FY2007.

The CP division will continue to play a key role in BKM's foray into the rapidly expanding offshore market. The Group secured its record contract of approximately US$7.65 million from Labroy Marine Limited in FY2007 to provide corrosion prevention services for its jack-up drilling rigs. To meet future demand, the Group intends to upgrade the skills of its employees through constant retraining programmes. We believe these initiatives will enable the Group to better meet the increase in demand for its corrosion prevention services.

Infrastructure Engineering ("IE") Division

Revenue for the IE division increased by 76.3% from S$16.2 million in FY2006 to S$28.5 million in FY2007. This division recorded the highest growth in revenue among all divisions with its stellar performance during the past year. The marked increase in revenue was mainly due to revenue contribution from a conversion and upgrading works of a Floating, Production, Supply and Offloading ("FPSO") vessel contract secured in early FY2007. The US$5.85 million contract was the largest to date ever secured by the Infrastructure Engineering division. This is a good start for BKM and we hope to secure similar contracts in the future.

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 capitalize on the opportunities available. In June 2007, the Group successfully acquired the 30-year leasehold waterfront land of approximately 32.8 hectare in Batam, Indonesia at a purchase consideration of approximately S$1.87 million. The 350-metres waterfront would enable the Group to bid for more sophisticated engineering works such as fabrication of oil rig modules. With the completion of the yard in the second half of 2008, the production capacity of the IE division will increase simultaneously. Coupled with restructuring efforts undertaken in past years, this division will play a vital role in the growth of BKM in the future.

Supply & Distribution ("SD") Division

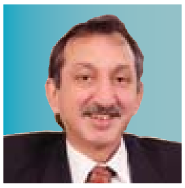
The growth in the CP and IE divisions has resulted in an increase in demand for the Group's consumables, a benefit arising from the strategic interdependence of the various divisions. As a result, revenue for the SD division increased by 27.7% from S$22.1 million in FY2006 to S$28.2 million in FY2007. Profit before tax increased by 45.5% from S$1.7 million in FY2006 to S$2.5 million in FY2007, marking this the most successful year for the SD division. The strong results posted by this division reinforced the Group's original strategy of starting the division as a strategic complement to the other divisions.

In February 2007, the SD division secured its largest orders of S$3.5 million to supply welding cables and other products required in ship repair, shipbuilding and rig building processes. In addition, the emphasis on quality personal protective equipment that meets stringent certified standards has also contributed to the increase in revenue. The provision for doubtful debts was higher in FY2007 because of the increase in sales, which is in accordance with the Group's policy.

Environment & Resource ("ER") Division

In May 2007, BKM acquired a 51% stake in environmental firm, Water and Environmental Technologies (WET) Pte Ltd ("WET"), which specializes in the provision of research and development on solutions for (i) water and wastewater treatment; (ii) solid waste management; and (iii) other researches that involve energy. The new acquisition will aid the Group to improve cost savings with cheaper waste disposal alternatives. BKM will also be looking at business opportunities to expand this division.

BOARD OF DIRECTORS



Mr Sameer Y. Khan
Chairman and Non-Executive Director

Mr Khan was appointed as our Chairman and Non-Executive Director on 25 January 2008. He is a Director and Chief Finance Officer of Dubai Drydocks World LLC ("DDW"). He is responsible for all finance matters relating to DDW and its subsidiaries ("DDW Group"). The subsidiaries of DDW Group include Dubai Drydocks, Drydocks World – Singapore Pte Ltd, and Labroy Marine Limited. The DDW Group is principally engaged in the provision of ship repair, conversions, shipbuilding and rig building. Mr Khan has been with Dubai Drydocks since its inception in 1983. He is a fellow of the Institute of Chartered Accountants England and Wales.

Dr Wong Chiang Yin
Independent Director

Dr Wong 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 Timah 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, Remuneration Committee and a member of the Nominating Committee.

Mr Goh Chee Wee
Independent Director

Mr Goh was appointed as our Independent Director on 30 August 2004. He is currently 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.

Mr Yong 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 corporate 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 a member of our Remuneration Committee, Audit Committee and Nominating Committee.

Mr Yong Thiam Fook
Non-Executive 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 27 years. He has led the management in pursuing our Group's mission and objectives and has been instrumental to our growth.

Mr Chua Beng Kuang
Managing 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 14 years of experience in the corrosion prevention business in the marine industry.

Mr Chua Meng Hua
Executive Director

EXECUTIVE OFFICERS

Mr. Chua Beng Yong
General Manager
Head of Infrastructure Engineering

He 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 16 years of experiences within the marine industry.

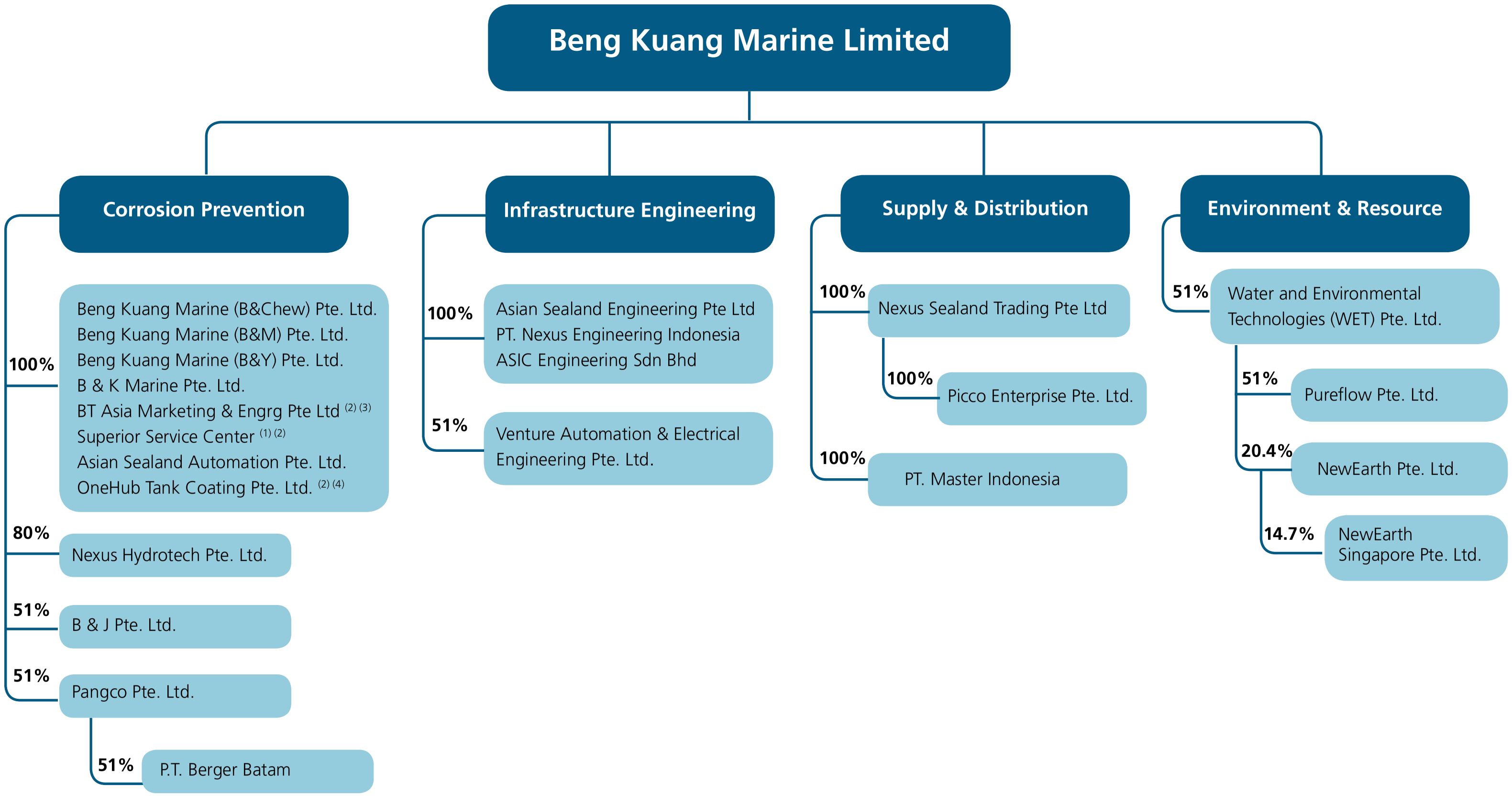
Mr. Chua Beng Hock
Assistant General Manager
Head of Corrosion Prevention Division

He 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 14 years of experiences within the marine industry.

Mr. Lee Wei Liang
Financial Controller

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

CORPORATE STRUCTURE



Note

(1) Superior Service Center 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.

(3) On 29 May 2007, Nexus Sealand Trading Pte Ltd had acquired 98,000 ordinary shares in the capital of BT Asia Marketing & Engineering Pte Ltd. As a result, Nexus Sealand Trading Pte Ltd now holds 100% of the total share capital of BT Asia Marketing & Engineering Pte Ltd.

(4) On 22 November 2007, Nexus Sealand Trading Pte Ltd has acquired 10,000 ordinary shares in the capital of OneHub Tank Coating Pte. Ltd. (formerly known as Superior Towing Services Pte. Ltd.). As a result, Nexus Sealand Trading Pte Ltd now holds 100% of the total share capital of OneHub Tank Coating Pte. Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Sameer Y. Khan, *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*
Yong Thiam Fook
Goh Chee Wee

NOMINATING COMMITTEE
Goh Chee Wee, *Chairman*
Wong Chiang Yin
Yong Thiam Fook

COMPANY SECRETARIES
Wee Woon Hong
Lee Hock Heng

REGISTERED OFFICE
55 Shipyard Road, Singapore 628141
Tel: 65-62660010 Fax: 65-62640010
Email: bkm@bkmgroup.com.sg
Website: www.bkmgroup.com.sg

AUDITORS
Ernst & Young
Certified Public Accountants
One Raffles Quay
#18-01 North Tower
Singapore 048583

Partner in charge : Tham Chee Soon
(since financial year ended 31 December 2005)

BANKERS
Malayan Banking Berhad
United Overseas Bank Limited
KBC Bank N.V.

REGISTRAR AND SHARE TRANSFER OFFICE
M & C Services Private Limited
138 Robinson Road,
The Corporate Office
#17-00 Singapore 068906
Tel: 65-62276660 Fax: 65-62251452

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The listing manual ("Listing Manual") of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires all listed companies to describe, in their annual reports, their corporate governance practices, with specific reference to the principles of the Singapore Code of Corporate Governance introduced in April 2001 and amended in 2005 (the "Code").

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 in October 2004, put in place and adopted various policies and practices based on 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 functions 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 FY2007 are as follows:–

	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee	
	No of meeting		No of meeting		No of meeting		No of meeting	
	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

Note:–
* resigned as Chairman and Non-Executive Director on 25 January 2008

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

Sameer Y. Khan*	(Chairman and Non-Executive Director)
Yong Thiam Fook	(Non-Executive Director)
Goh Chee Wee	(Independent Director)
Wong Chiang Yin	(Independent Director)

Note:–
* appointed on 25 January 2008

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.

Mr Tan Boy Tee resigned as Chairman and Non-Executive Director on 25 January 2008 and he was replaced by Mr Sameer Y. Khan. Mr Sameer Y. Khan, 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 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 Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

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)

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;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; 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 and it has accordingly recommended to the Board that Ernst & Young be nominated for reappointment as auditors of the Company at the forthcoming AGM.

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.

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.

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.

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)

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 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 Director's remuneration in FY2007 is as follows:–

Name of Directors	Fees* %	Salary # %	Bonus %	Benefits %	Total %
$750,001 to $1,000,000					
Chua Beng Kuang	–	48	52	–	100
$500,001 to $750,000					
Chua Meng Hua	2	44	54	–	100
$0 to $250,000					
Tan Boy Tee (resigned 25 Jan 2008)	100	–	–	–	100
Yong Thiam Fook	100	–	–	–	100
Goh Chee Wee	100	–	–	–	100
Wong Chiang Yin	100	–	–	–	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 Executive 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 (General Manager, Batam Operations), Mr Lee Choon Hwee (Assistant General Manager, Head of Supply and Distribution Division) and Mr Lee Wei Liang (Financial Controller).

Mr Chua Beng Kuang and Mr Chua Meng Hua (Executive Directors) and Mr Chua Beng Yong and Mr Chua Beng Hock (Executive Officers) 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)

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.

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, the Company's share price vis-à-vis the Singapore Straits Times Index. 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, via 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, annual reports 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. The AC reviewed the significant transactions entered into by the Company with its interested persons for the financial year ended 31 December 2007 in accordance with its existing procedures.

A summary of the interested person transactions for the financial year ended 31 December 2007 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
Revenue/(Expenses)	S$	S$
Labroy Shipbuilding & Engineering Pte Ltd		
Provision of corrosion prevention services		3,689,961
Provision of infrastructure engineering services		3,139,647
Rental of equipment		362,765
Rental of property expenses	(105,000)	
Procurement of yard's consumables		(163,033)
PT Nanindah Mutiara Shipyard		
Sale of hardware equipment, tools and other consumables		4,190,695

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Heng Huat Shipbuilding & Construction Pte Ltd		
Provision of infrastructure engineering services		405,539
Rental of property expenses	(420,000)	
Tellus Marine Engineering Pte Ltd		
Sale of hardware equipment, tools and other consumables		250,439
Procurement of subcontractor services		990,000
PT Graha Trisaka Industri		
Provision of infrastructure engineering services		569,672
Sale of hardware equipment, tools and other consumables		468,295
Labroy Offshore Ltd		
Provision of corrosion prevention services		1,202,660
Sale of hardware equipment, tools and other consumables		178,467

6. MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual of the SGX-ST, the Company confirms that except as disclosed in the Report of Directors and Financial Statements, there were no other material contracts and loans of the Company and its subsidiaries involving the interests of the Managing Director or any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

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 (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2007.

Directors

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

Sameer Y. Khan (appointed on 25 January 2008)
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 objects are, or one of whose objects is, to enable the 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 Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations, as stated below:

	Direct interest		Deemed interest	
Name of directors and companies in which interests are held	**At the beginning of financial year or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Beng Kuang Marine Limited (the Company)				
Tan Boy Tee*	100,000	300,000	48,570,875	–
Chua Beng Kuang	11,982,500	35,947,500	–	–
Chua Meng Hua	11,666,500	34,999,500	–	–
Yong Thiam Fook	50,000	150,000	–	–
Goh Chee Wee	100,000	300,000	–	–
Wong Chiang Yin	100,000	–	–	–

* Resigned as director on 25 January 2008.

There was no change in any of the above-mentioned interests between the end of the financial year and 21 January 2008.

Directors' interests in shares and debentures (cont'd)

Except as disclosed in this report, 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 of the financial year, or date of appointment if later, or at the 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 reappointment as auditors.

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Chua Meng Hua
Director

Singapore
24 March 2008

STATEMENT BY DIRECTORS

We, Chua Beng Kuang and Chua Meng Hua, 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 2007 and the results of the business, changes in equity and cash flows of the Group for the 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

Chua Meng Hua
Director

Singapore
24 March 2008

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 30 to 77, which comprise the balance sheets of the Group and the Company as at 31 December 2007, the statement of changes in equity, 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.

Management's Responsibility for the Financial Statements

Management is 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:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as neccessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) 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 management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 2007 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
24 March 2008

BALANCE SHEETS

At 31 December 2007

	Note	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Non-current assets					
Fixed assets	4	20,351,672	9,826,571	852,890	439,562
Intangible assets	5	3,995,145	–	–	–
Subsidiaries	6	–	–	8,497,796	2,786,278
Associates	7	3,719,278	–	–	–
Due from subsidiaries (non-trade)	8	–	–	184,996	75,376
Current assets					
Stocks	9	10,901,535	8,656,442	–	–
Work-in-progress in excess of progress billings	10	8,310,035	5,492,533	2,432,068	719,159
Trade debtors	11	21,229,120	18,512,626	2,965	1,865
Other debtors	12	1,741,296	791,405	232,618	52,543
Prepayments		859,039	454,656	7,194	13,282
Due from subsidiaries (trade)	13	–	–	2,423,732	2,695,165
Due from subsidiaries (non-trade)	13	–	–	27,030,512	17,091,652
Due from related parties (trade)	13	9,099,961	4,777,249	1,566,319	1,655,904
Due from related parties (non-trade)	13	85,504	54,729	–	18
Due from associates (trade)		6,134	–	–	–
Fixed deposits	14	3,500,126	86,957	–	–
Cash and bank balances		7,032,631	10,005,190	94,437	3,303,382
		62,765,381	48,831,787	33,789,845	25,532,970
Current liabilities					
Trade creditors	16	10,576,172	8,585,387	40,193	62,478
Bills payable to banks	15	7,604,963	5,615,323	1,953,593	1,863,516
Other creditors and accruals	16	11,980,899	7,698,780	3,405,023	1,653,888
Due to subsidiaries (trade)	13	–	–	935,325	548,480
Due to subsidiaries (non-trade)	13	–	–	38,977	8,848
Due to related parties (trade)	13	306,642	238,384	83,379	73,500
Due to related parties (non-trade)	13	1,960,193	57,238	–	–
Provision for income tax		2,321,530	999,382	155,100	44,818
Lease obligations (current portion)	17	1,224,608	665,744	22,892	11,461
Bank overdrafts	15	1,931,086	6,557	1,324,720	–
Short-term bank loans	18	14,941,563	10,034,977	14,941,563	10,034,977
		52,847,656	33,901,772	22,900,765	14,301,966
Net current assets		9,917,725	14,930,015	10,889,080	11,231,004
Non-current liabilities					
Lease obligations (non-current portion)	17	1,497,421	1,057,918	53,302	12,389
Deferred taxation	28	781,635	660,070	78,700	62,000
		2,279,056	1,717,988	132,002	74,389
Net assets		35,704,764	23,038,598	20,292,760	14,457,831
Equity attributable to equity holders of the Company					
Share capital	19	16,111,142	11,551,142	16,111,142	11,551,142
Revenue reserve	20	16,197,109	10,385,963	4,181,618	2,906,689
Translation reserve		(6,363)	(4,648)	–	–
		32,301,888	21,932,457	20,292,760	14,457,831
Minority interests		3,402,876	1,106,141	–	–
Total equity		35,704,764	23,038,598	20,292,760	14,457,831

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

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the financial year ended 31 December 2007

	Note	Group 2007 $	Group 2006 $
Revenue	21	95,686,996	70,550,051
Cost of sales		(69,744,765)	(53,278,015)
Gross profit		25,942,231	17,272,036
Other operating income – net	22	135,741	40,300
Administrative expenses		(13,548,894)	(9,813,441)
Selling and distribution expenses		(2,533,147)	(2,082,773)
Profit from operations	23	9,995,931	5,416,122
Financial income	25	61,683	8,690
Financial expenses	26	(890,083)	(865,301)
Non operating income	27	2,772,348	–
Share of results of associates, net of tax		(182,578)	–
Profit before taxation		11,757,301	4,559,511
Income tax expense	28	(2,680,926)	(739,884)
Profit for the year		9,076,375	3,819,627
Attributable to:			
Equity holders of the Company		6,744,648	3,818,270
Minority interests		2,331,727	1,357
		9,076,375	3,819,627
Earnings per share from continuing operations attributable to equity holders of the Company (cents per share)			
– basic	29	4.64	3.28
– diluted	29	4.64	3.28

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2007

2006 Group	Attributable to equity holders of the Company						
	Share capital (Note 19) $	Share premium $	Revenue Reserve $	Translation reserve $	Total reserves $	Minority interests $	Total equity $
Balance 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 for the year	–	–	3,818,270	–	3,818,270	1,357	3,819,627
Transfer of share premium reserve to share capital	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
Dividends paid (Note 20)	–	–	(697,422)	–	(697,422)	–	(697,422)
Balance at 31 December 2006	11,551,142	–	10,385,963	(4,648)	10,381,315	1,106,141	23,038,598

2007 Group	Share capital (Note 19) $	Share premium $	Revenue Reserve $	Translation reserve $	Total reserves $	Minority interests $	Total equity $
Balance at 1 January 2007	11,551,142	–	10,385,963	(4,648)	10,381,315	1,106,141	23,038,598
Net profit for the year	–	–	6,744,648	–	6,744,648	2,331,727	9,076,375
Currency translation differences representing net gains and losses not recognised in statement of profit and loss	–	–	–	(1,715)	(1,715)	–	(1,715)
Issuance of new shares (Note 19)	4,560,000	–	–	–	–	–	4,560,000
Acquisition of minority interest (Note 6)	–	–	–	–	–	(478,413)	(478,413)
Negative goodwill realised to revenue reserve upon acquisition of minority interest (Note 6)	–	–	223,195	–	223,195	–	223,195
Acquisition of subsidiary (Note 6)	–	–	–	–	–	495,110	495,110
Disposal of subsidiary (Note 6)	–	–	–	–	–	(22,338)	(22,338)
Issuance of shares to minority interest	–	–	–	–	–	49	49
Dividend paid to minority interest	–	–	–	–	–	(29,400)	(29,400)
Dividends paid (Note 20)	–	–	(1,156,697)	–	(1,156,697)	–	(1,156,697)
Balance at 31 December 2007	16,111,142	–	16,197,109	(6,363)	16,190,746	3,402,876	35,704,764

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2007

	Note	Group 2007 $	Group 2006 $
Cash flows from operating activities			
Profit before taxation		11,757,301	4,559,511
Adjustments for:			
Allowance for doubtful debts		454,274	525,130
Write-back of allowance for doubtful debts		(134,379)	(1,193,685)
Gain on disposal of fixed assets		(213,864)	(78,623)
Fixed assets written off		72,564	68,487
Depreciation of fixed assets		2,655,280	1,964,149
Allowances for stock obsolescence		40,081	31,000
Stock written off directly to profit and loss account		94,241	–
Gain on disposal of subsidiary	27	(2,772,348)	–
Share of results of associates		182,578	–
Interest income		(61,683)	(8,690)
Interest expenses		861,145	844,389
Operating cash flows before changes in working capital		12,935,190	6,711,668
(Increase)/decrease in:			
Stocks		(2,379,415)	(2,679,973)
Work-in-progress in excess of progress billings		(2,817,502)	2,182,212
Trade debtors		(3,036,389)	(1,612,723)
Other debtors		(938,845)	(271,419)
Prepayments		(404,383)	(276,017)
Due from related parties		(4,353,487)	(1,567,393)
Due from associates, net		293,866	–
(Decrease)/increase in:			
Trade creditors		1,989,622	3,081,454
Other creditors and accruals		4,276,177	3,510,409
Due to related parties		1,971,213	(94,958)
Cash flows generated from operations		7,536,047	8,983,260
Interest received		61,683	8,690
Interest paid		(859,557)	(821,338)
Income taxes paid		(1,238,316)	(703,787)
Net cash flows generated from operating activities		5,499,857	7,466,825
Cash flows from investing activities			
Proceeds from disposal of fixed assets		511,050	414,014
Purchase of fixed assets	33(b)	(11,165,577)	(2,802,432)
Proceeds from minority shareholder of a subsidiary		49	98,000
Proceeds from disposal of subsidiary, net	6	868,460	–
Net cash outflow on acquisition of minority interests' share in subsidiaries		(255,218)	–
Investment in associates	6	(367,936)	–
Net cash outflow from acquisition of subsidiary	6	(5,455,245)	–
Net cash flows used in investing activities		(15,864,417)	(2,290,418)
Cash flows from financing activities			
Repayment of finance lease liabilities		(1,386,179)	(258,414)
Increase in bills payable to banks		1,989,640	2,418,879
Proceeds from short-term bank loans		7,800,000	5,000,000
Repayment of short-term bank loans		(2,895,000)	(5,000,000)
Dividends paid on ordinary shares by the Company		(1,156,697)	(697,422)
Dividends paid to minority shareholders of a subsidiary		(29,400)	–
Proceeds from issue of new ordinary shares		4,560,000	–
Net cash flows generated from financing activities		8,882,364	1,463,043
Net effect of exchange rate changes in consolidating subsidiaries		(1,723)	(4,148)
Net (decrease)/increase in cash and cash equivalents		(1,483,919)	6,635,302
Cash and cash equivalents at beginning of year		10,085,590	3,450,288
Cash and cash equivalents at end of year	33(a)	8,601,671	10,085,590

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.

Related parties refer to Labroy Marine Limited and its subsidiaries, 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 6 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 financial statements are presented in Singapore Dollars ("SGD" or "$") except when otherwise indicated.

With effect from 1 January 2007, the Group and the Company adopted the following new or amended FRS and Interpretations to FRS ("INT FRS") which are mandatory and relevant to their operations:–

FRS 1 – Amendment to FRS 1 (Revised), Presentation of Financial Statements (Capital Disclosures)

FRS 107 – Financial Instruments : Disclosures

The adoption of the above FRS did not result in substantial changes to the Group's accounting policies. FRS 107 and the complementary amended FRS 1 introduce new disclosures relating to financial instruments and capital, respectively.

Except for the above changes, the accounting policies have been consistently applied by the Group and the Company and are consistent with those used in the previous financial year.

2. Summary of significant accounting policies (cont'd)

2.2 Future changes in accounting policies

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

Reference	Description	Effective for annual periods beginning on or after
FRS 23	Amendment to FRS 23, Borrowing Costs	1 January 2009
FRS 108	Operating Segments	1 January 2009
INT FRS 111	Group and Treasury Share Transactions	1 March 2007
INT FRS 112	Service Concession Arrangements	1 January 2008

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 108 as indicated below.

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker. The impact of this standard on segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Group when implemented in 2009.

2.3 Basis 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 Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. The accounting policy for goodwill is set out in Note 2.7(a). Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition.

Subsidiaries are 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.

2. Summary of significant accounting policies (cont'd)

2.4 Transactions with minority interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated profit and loss account and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

2.5 Foreign 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 ($). Sales prices and major costs of providing goods and services including major operating expenses are primarily influenced by fluctuations in Singapore Dollars ($).

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 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 income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign subsidiaries, which are recognised initially in equity as foreign currency translation reserve in the consolidated balance sheet and recognised in the consolidated income statement on disposal of the subsidiary.

The assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.6 Fixed assets

All items of fixed assets are initially recorded at cost. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. 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.

Depreciation on the relevant assets is charged to the profit and loss account on the basis outlined in paragraph below.

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 to 50 years
Leasehold land	over the lease period of 30 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.

An item of fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit and loss account in the year the asset is derecognised.

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets

(a) Goodwill

Goodwill acquired in a business combination is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events and circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired is allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination.

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired, by comparing the carrying amount of the cash-generating unit, including the allocated goodwill, with the recoverable amount of the cash-generating unit. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in the profit and loss account. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

2. Summary of significant accounting policies (cont'd)

2.7 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

(i) Research and development cost

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an individual project is recognized only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the reporting year.

(ii) Intellectual property

Intellectual property rights acquired in business combination are measured initially at valuation. Intellectual property rights not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the profit and loss account except for assets that are previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. 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 be recognised previously. Such reversal is recognised in the profit and loss account unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2. Summary of significant accounting policies (cont'd)

2.9 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.

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

2.10 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable asset, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of profit or loss of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The financial statements of the associate are prepared as of a different reporting date from that of the Company. Adjustments are made for the effects of significant transactions or events that occur between that date and the reporting date of the Company to bring the accounting policies into line with those of the Group.

2.11 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. Summary of significant accounting policies (cont'd)

2.12 Financial assets

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.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that has been recognised directly in equity is recognised in the profit and loss account.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. Gains and losses are recognized in profit and loss account when the loans and receivables are derecognized or impaired, and through the amortization process.

2.13 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.

2.14 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 impairment loss is recognised in the income statement.

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

(a) Assets carried at amortised cost (cont'd)

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the profit and loss account.

(b) Assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) 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.

2.15 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.

A financial liability is derecognised when the obligation under the liability is extinguished. For financial liabilities other than derivatives, gains and losses are recognised in the profit and loss account when the liabilities are derecognised or impaired, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in the profit and loss account. Net gains or losses on derivatives include exchange differences.

2. Summary of significant accounting policies (cont'd)

2.16 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.

2.17 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 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 defined contribution 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 as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

2.19 Leases

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. 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 the liability. Finance charges are charged to the profit and loss account. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

2. Summary of significant accounting policies (cont'd)

2.19 Leases (cont'd)

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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.

2.20 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. Revenue is measured at the fair value of consideration received or receivable.

(i) Revenue

Revenue from corrosion prevention and infrastructure engineering services is recognised based on the stage of completion or to the extent of contract costs incurred where it is probable those costs will be recoverable. The stage of completion for a given project is measured by reference to the contract costs incurred to date against the estimated total costs for the contract. Revenue is recognised to the extent of contract costs incurred, in situations where the contract outcome cannot be reliably measured.

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.

(ii) Interest income

Interest income is recognised using the effective interest method.

(iii) Dividends

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

2. Summary of significant accounting policies (cont'd)

2.21 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 substantially enacted by the balance sheet date.

Current taxes are recognised in the profit and loss account except the tax relating to items recognised directly in equity is recognised directly in equity.

(b) Deferred tax

Deferred 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
- In respect of temporary differences associated with investments in subsidiaries and associates where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and
- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred 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 utilised.

Deferred 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.

Deferred taxes are recognised in the profit and loss account except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

2. Summary of significant accounting policies (cont'd)

2.21 Income tax (cont'd)

(c) Sales tax

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

- Where the sales tax incurred in 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.

2.22 Segment reporting

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.23 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.24 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. Significant accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

3. Significant accounting judgements and estimates (cont'd)

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(a) Revenue recognition

The Group recognizes 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.

(b) Income taxes

The Group has exposure to income taxes in numerous 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 2007 was $2,321,530 (2006: $999,382) and $781,635 (2006: $660,070) respectively.

3.2 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.

(a) 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 2007 was stated in Note 4 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.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. 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	Leasehold land	Total
	$	$	$	$	$	$	$	$	$	$	$	
Cost:–												
At 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 and 1 January 2007	2,766,889	457,808	454,513	134,644	778,019	13,129,344	101,045	2,479,503	533,230	410,970	–	21,245,965
Reclassification	–	–	(10,546)	46	–	681,580	–	–	–	(671,080)	–	–
Additions	802,068	413,402	43,886	2,189	818,316	6,958,371	8,650	218,033	1,959,231	489,610	1,836,367	13,550,123
Disposals/written-off	(783,150)	(7,824)	(7,768)	(489)	(19,000)	(1,000,723)	–	–	–	–	–	(1,818,954)
Net exchange differences	15	–	14	490	–	(3)	3	(488)	–	–	–	31
At 31 December 2007	2,785,822	863,386	480,099	136,880	1,577,335	19,768,569	109,698	2,697,048	2,492,461	229,500	1,836,367	32,977,165
Accumulated depreciation:-												
At 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 and 1 January 2007	1,517,354	381,845	367,244	106,727	440,221	6,212,733	87,101	1,861,261	444,908	–	–	11,419,394
Reclassification	35,016	–	(1,082)	32	–	(33,966)	–	–	–	–	–	–
Charge for the year	263,347	63,634	49,715	11,219	106,012	1,980,582	10,758	149,469	20,544	–	–	2,655,280
Disposals/written-off	(577,434)	(7,824)	(7,191)	–	(4,117)	(852,230)	–	(408)	–	–	–	(1,449,204)
Net exchange differences	8	–	(27)	33	–	8	1	–	–	–	–	23
At 31 December 2007	1,238,291	437,655	408,659	118,011	542,116	7,307,127	97,860	2,010,322	465,452	–	–	12,625,493
Net carrying amount:–												
At 31 December 2006	1,249,535	75,963	87,269	27,917	337,798	6,916,611	13,944	618,242	88,322	410,970	–	9,826,571
At 31 December 2007	1,547,531	425,731	71,440	18,869	1,035,219	12,461,442	11,838	686,726	2,027,009	229,500	1,836,367	20,351,672

As at 31 December 2007, the Group had motor vehicles and machinery, tools and equipment purchased under finance lease contracts with carrying amount of $260,890 and $4,113,472 (2006: $231,932 and $2,185,347) respectively.

4. 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 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 and 1 January 2007	438,186	222,544	58,048	64,424	393,000	1,778,492	28,090	56,965	3,039,749
Additions	294,932	291,006	–	–	52,530	–	–	–	638,468
Disposals	–	–	–	–	–	(334,494)	–	–	(334,494)
At 31 December 2007	733,118	513,550	58,048	64,424	445,530	1,443,998	28,090	56,965	3,343,723
Accumulated depreciation:–									
At 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 and 1 January 2007	306,424	196,819	46,015	53,598	318,769	1,601,570	28,090	48,902	2,600,187
Charge for the year	59,422	25,322	4,850	4,493	15,170	91,894	–	5,697	206,848
Disposals	–	–	–	–	–	(316,202)	–	–	(316,202)
At 31 December 2007	365,846	222,141	50,865	58,091	333,939	1,377,262	28,090	54,599	2,490,833
Net carrying amount:–									
At 31 December 2006	131,762	25,725	12,033	10,826	74,231	176,922	–	8,063	439,562
At 31 December 2007	367,272	291,409	7,183	6,333	111,591	66,736	–	2,366	852,890

As at 31 December 2007, the Company had motor vehicles purchased under finance lease contracts with a carrying amount of $118,276 (2006: $45,930).

5. Intangible Assets

Group	Goodwill $	Intellectual property rights $	Total $
Cost:			
At 1 January 2007			
Addition:			
Acquisition of a subsidiary (Note 6)	5,219,575	702,320	5,921,895
Goodwill disposed of (provisional) (Note 6)	(1,926,750)	–	(1,926,750)
At 31 December 2007	3,292,825	702,320	3,995,145

Goodwill

The acquisition of 51% equity interest in Water and Environmental Technologies (WET) Pte Ltd ("WET") on 24 May 2007 gave rise to a provisional goodwill of $5,219,575 (Note 6).

Provisional accounting of goodwill

The Group has engaged an independent valuer to carry out the purchase price allocation ("PPA") exercise for the acquisition of WET. In accordance with Singapore Financial Reporting Standards ("FRS") 103, the Group is allowed to take one year from the date of acquisition to complete the PPA exercise. Goodwill has been determined on a provisional basis as the results of the PPA exercise have not been finalised as at the date the financial statements were authorised for issue.

During the year, the Group adjusted the value of goodwill to $3,292,825 after taking into consideration the reduction in interest in NewEarth Pte Ltd ("NewEarth") from 100% to 40%. This deemed disposal of subsidiary resulted in $1,926,750 of goodwill disposed of.

Goodwill and the gain on deemed disposal of subsidiary arising from this acquisition will be adjusted accordingly on a retrospective basis when the PPA exercise is completed in May 2008.

Intellectual property rights

As a result of the acquisition of WET, the Group holds two patent applications namely Nano-Structured Photocatalytic Oxidation Process and Rotating Flow Membrane. As at 31 December 2007, the provisional carrying amounts of these patents are $702,320. These patents have been determined on a provisional basis as the results of the PPA exercise have not been finalised as at the date of the financial statements were authorised for issue.

6. Subsidiaries

	Company 2007 $	2006 $
Unquoted equity shares, at cost	8,497,796	2,786,278

6. Subsidiaries (cont'd)

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 2007 %	2006 %	Cost of investment held by the Company 2007 $	2006 $
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	51	102,000	102,000
Pangco Pte Ltd#	Provision of corrosion prevention services	Singapore	51	–	51	–
Water & Environmental Technologies (WET) Pte Ltd#	Provision of research & development, and solution for waste management	Singapore	51	–	5,711,465	–
Asian Sealand Automation Pte Ltd.#	Provision of automated engineering services	Singapore	100	–	2	–
					8,497,796	2,786,278

6. Subsidiaries (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2007 %	2006 %
Held by Nexus Sealand Trading Pte Ltd				
BT Asia Marketing & Engineering Pte Ltd#	Trading of copper slag and waste management	Singapore	100	51
Picco Enterprise Pte. Ltd.#	Supply and distribution of products	Singapore	100	100
Onehub Tank Coating Pte Ltd. (formerly known as Superior Towing Services Pte Ltd)#	Provision for internal tank coating services.(2)	Singapore	100	80
Held by Water & Environmental Technologies (WET) Pte Ltd				
Pureflow Pte Ltd.+	Provision of water & waste water treatment, recycling, consultancy & management services	Singapore	51	–
Held by Pangco Pte Ltd				
PT Berger Batam*	Provision of corrosion prevention services	Indonesia	51(1)	–

Audited by Ernst & Young Singapore.

^ Audited by Ernst & Young Malaysia.

* Not required to be audited by the laws of country of incorporation.

\+ The entity was incorporated during the year and is not due for audit.

(1) 1% of the shareholding is held in trust for the Group by an employee of the Group.

(2) Prior to the change of company name, the principal activity of the entity was provision of towing truck services.

6. Subsidiaries (cont'd)

Acquisition of subsidiary

On 24 May 2007, the Company acquired a 51% equity interest in Water & Environmental Technologies (WET) Pte Ltd ("WET"). Upon the acquisition, WET became a subsidiary of the Company.

The fair values of the identifiable assets and liabilities of WET as at the date of acquisition were:

	Note	Recognised on date of acquisition $
Intangible assets, net		702,320
Other receivables		65,046
Trade debtors, net		4,757
Deferred tax assets		16,959
Cash and cash equivalents		256,220
Trade payables		(17,728)
Other payables		(40,574)
		987,000
Minority interest		(495,110)
Net identifiable assets		491,890
Provisional goodwill arising from acquisition	5	5,219,575
Total purchase consideration		5,711,465

Total cost of business combination

The total cost of the business combination is as follows:

	$
Cash paid	5,663,040
Directly attributable professional fees	48,425
	5,711,465

The effect of acquisition on cash flows is as follows:

	$
Consideration settled in cash	5,711,465
Less: Cash and cash equivalents of subsidiary acquired	(256,220)
Net cash outflow on acquisition	5,455,245

6. Subsidiaries (cont'd)

Disposal of subsidiary

On 9 July 2007, WET disposed 25,045 ordinary shares in the capital of NewEarth Pte. Ltd. ("NewEarth") for a consideration of $1 million to a third party. Further, on the same day, NewEarth issued and alloted 225,390 new ordinary shares to the third party for a consideration of $9 million. These transactions resulted in a combined decrease in equity interest held by WET from 100% to 40% in NewEarth.

The value of assets and liabilities of NewEarth recorded in the consolidated financial statements as at 9 July 2007, and the cash flow effect of the disposal were:

	Note	$
Trade debtors		4,757
Other debtors		54,000
Deferred tax assets		18,062
Cash and cash equivalents		131,540
Trade creditors		(16,566)
Other creditors and accruals		(34,633)
Loan from associate		(300,000)
		(142,840)
Minority interest		(22,338)
Attributable net liability disposed		(165,178)
Amount previously accounted for as subsidiary		(3,533,920)
Provisional goodwill disposed of	5	1,926,750
Gain on deemed disposal	27	2,772,348
Cash consideration received		1,000,000
The disposal of subsidiary, net of cash is represented by:		
Cash consideration received		1,000,000
Less: Cash and cash equivalents of subsidiary disposed		(131,540)
Net cash inflow on disposal		868,460

Acquisition of minority interests

The subsidiary company, Nexus Sealand Trading Pte Ltd, acquired an additional 49% equity interest in BT Asia Marketing & Engineering Pte Ltd ("BT Asia") on 29 May 2007 and 20% equity interest in OneHub Tank Coating Pte Ltd ("OTC") on 22 November 2007 from its minority interests for a cash consideration of $250,000 and $5,218, respectively. Consequently, BT Asia and OTC became wholly-owned subsidiaries of the Company. On the date of acquisition, the book value of the additional interest acquired in BT Asia and OTC was $473,087 and $5,326, respectively. The difference of $233,195 between the consideration and the book value of the interest acquired has been reflected in equity as negative goodwill realised to revenue reserve upon acquisition of the minority interest.

7. Associates

	Group 2007 $	Group 2006 $
Shares, at cost	3,533,920	–
Additional investment	367,937	–
Share of post-acquisition losses	(182,578)	
	3,719,278	–

Name of associate	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2007 %	Effective equity held by the Group 2006 %
Held by Water and Environmental Technologies (WET) Pte Ltd				
NewEarth Pte Ltd.[1]	Solid waste management	Singapore	20.4	–
NewEarth Singapore Pte Ltd.[1]	Solid waste management	Singapore	14.7	–

(1) Last audited by YC Tan & Co. for the financial year ended 31 December 2006. These associates subsequently changed their year-end to 31 March. Ernst & Young has been appointed as auditors from the financial period ending 31 March 2008.

On 9 July 2007, WET disposed 25,045 ordinary shares in the capital of NewEarth for a consideration of $1 million to a third party. On the same day, NewEarth issued and allotted 225,390 new ordinary shares to the third party for a consideration of $9 million. These transactions resulted in a combined decrease in equity interest held by WET from 100% to 40% in NewEarth. Hence, WET ceased to have control over NewEarth (Note 6).

In December 2007, WET increased its investment in NewEarth by subscribing for an additional 459,920 ordinary shares for a consideration of $367,936. As the other third party shareholder of NewEarth also subscribed for a proportionate number of shares in NewEarth for a consideration of $551,904, the equity interest held by WET in NewEarth remains unchanged at 40%.

The summarised financial information of the associates, based on unaudited management account is set out below. The summarised financial information is not adjusted for the proportion of ownership interest held by the Group.

	Group 2007 $	Group 2006 $
Assets and liabilities:		
Total assets	12,801,002	–
Total liabilities	(115,137)	–
Results:		
Losses for the year	(530,694)	–

8. Due from subsidiaries (non-trade)

The amount is unsecured, bears fixed rate of interest at 6.8% (2006: 6.7%) per annum and is repayable over a period ranging from 12 to 30 months.

9. Stocks

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Trading goods	10,650,500	8,530,146	–	–
Materials for own use	251,035	126,296	–	–
Total stocks at lower of cost and net realisable value	10,901,535	8,656,442	–	–
Income statement:				
Stocks recognised as an expense in cost of sales	32,471,009	23,021,874	–	–
Inclusive of the following charge				
– Allowance for stocks obsolescence	40,081	31,000	–	–
– Stocks written off directly to profit and loss account	92,241	–	–	

10. Work-in-progress in excess of progress billings

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Costs incurred to date	17,520,567	14,838,711	3,291,880	1,001,760
Add: Attributable profits	1,049,129	2,095,839	10,244	49,899
	18,569,696	16,934,550	3,302,124	1,051,659
Less: Progress billings	(10,259,661)	(11,442,017)	(870,056)	(332,500)
	8,310,035	5,492,533	2,432,068	719,159

11. Trade debtors

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Trade debtors	27,742,192	21,009,879	6,555	5,455
Less: Estimated rebates/ discounts	(5,138,643)	(1,305,647)	–	–
	22,603,549	19,704,232	6,555	5,455
Allowance for doubtful debts	(1,374,429)	(1,191,606)	(3,590)	(3,590)
	21,229,120	18,512,626	2,965	1,865

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 $273,623 (2006 : $277,932), $83 (2006: nil) and $1,049,992 (2006 : $1,270,360) denominated in US dollars, Indonesian Rupiah and Malaysian Ringgit, respectively.

11. Trade debtors (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $14,058,704 (2006: $12,825,333) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2007 $	2006 $
Trade receivables past due:		
Less than 30 days	7,769,344	5,227,181
30 to 60 days	3,074,177	2,797,634
61 – 90 days	918,039	2,048,737
91 – 120 days	2,297,144	2,751,781
	14,058,704	12,825,333

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	2007 $	2006 $
Trade receivables – nominal amounts	12,142,499	4,687,411
Less: Estimated rebates/discounts	(5,138,643)	(1,305,647)
Less: Allowance for impairment	(1,374,429)	(1,191,606)
	5,629,427	2,190,158
Movement in allowance accounts:		
At 1 January	1,191,606	2,052,102
Charged to profit and loss account	454,274	525,130
Written off against allowance	(137,072)	(164,941)
Written back to profit and loss	(134,379)	(1,193,685)
At 31 December	1,374,429	1,191,606

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

12. Other debtors

	Group		Company	
	2007	2006	2007	2006
	$	$	$	$
Staff loans	265,400	–	–	–
Sundry debtors	1,038,915	692,055	–	–
Deposits	92,937	74,757	7,496	17,050
Others	344,044	24,593	225,122	35,493
	1,741,296	791,405	232,618	52,543

Included in other debtors for the Group are $280,719 (2006 : $66,275) and $220 (2006 : $2,055) denominated in Indonesian Rupiah and Malaysian Ringgit, respectively.

13. Due from/to subsidiaries/related parties

(a) Non-trade

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

(i) an amount due from certain subsidiaries of $13,957,293 (2006 : $9,565,821) which bears floating rate of interest at 1.25% to 5.0% (2006 : 2.12% to 5.0%) per annum; and

(ii) an amount due from certain subsidiaries of $177,513 (2006 : $265,344) which bears fixed rate of interest at 6.8% (2006 : 6.7%) per annum and is repayable within 1 year from 1 January 2008.

(b) Trade

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

14. Fixed deposits

Fixed deposits with financial institutions mature on varying periods within 3 month from the financial year end at a floating rate of 3.00% to 5.15% (2006: 3.10%) per annum.

15. 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% (2006 : 4.50% to 5.50%) and 3.38% to 6.87% (2006 : 3.81% to 6.98%) per annum, respectively.

16. 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 $133,403 (2006 : $4,697), $622,574 (2006 : $176,876) and $83,176 (2006 : $103,858) denominated in US dollars, Indonesian Rupiah and Malaysian Ringgit, respectively.

(b) Other creditors and accruals

	Group		Company	
	2007 $	2006 $	2007 $	2006 $
Other creditors	1,169,545	1,241,943	339,388	319,777
Accrued operating expenses	10,811,354	6,456,837	3,065,635	1,334,111
	11,980,899	7,698,780	3,405,023	1,653,888

Included in other creditors for the Group are $1,622 (2006 : nil) and $327,099 (2006 : $104,550) denominated in Indonesia Rupiah and Malaysian Ringgit, respectively.

17. Lease obligations

	2007			2006		
	Minimum lease payments $	Interest $	Present value of payments $	Minimum lease payments $	Interest $	Present value of payments $
Group						
Within 1 year	1,330,561	105,953	1,224,608	724,467	58,723	665,744
Within 2 to 5 years	1,607,822	131,861	1,475,961	1,150,988	93,070	1,057,918
More than 5 years	25,504	4,044	21,460	–	–	–
	1,633,326	135,905	1,497,421	1,150,988	93,070	1,057,918
	2,963,887	241,858	2,722,029	1,875,455	151,793	1,723,662
Company						
Within 1 year	28,200	5,308	22,892	13,968	2,507	11,461
Within 2 to 5 years	58,060	11,406	46,654	15,100	2,711	12,389
More than 5 years	8,277	1,629	6,648	–	–	–
	66,337	13,035	53,302	15,100	2,711	12,389
	94,537	18,343	76,194	29,068	5,218	23,850

17. Lease obligations (cont'd)

Finance leases bear interest ranging from 2.23% to 3.60% (2006 : 2.23% to 3.60%) per annum. The effective interest rates range from 4.30% to 7.06% (2006 : 4.30% to 7.06%) per annum.

All assets acquired under finance leases are charged to secure the obligations under the finance leases. The carrying amount of assets acquired under finance leases is disclosed in Note 4.

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.

18. Short-term bank loans

The short-term bank loans are unsecured and bear floating rate of interest ranging from 2.84% to 4.90% (2006: 4.36% to 5.06%) per annum which are also the effective interest rates. The repricing interval for the interest rate ranges from 1 to 3 months.

19. Share capital

	Group and Company			
	2007		2006	
	No. of shares	$	No. of shares	$
Issued and fully paid:				
At 1 January	116,236,875	11,551,142	116,236,875	9,298,950
Transfer of share premium reserve to share capital	–	–	–	2,252,192
Issue of New shares pursuant to a private placement	12,000,000	4,560,000	–	–
	128,236,875	16,111,142	116,236,875	11,551,142
Sub-division of each ordinary share into 3 ordinary shares	256,473,750	–	–	–
At 31 December	384,710,625	16,111,142	116,236,875	11,551,142

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.

The Company issued 12,000,000 new ordinary shares at $0.38 each on 9 February 2007 pursuant to a private placement.

In December 2007, pursuant to a share split, each ordinary share was sub-divided into 3 ordinary shares. A total of 256,473,750 shares were spilt from the initial 128,236,875 shares which rank pari passu with each other.

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.

20. Revenue reserve

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	
	2007 $	2006 $
Balance as at 1 January	2,906,689	1,907,345
Net profit for the year	2,431,626	1,696,766
Dividends paid	(1,156,697)	(697,422)
Balance as at 31 December	4,181,618	2,906,689

The directors proposed a first and final tax exempt one-tier dividend of 0.70 cents per share (2006: 1.10 cents per share less tax of 18%) amounting to $2,208,239 (2006 : $1,156,697) in respect of the financial year ended 31 December 2007.

Final dividend for the financial year ended 31 December 2007 is calculated based on 384,710,625 ordinary shares (2006 : 128,236,875 ordinary shares)

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.

21. Revenue

	Group	
	2007 $	2006 $
Corrosion prevention services	38,923,475	32,265,045
Infrastructure engineering services	28,546,836	16,192,578
Supply and distribution of products	28,216,685	22,092,428
	95,686,996	70,550,051

Revenue is stated net of estimated rebates and discounts.

22. Other operating income/(expenses) – net

Gain on disposal of fixed assets	213,864	78,623
Exchange losses	(290,382)	(61,843)
Fixed assets written off	(72,564)	(68,487)
Other income	284,823	62,181
	135,741	40,300

23. Profit from operations

This is determined after charging/(crediting) the following:

	Group 2007 $	Group 2006 $
Non-audit fees paid to auditors of the Company	45,629	39,759
Depreciation of fixed assets	2,655,280	1,964,149
Allowance for doubtful debts	454,274	525,130
Write back of allowance for doubtful debts	(134,379)	(1,193,685)
Stocks recognised as an expense in cost of sales (Note 9)	32,471,009	23,021,874
Personnel expenses		
– Wages, salaries and bonuses	16,031,223	13,842,676
– Central Provident Fund contributions	634,843	516,341
– Other personnel expenses	1,667,719	1,611,536

The personnel expenses include the amounts shown as Directors' and Executive Officers' remuneration in Note 30.

24. Directors' remuneration

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

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

25. Financial income

Interest income – fixed deposits and bank balances	61,683	8,690

26. Financial expenses

	Group 2007 $	Group 2006 $
Interest expense:–		
Bank overdrafts	53,258	72,162
Finance leases	76,999	26,448
Short-term bank loans	447,442	470,272
Bills payable	280,337	275,507
Bank charges	32,047	20,912
	890,083	865,301

27. Non-operating Income

	Group 2007 $	Group 2006 $
Gain on deemed disposal of subsidiary (Provisional)	2,772,348	–

On 9 July 2007, WET disposed of 25,045 ordinary shares in the capital of NewEarth for a consideration of $1 million to a third party. On the same day, NewEarth issued and allotted 225,390 new ordinary shares to a third party for a consideration of $9 million. As a result of these transactions, the effective interest held by WET in NewEarth decreased from 100% to 40%, resulting in the disposal of NewEarth as a subsidiary (Note 6).

28 Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2007 and 2006 are:

	Group 2007 $	Group 2006 $
Current tax:–		
Current year	2,432,041	921,139
Under/(over) provision in prior year	185,035	(158,626)
Deferred tax:–		
Current year	148,561	(39,860)
(Over)/under provision in prior year	(8,261)	17,231
Effects of reduction in tax rates	(76,450)	–
	2,680,926	739,884

28. Taxation (cont'd)

The Group has unutilised tax losses of approximately $886,000 (2006 : $547,000) 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 as at 31 December 2007 arising from these unutilised tax losses had not been recognised in the financial statements in accordance with accounting policy Note 2 in the financial statements.

Relationship between tax expense and accounting profit

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	
	2007	**2006**
	$	**$**
Profit before taxation	11,757,301	4,559,511
Tax at the applicable tax rate of 18% (2006 : 20%)	2,116,315	911,902
Tax effect of expenses that are not deductible in determining taxable profit	637,905	72,285
Effects of reduction in tax rate	(76,450)	–
Tax exemption and rebates	(623,137)	(100,264)
Tax effect of different tax rate in foreign jurisdictions	290,008	28,693
Under/(over) provision of current tax in respect of prior years	185,035	(158,626)
(Over)/under provision of deferred tax in respect of prior years	(8,261)	17,231
Share of results of associate	34,475	–
Others	125,036	(31,337)
Tax expense	2,680,926	739,884

Deferred taxation at 31 December relates to the following:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Deferred tax liabilities (assets):–				
Excess of net book value over tax written down value of fixed assets	945,558	902,926	93,200	76,000
Provisions	(163,923)	(133,510)	(14,500)	(14,000)
Unutilised tax losses	–	(109,346)	–	–
	781,635	660,070	78,700	62,000

28. Taxation (cont'd)

The corporate income tax rate applicable to Singapore companies of the Group was reduced to 18% for the year of assessment 2008 onwards from 20% for year of assessment 2007. The corporate income tax rate applicable to Malaysian companies of the Group was reduced from 28% to 27% and 26% for the year of assessment 2007 and the year of assessment 2008 onwards, respectively.

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

29. 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	
	2007 $	2006 $
Profit attributable to ordinary equity holders of the Company	6,744,648	3,818,270

	Number of shares	
	2007	2006
Weighted average number of shares for basic and diluted earnings per share	145,224,046	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.

30. 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	
	2007 $	2006 $
Income:–		
Sales to related parties	5,176,700	4,857,444
Services rendered to related parties	10,534,330	5,226,065
Expenses:–		
Purchases from related parties	217,065	182,829
Services from related parties	70,805	3,904
Rental of premises from related parties	525,000	540,000
Transport services from related parties	83,658	100,966

30. Related party disclosures (cont'd)

	Group 2007 $	Group 2006 $
Directors' and Executive Officers' remuneration		
Directors' fees	107,000	89,000
Wages, salaries and bonuses	3,080,226	2,326,920
Central Provident Fund contributions	152,584	144,002
Total	3,339,810	2,559,922
Short-term employee benefits comprise amounts paid to:–		
Directors of the Company	1,621,892	1,098,359
Executive Officers of the Group	1,717,918	1,461,563
Total	3,339,810	2,559,922

31. Operating lease commitments

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

	Group 2007 $	Group 2006 $	Company 2007 $	Company 2006 $
Future minimum lease payments				
– Within 1 year	556,147	549,000	420,000	420,000
– Within 2 to 5 years	1,066,911	1,604,000	840,000	1,260,000
	1,623,058	2,153,000	1,260,000	1,680,000

Rental expense was $736,147 and $789,039 for the years ended 31 December 2007 and 2006 respectively.

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 2007 and 2006. For the financial year ended 31 December 2007 and 2006, certain lease agreements contain renewal option for additional lease period of 1 year at prevailing market rates.

32. Capital expenditure commitments

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

	Group 2007 $	Group 2006 $
Purchase of fixed assets approved but not provided for in the financial statements as at 31 December	3,414,700	898,200

33. 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:

	Group	
	2007	2006
	$	$
Cash and bank balances		
– non-interest bearing	5,733,037	4,884,380
– interest bearing	1,299,594	5,120,810
Fixed deposits (Note 14)	3,500,126	86,957
Bank overdrafts (Note 15)	(1,931,086)	(6,557)
	8,601,671	10,085,590

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

Cash and bank balances earn interest of 0.1854% (2006 : 1.1875%) per annum.

Included in cash and cash equivalents for the Group are $4,670,025 (2006 : $858,827), $108,290 (2006 : $76,913) and $1,122,043 (2006 : $840,090) denominated in US dollars, Indonesian Rupiah and Malaysian Ringgit, respectively.

(b) Fixed assets

During the financial year, the Group acquired fixed assets with an aggregate cost of $13,550,123 (2006 : $4,565,532) of which $2,384,546 (2006 : $1,763,100) were acquired by means of lease agreements and cash payments of $11,165,577 (2006 : $2,802,432).

34. Segment information

(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.

34. Segment information (cont'd)

(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 on arm's length basis and is 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 4 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.

Environment and Resource : This relates to the provision of effective and efficient technological solutions for water & waste water treatment; solid waste management; and other areas on recovery of natural resources.

34. Segment information (cont'd)

(c) Business segments (cont'd)

	Corrosion Prevention	Infrastructure Engineering	Supply and Distribution	Environment and Resource	Elimination	Consolidated
	$	$	$	$	$	$
Year ended 31 December 2007						
Sales to external customers	38,923,475	28,546,836	28,216,685	–	–	95,686,996
Inter-segment sales	397,604	477,926	7,872,920	–	(8,748,450)	–
Total revenue	39,321,079	29,024,762	36,089,605	–	(8,748,450)	95,686,996
Segment results	4,600,276	3,259,826	2,930,200	2,471,415*	–	13,261,717
Unallocated expenses						(676,016)
Financial income						61,683
Financial expenses						(890,083)
Profit before taxation						11,757,301
Taxation						(2,680,926)
Profit after taxation						9,076,375
Minority interest						(2,331,727)
Net profit						6,744,648
Segment assets	71,471,616	25,143,255	29,921,757	4,987,512	(44,411,942)	87,112,198
Investment in associates	–	–	–	3,719,278	–	3,719,278
Total assets						90,831,476
Segment liabilities	34,030,429	21,783,079	25,636,000	44,418	(44,411,942)	37,081,984
Unallocated liabilities						18,044,728
Total liabilities						55,126,712
Capital expenditure	7,240,002	5,366,877	898,358	44,886	–	13,550,123
Depreciation	1,950,504	453,615	244,117	7,045	–	2,655,280
Non-cash expense (Allowance for doubtful debts)	51,225	141,482	261,567	–	–	454,274

* Environment and Resource segment results primarily consist of provisional gain of $2,772,348 on deemed disposal of subsidiary (Note 27).

34. 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	32,265,045	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	2,628,221	929,560	2,148,081	–	5,705,862
Unallocated expenses					(289,740)
Financial income					8,690
Financial expenses					(865,301)
Profit before taxation					4,559,511
Taxation					(739,884)
Profit after taxation					3,819,627
Minority interest					(1,357)
Net profit					3,818,270
Segment assets	51,006,521	11,999,471	21,088,044	(25,435,678)	58,658,358
Segment liabilities	21,674,798	10,805,786	16,880,425	(25,435,678)	23,925,331
Unallocated liabilities					11,694,429
Total liabilities					35,619,760
Capital expenditure	3,369,102	927,262	269,168	–	4,565,532
Depreciation	1,599,800	206,588	157,761	–	1,964,149
Non-cash expense (Allowance for doubtful debts)	52,905	72,000	400,225	–	525,130

34. Segment information (cont'd)

(d) Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Revenue disclosed in the geographical segments are based on the billing location of customers.

	Singapore		Others[1]		Eliminations		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$	$	$
Revenue:								
Sales to external customers	64,185,118	55,146,101	31,501,878	15,403,950	–	–	95,686,996	70,550,051
Inter-segment sales	12,569,159	8,251,502	4,217,015	3,613,038	(16,786,174)	(11,864,540)	–	–
Total revenue	76,754,277	63,397,603	35,718,893	19,016,988	(16,786,174)	(11,864,540)	95,686,996	70,550,051
Other segment information:								
Segment assets	84,630,659	53,899,815	29,124,818	10,404,000	(26,643,279)	(5,645,457)	87,112,198	58,658,358
Investment in associates	3,719,278	–	–	–	–	–	3,719,278	–
Total assets							90,831,476	58,658,358
Capital expenditure	8,302,420	4,125,953	5,247,703	439,579	–	–	13,550,123	4,565,532

[1] Others include Indonesia and Malaysia.

35. Financial risk management objectives and policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Though the Group does not have written risk management policies and guidelines, the Audit Committee and the Board of Directors meet periodically to review and analyse the Group's exposure to credit risks, major changes in interest rates and the fluctuation of foreign currency exchange rates. The Group does not hold or issue derivative financial instruments for trading purposes.

The Group adopts a conservative strategy on managing its financial risks, thus, the exposure to market risk is kept at a minimum level. The Board reviews and agrees on policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to interest rate risks relates primarily to interest earning financial assets and interest bearing financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

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.

35. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

The following tables set out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to the interest rate risk:

2007 **Group**	**Within** **1 year** **$**	**Within 2 to** **5 years** **$**	**More than** **5 years** **$**	**Total** **$**
Fixed rate				
Lease obligations	1,224,608	1,475,961	21,460	2,722,029
Floating rate				
Fixed deposits	3,500,126	–	–	3,500,126
Bank overdrafts	1,931,086	–	–	1,931,086
Short-term bank loans	14,941,563	–	–	14,941,563
Bills payable to banks	7,604,963	–	–	7,604,963
Company				
Fixed rate				
Lease obligations	22,892	46,654	6,648	76,194
Floating rate				
Bank overdrafts	1,324,720	–	–	1,324,720
Short-term bank loans	14,941,563	–	–	14,941,563
Bills payable to banks	1,953,593	–	–	1,953,593

2006 **Group**	**Within** **1 year** **$**	**Within 2 to** **5 years** **$**	**More than** **5 years** **$**	**Total** **$**
Fixed rate				
Lease obligations	665,744	1,057,918	–	1,723,662
Floating rate				
Fixed deposits	86,957	–	–	86,957
Bank overdrafts	6,557	–	–	6,557
Short-term bank loans	10,034,977	–	–	10,034,977
Bills payable to banks	5,615,323	–	–	5,615,323
Company				
Fixed rate				
Lease obligations	11,461	12,389	–	23,850
Floating rate				
Short-term bank loans	10,034,977	–	–	10,034,977
Bills payable to banks	1,863,516	–	–	1,863,516

35. Financial risk management objectives and policies (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instrument

For the variable rate financial assets and liabilities, a change of 100 basis points (bp) in the interest rate at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all variables, in particular, foreign currency rates, remain constant.

	2007		2006	
Group	**100 bp Increase $**	**100 bp Decrease $**	**100 bp Increase $**	**100 bp Decrease $**
Floating rate instruments				
Singapore Dollar	(236,720)	236,720	(156,569)	156,569
United States Dollar	19,116	(19,116)	870	(870)
Malaysian Ringgit	7,829	(7,829)	–	–
Company				
Floating rate instruments				
Singapore Dollar	(182,199)	182,199	(118,985)	118,985

Liquidity risk

The Group's exposure to liquidity arises in the general funding of the Group's business activities. It includes the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group monitors its liquidity risk 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. The Group also managed sufficient funding through short-term bank loans and overdraft facilities.

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis 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. For customers of lower credit standing, the Group would usually enforce to transact in cash terms, advance payments, and letters of credit.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance includes general and specific loss components.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

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 2007, the Group has no significant concentrations of credit risk with any single customer.

35. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and business sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

	Group			
	2007		2006	
	$	% of total	$	% of total
By country				
Singapore	16,541,193	78%	14,521,133	78%
Indonesia	3,662,778	17%	2,721,134	15%
Malaysia	1,025,149	5%	1,270,359	7%
	21,229,120	100%	18,512,626	100%

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.

Sensitivity analysis for foreign currency risk

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase (decrease) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group	Company
	$	$
2007		
United States Dollar	335,165	(18,361)
Malaysian Ringgit	(107,678)	–
Indonesian Rupiah	(1,172,155)	–
Norwegian Kroner	69,240	–
2006		
United States Dollar	693,670	–
Malaysian Ringgit	(107,728)	–
Indonesian Rupiah	416,754	–
Norwegian Kroner	21,045	–

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

36. Capital Management

The primary objective of the Group's capital management is to ensure that it maintain a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Board of Directors manages the level of dividends to shareholders, return capital to shareholders or issue new shares. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		**Company**	
	2007	**2006**	**2007**	**2006**
	$	**$**	**$**	**$**
Net debt	41,490,790	23,868,161	21,730,228	10,408,827
Total equity	35,704,764	23,038,598	20,292,760	14,457,831
Total capital	77,195,554	46,906,759	42,022,988	24,866,658
Gearing ratio	54%	51%	52%	42%

The Group and Company are in compliance with all borrowing covenants for the financial years ended 31 December 2006 and 2007. There were no changes in the Group's approach to capital management during the financial year.

37. 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 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.

37. 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 2007, 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.

		2007		2006	
	Note	Carrying amount $	Estimated fair value $	Carrying amount $	Estimated fair value $
Group					
Lease obligations	17	2,722,029	2,862,763	1,723,662	1,825,017
Company					
Lease obligations	17	76,194	87,528	23,850	28,100

38. Subsequent events

(a) Subsequent to year end, the Group announced that it has secured the following contracts:

(i) A total of $4.4 million in work orders from key customers from marine and offshore oil and gas industries. The contracts secured are for the 3 divisions, Corrosion Prevention ("CP"), Infrastructure Engineering ("IE") and Supply & Distribution divisions ("SD").

(ii) IE division secured a $2.4 million contract to fabricate an entire system of Heating, Ventilation and Air-Conditioning equipment for one of the customer's new derrick-layer barges. Delivery is scheduled for the first half of 2008.

(b) A subsidiary company under the new Environment and Resource ("ER") division, Pureflow Pte. Ltd. ("Pureflow"), has entered into a joint venture agreement with EC Global Investments Limited ("EC Global") to incorporate a joint venture company ("JVC") in Singapore. Pureflow will subscribe for 120,000 JVC shares (representing 60% interest) and the total subscription price of $120,000 will be funded through internal sources.

(c) A subsidiary company, Asian Sealand Engineering Pte Ltd, has incorporated a wholly-owned subsidiary company in Singapore, named Drako Derrick Services Pte Ltd ("Drako"). Drako has an initial paid up capital of $1,000,000 divided into 100,000 ordinary shares and is principally engaged in the business of rig building services. The incorporation of Drako was funded internally and is not expected to have any material impact on the net tangible assets per share and earnings per share of the Group for the current financial year ending 31 December 2008.

39. Authorisation of financial statements

The financial statements for the year ended 31 December 2007 were authorised for issue in accordance with a resolution of the Directors on 24 March 2008.

SHAREHOLDING STATISTICS

As at 10 March 2008

Issued and fully paid	:	S$16,111,142.00
Number of shares	:	384,710,625
Class of shares	:	Ordinary shares
Voting rights	:	1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 10 March 2008, approximately 25.15% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	305	21.23	1,924,000	0.50
10,001 - 1,000,000	1,114	77.52	72,440,000	18.83
1,000,001 and above	18	1.25	310,346,625	80.67
	1,437	100.00	384,710,625	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	Labroy Marine Limited	145,712,625	37.88
2	Chua Beng Kuang	35,947,500	9.34
3	Chua Beng Hock	34,999,500	9.10
4	Chua Beng Yong	34,999,500	9.10
5	Chua Meng Hua	34,999,500	9.10
6	Kim Eng Securities Pte. Ltd.	4,234,000	1.10
7	DBS Nominees Pte Ltd	2,496,000	0.65
8	OCBC Securities Private Ltd	2,144,000	0.56
9	UOB Kay Hian Pte Ltd	1,947,000	0.51
10	United Overseas Bank Nominees Pte Ltd	1,836,000	0.48
11	OCBC Nominees Singapore Pte Ltd	1,612,000	0.42
12	Ng Ah Hock	1,592,000	0.41
13	Subramaniam s/o Muneyandi	1,515,000	0.39
14	See Mui Khim	1,443,000	0.38
15	DBS Vickers Securities (S) Pte Ltd	1,402,000	0.36
16	Phillip Securities Pte Ltd	1,292,000	0.34
17	Hong Leong Finance Nominees Pte Ltd	1,170,000	0.30
18	Ng Hwee Koon	1,005,000	0.26
19	Koh Teck Yeow	981,000	0.25
20	Lee Choon Hwee	960,000	0.25
		312,287,625	81.18

SHAREHOLDING STATISTICS

As at 10 March 2008

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Chua Meng Hua	34,999,500	9.10	–	–
Chua Beng Kuang	35,947,500	9.34	–	–
Labroy Marine Limited	145,712,625	37.88	–	–
Chua Beng Yong	34,999,500	9.10	–	–
Chua Beng Hock	34,999,500	9.10	–	–
Dubai Drydocks World LLC[(1)]	–	–	145,712,625	37.88
Dry Docks & Maritime World LLC[(2)]	–	–	145,712,625	37.88
Dubai World Holdings Limited[(3)]	–	–	145,712,625	37.88

Notes:

1. Dubai Drydocks World LLC, holds approximately 98.39% of the issued shares capital of Labroy Marine Limited and is deemed to have an interest in 145,712,625 shares held by Labroy Marine Limited.
2. Dry Docks & Maritime World LLC holds approximately 99.0% of the issued shares capital of Dubai Drydocks World LLC and is deemed to have an interest in 145,712,625 shares held by Labroy Marine Limited.
3. Dubai World Holdings Limited holds 100% of the issued shares capital of Dry Docks & Maritime World LLC and is deemed to have an interest in 145,712,625 shares held by Labroy Marine Limited.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the "Company") will be held at The Arena Country Club, Level 2, 511 Upper Jurong Road, Singapore 638366 on Tuesday, 22 April 2008 at 3.30 p.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2007 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a one-tier tax exempt first and final dividend of 0.70 cents per ordinary share, for the financial year ended 31 December 2007. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to the Company's Articles of Association:

   (i) Mr Goh Chee Wee (Article 107) **(Resolution 3)**

   (ii) Mr Wong Chiang Yin (Article 107) **(Resolution 4)**

   (iii) Mr Sameer Y. Khan (Article 117) **(Resolution 5)**

4. To approve the payment of Directors' fees of S$107,000 (2006: S$74,000) for the financial year ended 31 December 2007. **(Resolution 6)**

5. To re-appoint Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolution as Ordinary Resolution, with or without amendments:

   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 rules of the Singapore Exchange Securities Trading 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 per centum (50%) of the issued share capital of the Company, 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 per centum (20%) of the issued share capital of the Company (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 or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting 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 the earlier.". [See Explanatory Note] **(Resolution 8)**

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

BY ORDER OF THE BOARD

Wee Woon Hong
Company Secretary

Singapore, 7 April 2008

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 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.

Explanatory Note:

The Ordinary Resolution 8 proposed in item 6 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.

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BENG KUANG MARINE LIMITED
(Registration No.: 199400196M)

PROXY FORM

ANNUAL GENERAL MEETING

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) NRIC/Passport No.* ____________

of ____________________________________ (Address)
being a shareholder/shareholders of BENG KUANG MARINE LIMITED (the "Company") hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

and/or*

Name	NRIC/Passport Number	Proportion of Shareholdings	
		Number of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting (the "AGM") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the Annual General Meeting (the "AGM") of the Company to be held at The Arena Country Club, Level 2, 511 Upper Jurong Road, Singapore 638366 on Tuesday, 22 April 2008 at 3.30 p.m., and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Ordinary Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Annual General Meeting.)

No.	Resolutions	For	Against
1.	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2007		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Goh Chee Wee as a Director		
4.	Re-election of Mr Wong Chiang Yin as a Director		
5.	Re-election of Mr Sameer Y. Khan as a Director		
6.	Approval of Directors' Fees for the financial year ended 31 December 2007		
7.	Re-appointment of Messrs Ernst & Young as Auditors		
8.	Authority to allot and issue shares		

* Delete accordingly

Dated this day of 2008.

Total Number of Shares held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.

3. The instrument appointing the a proxy or proxies must be deposited at the Company's registered office at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for the meeting.

4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy 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 the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

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