Beng Kuang Marine Limited
(Company Reg. No: 199400196M)

Sailing the right DIRECTION

ANNUAL REPORT 2011

BELIEVE BEYOND BECOME

OUR VISION

We aspire to be the "Preferred Partner" in providing total solutions for the marine, offshore, oil and gas industries.

OUR MISSION

We will strategically develop and execute our business profitably, bearing safety and innovations in mind, through total integration of solutions, together with the support from our employees to customers and partners.

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Corporate Profile

GROWING STRATEGICALLY

Beng Kuang Marine Limited is a listed company on Singapore Exchange since 15 October 2004. Together with its subsidiaries, it is collectively known as "Beng Kuang Group". Over the years, Beng Kuang Group has been striving to be the "Preferred Partner" in providing total solutions for the marine, offshore, oil and gas industries.

As a testament to our commitment to quality, health and safety, many of our subsidiaries have been accredited with the ISO and OHSAS certifications. Likewise, we have also received numerous letters of appreciation from customers on our work quality. Beng Kuang Group leverages its resources and talents to strategically grow its key businesses in Infrastructure Engineering, Corrosion Prevention, Supply & Distribution and Shipping.

Infrastructure Engineering
- Shipbuilding & Conversion
- Offshore Construction
- Turnkey Project

Corrosion Prevention
- Abrasive & Non-Abrasive Blasting
- Paint Application
- Rental of Machineries and Equipment
- Processing & Distributing of Copper Slag

Supply & Distribution
- Personal Protective Equipment
- Blasting Equipment & Accessories
- Welding Equipment & Accessories
- Painting Equipment & Accessories
- Other General Hardware Products

Shipping & Others
- Tugs & Barges
- Livestock Carriers
- Ship Management
- Chartering

Others
- Waste Management
- Water Management

Infrastructure Engineering ("IE") Division
Our IE division has been accredited with ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators and vessel owners alike.

We provide a spectrum of turnkey engineering services from planning and project management to implementation involving procurement, fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the marine, offshore, oil and gas industries.

In 2007, we acquired a 32.8-hectare land with 460 metres waterfront in Kabil, Batam, Indonesia. The waterfront yard had commenced its operations in 4Q2008. The timely delivery of its maiden project, a 260-man accommodation pipe-lay barge, in October 2009 marked a significant milestone for us.

Going forward, IE division is moving on to secure more sophisticated engineering, procurement and construction projects.

Corrosion Prevention ("CP") Division
Our past vast records and reputation for reliability have enabled us to secure appointments such as "Resident Contractor" to provide corrosion prevention services in several established shipyards in Singapore and Batam, Indonesia. Our customers include Keppel group of companies, Singapore Technologies group of companies, Drydocks group of companies etc.

Supply & Distribution ("SD") Division
SD division carries over 400 types of products (marine hardware equipment, tools and other products) under our house brands like MASTER, PROMASTER, SPLASH. All of which are commonly used in the marine, offshore, oil and gas industries.

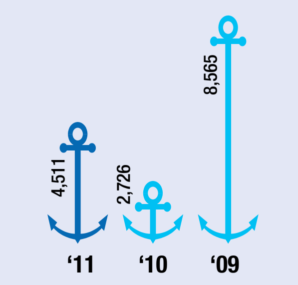
Shipping ("SH") Division
In 2010, we had expanded the business into the building and owning of livestock carriers, tugs and barges. We expanded our services to include ship management and chartering.

We successfully delivered and commenced our first owned livestock carrier M.V. Barkly Pearl to ship live cattle from Australia to Indonesia and other parts of Asia in 2011.

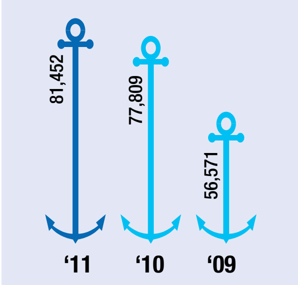
The outlook for the industry remains relatively positive. The long term demand for oil and gas is expected to remain strong. We will continue to build on its growth momentum to explore and tap on opportunities for further growth and more importantly, for enhancement of its shareholders' value.

Financial Highlights

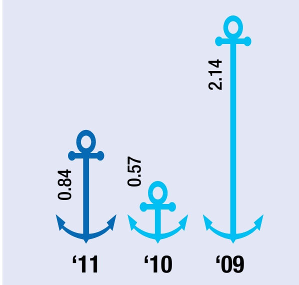
Attributable Profit
(S$'000)



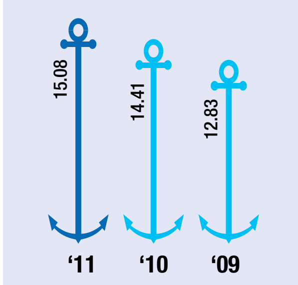
Shareholders' Equity
(S$'000)



Earnings Per Share
- Basic (in cents)



NAV Per Share
(in cents)



	2011	2010	2009
OPERATING RESULTS			
Turnover	145,432,939	78,488,104	138,457,972
EBITDA	13,573,811	11,255,911	18,919,071
Pretax profit	4,734,881	3,803,788	11,478,503
Attributable profit	**4,511,257**	**2,725,671**	**8,565,098**
Turnover growth / (decline)	85.3%	(43.3)%	5.3%
EBITDA growth / (decline)	20.6%	(40.5)%	14.3%
Pretax growth / (decline)	24.5%	(66.9)%	5.6%
Attributable profit growth / (decline)	65.5%	(68.2)%	4.0%
EBITDA margin	9.3%	14.3%	13.7%
Pretax margin	3.3%	4.8%	8.3%
Net profit margin	2.5%	3.4%	6.4%
FINANCIAL POSITION			
Total assets	234,944,560	147,847,100	138,014,175
Total debts	77,018,425	37,242,240	36,527,711
Shareholders' equity	**81,451,984**	**77,809,358**	**56,571,110**
Gearing ratio	61.1%	32.2%	48.9%
PER SHARE DATA (IN CENTS)			
Earnings per share - Basic	**0.84**	**0.57**	**2.14**
- Diluted	0.84	0.57	2.13
Dividends (per share)	0.20	0.15	0.50
NAV per share	**15.08**	**14.41**	**12.83**
SEGMENT RESULTS			
Turnover			
Infrastructure Engineering	99,190,734	16,980,165	57,034,471
Corrosion Prevention	29,254,981	43,883,463	58,278,259
Supply & Distribution	15,677,054	17,424,717	23,092,660
Shipping & Others	1,310,170	199,759	52,582
Profit / (Loss) from operating segment			
Infrastructure Engineering	5,873,766	380,618	4,730,947
Corrosion Prevention	2,060,038	5,629,795	5,237,407
Supply & Distribution	2,266,524	2,748,142	1,986,250
Shipping & Others	(790,407)	(712,197)	(476,102)
Capital expenditure			
Infrastructure Engineering	20,663,208	4,672,921	12,355,325
Corrosion Prevention	770,446	3,923,405	1,434,318
Supply & Distribution	-	57,810	7,425,963
Shipping & Others	28,889,032	7,602,777	-

Executive Chairman's Statement

Chua Beng Kuang
Executive Chairman

"To manage and exceed our customers' expectations, the Group will continue to enhance its existing shipbuilding and ship conversion capabilities through improvement in work processes and investment in yard's facilities and equipment."

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the results for the Group for the financial year ended 31 December 2011 ("FY2011").

Arising from several major contracts secured during the year, Beng Kuang Group's FY2011 ended on a stronger note compared to the previous financial year. The Group had achieved a healthy revenue growth of 85.3% from S$78.49 million in FY2010 to S$145.43 million in FY2011. Net profit attributable to shareholders also grew by 65.5% from S$2.73 million in FY2010 to S$4.51 million in FY2011.

During the year, the Group secured contracts worth US$52.25 million to construct two submersible barges from established offshore marine companies and another S$14.4 million worth of contracts for the construction of two crane barges.

The Group's five-year livestock transportation contract of value US$18.9 million commenced when its first livestock carrier M.V. Barkly Pearl set sail on its maiden voyage shipping live cattle from Australia to Indonesia and other parts of Asia in December 2011.

Revenue generated from key projects secured during the year had enabled our Infrastructure Engineering ("IE") division to achieve positive growth. Revenues from our Corrosion Prevention ("CP") and Supply & Distribution ("SD") divisions, however, dipped due to lesser projects secured and weaker demand for our hardware products, respectively.

Our Shipping division ("SH") recorded its first full year of operating results since starting business with a pair of tug and barge during the fourth quarter of FY2010. This division has

"Going forward, the Group will continue to forge ahead and pursue operational excellence through our various initiatives to improve overall work efficiency and cost management. This is especially relevant as we brace ourselves for the uncertain economic outlook in the longer term."

since grown with the addition of five new pairs of tugs and barges, and a livestock carrier during the year. These vessels are all chartered out as at the end of FY2011.

Moving Ahead

To manage and exceed our customers' expectations, the Group will continue to enhance its existing shipbuilding and ship conversion capabilities through improvement in work processes and investment in yard's facilities and equipment.

Our SH division's vessels are all currently chartered out to third parties. We, therefore, expect a steady stream of revenue contribution from this division during the new financial year. The current strong demand for coal transportation services in Indonesia presents growth opportunities for our shipping division. We will evaluate these and other opportunities as we continue to develop our shipping business.

Going forward, the Group will continue to forge ahead and pursue operational excellence through our various initiatives to improve overall work efficiency and cost management. This is especially relevant as we brace ourselves for the uncertain economic outlook in the longer term.

Nevertheless, the current sentiments for the marine, offshore, oil and gas industries remain positive with demand for rigs and offshore support vessels well supported by the high oil prices. The Group will continue to seek opportunities in offshore marine projects and at the same time, strengthen cost control measures to improve profitability. Barring any unforeseen circumstances, we expect this year's performance to be positive.

In Appreciation

On behalf of the Board, I would like to thank our shareholders for their confidence and continued support in the Group. To show our appreciation, the Board of Directors has recommended a first and final tax exempted one-tier dividend of 0.20 cents per ordinary share for FY2011.

I would also like to take this opportunity to express our heartfelt gratitude to our bankers, customers, suppliers and partners whose tremendous support have been invaluable; and to our management team and staff for showing much dedication and commitment to the Group.

Yours faithfully,
Chua Beng Kuang
Executive Chairman

Financial and Operations Review

FY2011 was an engaging year for the Group, with several major shipbuilding contracts secured during the year. The Group enjoyed an increase of 85.3% in revenue to S$145.43 million in FY2011, against S$78.49 million in the preceding financial year. The increase was mainly attributable to better performances from our Infrastructure Engineering ("IE") and Shipping ("SH") divisions with notable revenue growth of 484.2% and 555.9% respectively.

BUSINESS SEGMENTS REVIEW

Infrastructure Engineering ("IE") Division

With the new vessel construction orders that were secured during the last quarter of 2010 and into the first half of 2011, our IE division recorded a surge in revenue of S$82.21 million from S$16.98 million in FY2010 to S$99.19 million in FY2011. This is due to a high percentage of work done of these contract values recognised in the financial year FY2011. These include a S$19 million patrol boat contract secured in October 2010, and two contracts valued at US$52 million for the construction of submersible, transport, float-over, launch barges with an established offshore marine company. In May 2011, the IE division secured two contracts of combined values S$14.4 million, where the construction of these two crane barges commenced in the second half of the year 2011 and also contributed to the overall growth in IE division. As part of our continuous efforts to enhance our Batam yard's operating capabilities, the Group invested several heavy crawler cranes, forklifts, welding machines, a CNC cutting machine and various tools and equipment to strengthen and enlarge the production capacity and improve the operation cost efficiencies.

Corrosion Prevention ("CP") Division

Due to fewer projects secured during the year, revenue generated from the CP division decreased by S$14.63 million from S$43.88 million in FY2010 to S$29.25 million in FY2011. Subsequent to the completion of the offshore Jack-up Rigs projects in FY2009/10, the Group saw fewer repeated orders of such sizable projects. However, the volume of recurring business generated from the hull-side vessel blasting and painting works remained stable. As the CP division's overall business declined, it achieved a lower operating segment profit as a result of under-utilisation of equipment related to the business that caused redundancies and overhead burden on maintenance. The management had taken cautious measures to overcome the current weak market conditions by disposing several of the less productive equipment and is actively exploring business opportunities in Singapore, Indonesia and the other regions within South East Asia.

Supply & Distribution ("SD") Division

Revenue generated by SD division decreased by S$1.7 million from S$17.4 million in FY2010 to S$15.68 million in FY2011. The lower contribution was due to weak market demand for our hardware products in FY2011.

Shipping ("SH") Division

The Shipping division commenced its shipping business in the fourth quarter of FY2010 and reported its first complete year of revenue in FY2011. Revenue generated from the SH division increased by S$1.11 million from S$0.20 million in FY2010 to S$1.31 million in FY2011. One significant milestone for the Group was the successful conversion of an acquired roll-on lift-off vessel into a livestock carrier ("Barkly Pearl") carried out in our Batam Yard.

M.V. Barkly Pearl kicked off its 5-year livestock transportation contract when it embarked on its maiden voyage to ship live cattle from Australia to Indonesia and other parts of Asia in December 2011.

We added five sets of tug boats and cargo barges into our fleet during the year and they were all chartered out as of 31 December 2011.

OPERATING PROFITS

The Group's net profits attributable to shareholders increased by 65.5% from S$2.73 million for FY2010 to S$4.51 million for FY2011. This increase was mainly due to earnings from our IE division which posted significant increase in revenue as mentioned above.

CASH FLOW STATEMENT

The Group reported net cash inflow of S$5.81 million from operating activities for FY2011, representing an increased of S$3.6 million over FY2010. This was mainly due to increase in profits generated from operations and lower amount of income taxes paid during FY2011. Net cash outflow of S$42.93 million from investing activities for FY2011 was mainly due to new vessel investments by our SH division. These relate to the five sets of tugs and cargo barges added to the fleet and money invested to convert the used rolo vessel to a livestock carrier (M.V. Barkly Pearl) during the year. In addition, as part of our continuous programme to augment our Batam yard's operating capabilities, our IE division purchased several heavy crawler cranes, forklifts, welding machines and a CNC cutting machine during the year. The net cash inflow generated from the financing activities was S$26.21 million in FY2011. This net inflow came mainly from the Group's net bank borrowings of S$29.95 million. These borrowings were to finance our construction of various new build orders for customers, the construction of the five new pairs of tugs and cargo barges, the conversion of M.V. Barkly Pearl, and the purchase of several heavy crawler cranes for our yard. The cash and cash equivalents stood at S$13.16 million as at 31 December 2011, representing a decrease of S$10.91 million from S$24.07 million as at 1 January 2011.

ASSETS AND LIABILITIES

As the shipbuilding contracts moved into the advance stage of work in progress, the significant increase in operating activities led to the increase in third parties' trade receivables, trade payables and projects' work-in-progress.

Property, plant and equipment increased from S$54.9 million as at 31 December 2010 to S$98.2 million as at 31 December 2011. As elaborated above, this increase relates mainly to fixed asset investments by our SH and IE divisions during the year. The Group's balance sheet remains strong with S$234.94 million in "Total Assets". The Group's cash and bank balances stood at S$13.16 million at the end of 31 December 2011.

The Group's "Total Liabilities" was S$150.08 million as at 31 December 2011. FY2011 had been a busy work year for our Singapore and Batam yards. In line with the increased in shipbuilding activities, the Group experienced significant increased in trade payables for purchase of project materials, equipment and service subcontractors. The net increase of S$40.48 million in bank borrowings during the year resulted in S$77.72 million in total bank borrowings as at 31 December 2011. These were mainly to finance investments in fixed assets as mentioned above.

Board of Directors

Mr. Chua Beng Kuang
Executive Chairman

Mr. Chua Beng Kuang is our Executive Chairman and one of our founders. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has over 31 years of experience within the marine industry. He led the management in pursuing the Group's mission and objectives and has been instrumental to our growth.

Mr. Chua Meng Hua
Managing Director

Mr. Chua Meng Hua is our Managing Director and one of our founders. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has over 18 years of experience within the marine industry.

Mr. Yong Thiam Fook, Alan
Executive Director

Mr. Alan Yong Thiam Fook was formally appointed as our Executive Director on 14 July 2008, prior to that he has been on the Board as a non-executive director since 30 May 2002. He is currently the head of the Shipping division as well as overseeing the Risk Management Committee, investment & joint ventures and business development for the Group.

He was formally the Chief Financial Officer of Labroy Marine Limited from 1994 to October 2006. He was the Group Financial Controller of JK Yaming International Holdings Limited, Finance Manager of Kuok (Singapore) Ltd, Island Concrete group of companies and Neptune Orient Lines Ltd. He obtained a Bachelor of Science (Economics) from the University of London in 1978. He is currently a fellow member of the Institute of Certified Public Accountants of Singapore.

Mr. Ali Abdulla Ahmad Bin Towaih
Non Executive Director
Member, Audit Committee
Member, Remuneration Committee
Member, Nominating Committee

Mr. Ali Abdulla Ahmand Bin Towaih was formally appointed as our Non-Executive Director on 10 January 2011. He is the Vice President of Business Development, Strategy and Administration of Drydock World. He has extensive experience working in the oil, gas and sustainable development in Energy & Environment. He has been in highly challenging positions and has been instrumental in the successful handing several key projects for the Government of Dubai and other major organizations including non-for-profit organizations. Mr. Ali Abdulla Ahmand Bin Towaih graduated in the USA in 1992 and earned a B.Sc. in Electronics Engineering from USA with high honors.

Mr. Goh Chee Wee
Independent Director
Chairman, Nominating Committee
Member, Audit Committee
Member, Remuneration Committee

Mr. Goh Chee Wee was formally 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 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.

Dr. Wong Chiang Yin
Independent Director
Chairman, Audit Committee
Chairman, Remuneration Committee
Member, Nominating Committee

Dr. Wong Chiang Yin was formally appointed as our Independent Director on 30 August 2004. He is currently the President of Healthcare Services, Sasteria Pte Ltd and Executive Director of TMC Life Sciences Berhad. He was previously Executive Director of Pantai Holdings Berhad and CEO of Pantai Hospitals Division and the President of the Singapore Medical Association from 2006 to 2009. From 1998 to April 2008, he held various senior positions, including the Chief Operating Officer of Changi General Hospital and Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He is the Chairman of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Cashew Division. He holds a Master of Medicine (Public Health) from the National University of Singapore and a Master in Business Administration (Finance) from the University of Leicester.

Executive Officers

Mr. Chua Beng Yong
Chief Operating Officer

Mr. Chua Beng Yong is one of the founders and is heading for our Infrastructure Engineering ("IE") division.

He is currently overseeing our Group's business divisions, particularly in the IE division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 19 years of experience in the marine, offshore, oil and gas industries. He is leading the IE division in pursing the Group's mission and objectives and has been pivotal in the growth of the IE division.

Mr. Chua Beng Hock
Deputy Chief Operating Officer

Mr. Chua Beng Hock is one of the founders and is heading for our Corrosion Prevention ("CP") division.

He is currently overseeing our Group's business divisions, particularly in the CP division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 17 years of experience in the corrosion prevention business for the marine, offshore, oil and gas industries. He is leading the CP division in pursing the Group's mission and objectives and has been pivotal in the market expansion for the CP division.

Mr. William Lee
Chief Financial Officer

Mr. William Lee is our Chief Financial Officer and is responsible for the Group's financing and accounting functions. He joined the Group as Finance Manager towards end of 2000 and was being promoted as Chief Financial Officer in second half of 2006. Prior to joining the Group, his services were rendered to Bob Low and Company as an Audit Assistant to the Audit Senior from 1998 to 2000. He obtained a Bachelor of Accountancy from Queensland University of Technology in 1999 and is currently an associate member of the Australian Society of Certified Practicing Accountants.

Corporate Structure

BENG KUANG MARINE LIMITED

Infrastructure Engineering
- Shipbuilding & Conversion
- Offshore Construction
- Turnkey Project

Asian Sealand Engineering Pte Ltd	100%
PT. Nexus Engineering Indonesia	100%
ASIC Engineering Sdn Bhd	100%
Venture Automation & Electrical Engineering Pte. Ltd.	51%

Corrosion Prevention
- Abrasive & Non-Abrasive Blasting
- Paint Application
- Rental of Machineries and Equipment
- Processing & Distributing of Copper Slag

Beng Kuang Marine (B&Chew) Pte. Ltd.	100%
Beng Kuang Marine (B&M) Pte. Ltd.	100%
Beng Kuang Marine (B&Y) Pte. Ltd.	100%
B&K Marine Pte. Ltd.	100%
B&J Marine Pte. Ltd.	100%
BT Asia Marketing & Engineering Pte Ltd	100%
OneHub Tank Coating Pte. Ltd.	100%
PT. Nexelite CP Indonesia	100%
Asian Sealand Automation Pte. Ltd.	100%
Nexus Hydrotech Pte. Ltd.	80%
Pangco Pte. Ltd.	51%
PT. Berger Batam	51%

Supply & Distribution
- Personal Protective Equipment
- Blasting Equipment & Accessories
- Welding Equipment & Accessories
- Painting Equipment & Accessories
- Other General Hardware Products

Nexus Sealand Trading Pte Ltd	100%
Picco Enterprise Pte. Ltd.	100%
PT. Master Indonesia	100%

Shipping & Others
- Tugs & Barges
- Livestock Carriers
- Ship Management
- Chartering

Others
- Waste Management
- Water Management

Quill Marine Pte Ltd	100%
Drako Shipping Pte. Ltd.	85%
PT. Marina Shipping	85%
Ocean Eight Shipping Pte. Ltd.	70%
Ocean Eight Pte Ltd	70%
Water & Environmental Technologies (WET) Pte. Ltd.	51%
Pureflow Pte. Ltd.	51%
Asia Recovery Centre Pte. Ltd.	51%
NewEarth Pte. Ltd.	20.4%
NewEarth Singapore Pte. Ltd.	9.5%

Group Corporate and Shared Services
// Corporate Finance & Special Project
// Corporate Administration
// Corporate Management
// Corporate Development
// Quality, Health, Safety & Environment

* Percentage is computed based on Beng Kuang Marine Limited's effective interest on subsidiaries and associates

Corporate Information

BOARD OF DIRECTORS
Mr. Chua Beng Kuang, *Executive Chairman*
Mr. Chua Meng Hua, *Managing Director*
Mr. Yong Thiam Fook, *Executive Director*
Mr. Ali Abdulla Ahmad Bin Towaih, *Non-Executive Director*
Mr. Goh Chee Wee, *Independent Director*
Dr. Wong Chiang Yin, *Independent Director*

AUDIT COMMITTEE
Dr. Wong Chiang Yin, *Chairman*
Mr. Goh Chee Wee
Mr. Ali Abdulla Ahmad Bin Towaih

REMUNERATION COMMITTEE
Dr. Wong Chiang Yin, *Chairman*
Mr. Goh Chee Wee
Mr. Ali Abdulla Ahmad Bin Towaih

NOMINATING COMMITTEE
Mr. Goh Chee Wee, *Chairman*
Dr. Wong Chiang Yin
Mr. Ali Abdulla Ahmad Bin Towaih

COMPANY SECRETARIES
Ms. Wee Woon Hong
Mr. Lee Hock Heng

AUDITORS
Nexia TS Public Accounting Corporation
100 Beach Road
#30-00 Shaw Tower
Singapore 189702

Director-in-charge: Mr. Chin Chee Choon
(Appointed since FY2010)

BANKERS
United Overseas Bank Limited
BNP Paribas
The Hongkong and Shanghai Banking Corporation Limited
Australia and New Zealand Banking Group Limited
Malayan Banking Berhad
Standard Chartered Bank
DBS Bank Limited
RHB Bank Berhad
CIMB Bank Berhad
PT Bank Mandiri
Bank of China Limited
Hong Leong Finance Ltd
Bangkok Bank Public Company Limited

REGISTRAR AND SHARE TRANSFER OFFICE
M & C Services Private Limited
138 Robinson Road
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Tel: (65) 6227 6660 Fax: (65) 6225 1452

REGISTERED OFFICE
55 Shipyard Road, Singapore 628141
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Financial Contents

Report of Corporate Governance

For the financial year ended 31 December 2011

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 and Board committees meetings held and attended by each Director during FY2011 are as follows:

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chua Beng Kuang	4	4	-	-	-	-	-	-
Chua Meng Hua	4	4	-	-	-	-	-	-
Yong Thiam Fook	4	4	-	-	-	-	-	-
Ali Abdulla Ahmad Bin Towaih	4	1	4	1	1	0	1	0
Goh Chee Wee	4	4	4	4	1	1	1	1
Dr Wong Chiang Yin	4	4	4	4	1	1	1	1

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

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

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

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

Principle 2: Board Composition and Balance

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

Executive Directors	
Chua Beng Kuang	(Executive Chairman)
Chua Meng Hua	(Managing Director)
Yong Thiam Fook	(Executive Director)
Non-Executive Directors	
Ali Abdulla Ahmad Bin Towaih	(Non-Executive Director)
Goh Chee Wee	(Independent Director)
Dr Wong Chiang Yin	(Independent Director)

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

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

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

Principle 3: Chairman and Managing Director

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

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

The Executive Chairman, Mr Chua Beng Kuang 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 prepare 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.

Mr Chua Beng Kuang (Executive Chairman) and Mr Chua Meng Hua (Managing Director) are brothers.

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 before hand 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 and/or his/her representatives attend 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 appointment 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:

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Ali Abdulla Ahmad Bin Towaih	(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 audit plans and reports of the external auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;

- Reviewing the internal audit plans, the scope and results of internal audit procedures;

- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2011 and other announcements to shareholders and the SGX-ST before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the Consolidated financial statements of the Group;

- Appraising and reporting to the Board on the audits undertaken by the external auditor, 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-operation given by the Management to the external auditor;

- Evaluating quality of work performed by external auditor;

- Discussing problems and concerns, if any, arising from the interim and final audits;

- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;

- 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 SGX-ST.

Dr Wong Chiang Yin is currently the President of Healthcare Services, Sasteria Pte Ltd and Executive Director of TMC Life Sciences Berhad. He is the Chairman of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Cashew Division. Mr Goh Chee Wee is currently a director of several public listed companies. He was elected as a Member of Parliament (1980-2001) and served as the Minister of State for Trade and Industry, Labour and Communications (1993-1997). Mr Ali Abdulla Ahmad Bin Towaih is currently the Vice President, Business Development, Strategy and Administration of Drydocks World. He also has extensive experience working in the oil, gas and sustainable development in Energy and Environment. 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 Nexia TS Public Accounting Corporation be nominated for reappointment as auditors of the Company at the forthcoming annual general meeting of the Company ("AGM").

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2011 are as follows:

Audit fees : S$208,340

Non-audit fees : S$51,089

The Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to its external auditors.

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 Board, with concurrence of the AC, is in the view that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company provides reasonable assurance of the adequacy of the internal controls in addressing the financial, operational and compliance risks of the Company. The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process with a view to improve the Company's internal risk controls system.

Principle 13: Internal Audit

The Company outsourced its internal audit function to an external professional firm, who reports directly to the AC and administratively to the Executive Directors. The objective of the internal audit function is to determine whether the Group's risk management, control and governance processes, as designed by the Company, is adequate and functioning in the required manner. The internal auditors have identified the Group's main business processes and developed an audit plan that covers the main business process over a 1-3 year audit cycle.

The AC will review the adequacy of the internal audit function annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Company.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Ali Abdulla Ahmad Bin Towaih	(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 Directors 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 Director play, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Director. The Directors' fees are subject to shareholders' approval at the forthcoming AGM.

The Company has entered into separate service agreements with Mr Chua Beng Kuang and Mr Chua Meng Hua 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.

Principle 9: Disclosure on Remuneration

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2011 and 31 December 2010 are set out below:

	Numbers of Directors	
Remuneration Band	**2011**	**2010**
$500,000 to below $750,000	2	2
$250,000 to below $500,000	0	0
Below $250,000	4	4
Total	6	6

Details of remuneration and fees paid to directors for the financial year ended 31 December 2011 are set out below:

Name of Directors	Salary# (%)	Bonus (%)	Fees* (%)	Benefits (%)	Total (%)
$500,000 - $750,000					
Chua Beng Kuang	59.90	39.96	0.14	-	100.00
Chua Meng Hua	56.53	41.68	1.79	-	100.00
Below $250,000					
Yong Thiam Fook	77.41	21.76	0.83	-	100.00
Ali Abdulla Ahmad Bin Towaih	-	-	100.00	-	100.00
Goh Chee Wee	-	-	100.00	-	100.00
Dr Wong Chiang Yin	-	-	100.00	-	100.00

Salary is inclusive of fixed allowance and CPF contributions.

* These fees are subject to approval of the shareholders at the forthcoming AGM.

Top 5 Executive Officers	2011
$250,000 to below $500,000	2
Below $250,000	3

The top five Executive Officers of the Group, are Mr Chua Beng Yong (Chief Operating Officer, Head of Infrastructure Engineering Division), Mr Chua Beng Hock (Deputy Chief Operating Officer, Head of Corrosion Prevention Division), Mr Ong Hock Sze (General Manager, Infrastructure Engineering Division, Operation & Production), Mr Lee Wei Liang (Chief Financial Officer), and Mr Tan Say Tian (General Manager, Corrosion Prevention Division, Indonesia).

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.

Save as disclosed above, there is no employee who is an immediate family member of any Director, whose remuneration for FY2011 exceeds $150,000.

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

The BKM Performance Share Plan was adopted at an Extraordinary General Meeting held on 27 April 2009. The BKM Performance Share Plan is administered by Dr Wong Chiang Yin, Mr Goh Chee Wee and Mr Ali Abdulla Ahmad Bin Towaih and contemplates the award of fully paid shares, free of charge, when or after prescribed performance targets are achieved by the selected employees of the Group.

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)
Dr Wong Chiang Yin	(Member, Independent Director)
Ali Abdulla Ahmad Bin Towaih	(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.

Key information regarding the Directors is set out under "Board of Directors" section of this Annual Report.

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, 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 FY2011 in accordance with its existing procedures.

A summary of the interested person transactions for FY2011 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920).	**Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000).**
[Revenue / (Expenses)]	**S$**	**S$**
Labroy Shipbuilding & Engineering Pte Ltd		
Provision of corrosion prevention services	-	(1,363)
Procurement of materials and consumables	-	(239,207)
PT Nanindah Mutiara Shipyard		
Provision of corrosion prevention services	-	284,666
Sale of hardware, equipment, tools and other consumables	-	9,835
Labroy Offshore Engineering Pte Ltd		
Procurement of materials and consumables	-	(2,561,081)
PT Graha Trisaka Industri		
Provision of corrosion prevention services	-	5,613,750
Sale of hardware, equipment, tools and other consumables	-	15,861
Drydocks World - Singapore Pte Ltd		
Provision of corrosion prevention services	-	5,023,592
Procurement of materials and consumables	-	(622,096)
Transportation charges	-	(5,762)
PT Drydocks World Pertama		
Provision of corrosion prevention services	-	702,293
Procurement of materials and consumables	-	(394,624)
Sale of hardware, equipment, tools and other consumables	-	140
PT Segara Gloria Anugrah Marine		
Charter expenses	-	(255,354)

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.

Directors' Report

for the financial year ended 31 December 2011

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2011 and the balance sheet of the Company as at 31 December 2011.

Directors

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

Chua Beng Kuang
Chua Meng Hua
Yong Thiam Fook
Goh Chee Wee
Dr Wong Chiang Yin
Ali Abdulla Ahmad Bin Towaih (Appointed on 10 January 2011)

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on pages 26 of this report.

Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee	
	At 31.12.2011	**At 1.1.2011 or date of appointment if later**
The Company		
(No. of ordinary shares)		
Chua Beng Kuang	36,267,500	36,267,500
Chua Meng Hua	35,319,500	35,319,500
Yong Thiam Fook	256,000	256,000
Goh Chee Wee	-	400,000
Dr Wong Chiang Yin	100,000	100,000

The directors' interests in the ordinary shares of the Company as at 21 January 2012 were the same as those as at 31 December 2011.

Directors' Report

for the financial year ended 31 December 2011

Directors' Contractual Benefits

Since the end of the previous financial year, no director 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 he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share Options

Pursuant to the Call Option Agreement dated 7 September 2009, the subscribers under the Call Option Agreement were granted an Option to subscribe for 38,000,000 new shares in the Company at an exercise price of $0.25 per share. This Option is exercisable at the sole discretion of the subscribers within the period of 3 years from the date of the Call Option Agreement.

The Call Option shares under the Call Option Agreement which are outstanding as at the financial year end was as follows:

	No. of unissued Call Option shares under Call Option Agreement			
	Call Option shares exercised during the financial year	Call Option shares granted under the Call Option Agreement	Aggregate Call Option shares exercised since the commencement of Call Option Agreement to the end of financial year	Aggregate Call Option share not exercised at the end of financial year
Subscribers under Call Option Agreement	-	38,000,000	22,000,000	16,000,000

There were no other options granted during the financial year to subscribe for unissued shares in the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

Audit Committee

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Ali Abdulla Ahmad Bin Towaih	(Member, Non-independent and Non-executive Director)

Audit Committee (cont'd)

The AC met four times in the financial year under review and carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. It performs the following:

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2011 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, 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-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- 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 SGX-ST.

The Audit Committee has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent Auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

20 March 2012

Statement by Directors

for the financial year ended 31 December 2011

In the opinion of the directors,

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; 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.

The directors have, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

20 March 2012

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 93, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2011, the consolidated statement of comprehensive income, the statement of changes in equity and the statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provision 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 2011, and the results, changes in equity and cash flows of the Group for financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Nexia TS Public Accounting Corporation
Public Accountants and Certified Public Accountants
Director-in-charge: Chin Chee Choon
Appointed since the financial year ended 31 December 2010

Singapore

20 March 2012

Consolidated Statement of Comprehensive Income

for the financial year ended 31 December 2011

	Note	2011	2010
		$	$
Revenue	4	145,432,939	78,488,104
Cost of sales		(118,773,259)	(58,031,337)
Gross profit		26,659,680	20,456,767
Other (losses)/gains - net	7	(2,596)	435,935
Expenses			
- Selling and distribution		(1,885,084)	(1,491,495)
- Administrative		(17,264,300)	(13,982,988)
- Finance	8	(2,139,088)	(1,357,252)
Share of loss of associated companies		(633,731)	(257,182)
Profit before income tax		4,734,881	3,803,785
Income tax expense	9	(1,056,112)	(1,118,342)
Net profit		3,678,769	2,685,443
Other comprehensive income:			
Currency translation differences arising from consolidation		(88,251)	20,541
Other comprehensive income, net of tax		(88,251)	20,541
Total comprehensive income		3,590,518	2,705,984
Profit attributable to:			
Equity holders of the Company		4,511,257	2,725,668
Non-controlling interests		(832,488)	(40,225)
		3,678,769	2,685,443
Total comprehensive income attributable to:			
Equity holders of the Company		4,452,688	2,746,209
Non-controlling interests		(862,170)	(40,225)
		3,590,518	2,705,984
Earnings per share attributable to equity holders of the Company (cents per share)			
- Basic	10	0.84	0.57
- Diluted	10	0.84	0.57

The accompanying notes form an integral part of these financial statements

Consolidated Balance Sheets

As at 31 December 2011

	Note	Group 2011 $	Group 2010 $	Company 2011 $	Company 2010 $
ASSETS					
Current assets					
Cash and cash equivalents	11	13,860,398	24,066,506	925,026	10,163,623
Trade and other receivables	12	105,182,104	52,717,042	66,662,270	55,557,623
Inventories	13	12,077,199	9,824,366	-	-
		131,119,701	86,607,914	67,587,296	65,721,246
Non-current assets					
Investment in associated companies	15	3,061,242	3,694,973	-	-
Investment in subsidiaries	16	-	-	12,058,933	12,022,085
Intangible assets	17	2,609,905	2,620,554	-	-
Property, plant and equipment	18	98,153,712	54,923,659	1,404,544	1,401,198
		103,824,859	61,239,186	13,463,477	13,423,283
Total assets		234,944,560	147,847,100	81,050,773	79,144,529
LIABILITIES					
Current liabilities					
Trade and other payables	19	69,692,614	25,975,927	6,450,914	3,118,172
Current income tax liabilities		1,678,010	1,201,534	-	-
Borrowings	20	59,783,410	30,624,158	22,661,414	23,335,618
		131,154,034	57,801,619	29,112,328	26,453,790
Non-current liabilities					
Borrowings	20	17,935,161	6,618,082	1,003,800	2,304,072
Deferred income tax liabilities	22	993,445	989,517	19,450	36,570
		18,928,606	7,607,599	1,023,250	2,340,642
Total liabilities		150,082,640	65,409,218	30,135,578	28,794,432
NET ASSETS		84,861,920	82,437,882	50,915,195	50,350,097
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	49,651,347	49,651,347	49,651,347	49,651,347
Currency translation reserve	24	(71,613)	(13,044)	-	-
Retained profits	25	31,872,250	28,171,055	1,263,848	698,750
		81,451,984	77,809,358	50,915,195	50,350,097
Non-controlling interests		3,409,936	4,628,524	-	-
Total equity		84,861,920	82,437,882	50,915,195	50,350,097

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2011

Group	Note	Share capital	Retained profits	Currency translation reserve	Total	Non-controlling interests	Total equity
		← Attributable to equity holders of the Company			→		
		$	$	$	$	$	$
2011							
Beginning of financial year		49,651,347	28,171,055	(13,044)	77,809,358	4,628,524	82,437,882
Acquisition of non-controlling interest		-	-	-	-	(36,848)	(36,848)
Dividends paid to non-controlling interest		-	-	-	-	(319,570)	(319,570)
Dividends relating to 2010 paid	26	-	(810,062)	-	(810,062)	-	(810,062)
Total comprehensive income for the year		-	4,511,257	(58,569)	4,452,688	(862,170)	3,590,518
End of financial year		49,651,347	31,872,250	(71,613)	81,451,984	3,409,936	84,861,920
2010							
Beginning of financial year		28,909,100	27,695,595	(33,585)	56,571,110	3,896,749	60,467,859
Issue of new shares		21,150,000	-	-	21,150,000	-	21,150,000
Share issue expenses		(407,753)	-	-	(407,753)	-	(407,753)
Issuance of shares to non-controlling interests		-	-	-	-	870,000	870,000
Dividends relating to 2009 paid	26	-	(2,250,208)	-	(2,250,208)	(98,000)	(2,348,208)
Total comprehensive income for the year		-	2,725,668	20,541	2,746,209	(40,225)	2,705,984
End of financial year		49,651,347	28,171,055	(13,044)	77,809,358	4,628,524	82,437,882

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	Note	2011	2010
		$	$
Cash flows from operating activities			
Net profit		3,678,769	2,685,443
Adjustments for:			
Income tax expense	9	1,056,112	1,118,342
Allowance for impairment of trade receivables		690,813	915,151
Allowance for impairment of inventories		31,233	41,774
Amortisation of intangible assets		58,375	58,375
Impairment loss on goodwill	17	16,111	19,810
Write-back of allowance for impairment of trade receivables		(434,818)	(749,912)
Gain on disposal of property, plant and equipment		(400,559)	(22,028)
Property, plant and equipment written off		30,001	401
Depreciation of property, plant and equipment	18	6,674,365	6,075,977
Inventories written-down		119,844	149,909
Share of loss of associated companies		633,731	257,182
Unrealised currency translation (gains)/losses		(64,587)	256,327
Interest income		(32,899)	(39,481)
Interest expense	8	2,139,088	1,357,252
		14,195,579	12,124,522
Change in working capital, net of effects from acquisition of subsidiaries			
Inventories and construction work-in-progress		(60,529,793)	(87,856)
Trade and other receivables		2,270,900	8,734,617
Trade and other payables		46,850,613	(16,087,231)
Bills payable		5,413,884	1,511,150
Cash flows generated from operations		8,201,183	6,195,202
Interest received		32,899	39,481
Interest paid		(1,848,373)	(1,236,715)
Income tax paid		(575,708)	(2,810,168)
Net cash flows generated from operating activities		5,810,001	2,187,800
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	32	(63,837)	(152,759)
Acquisition of non-controlling interests' share in a subsidiary	16	(36,848)	-
Acquisition of a business unit, net of cash acquired		-	(37,879)
Additions to property, plant and equipment		(43,485,932)	(13,549,913)
Proceeds from disposal of property, plant and equipment		758,167	1,071,629
Interest paid	8	(104,872)	-
Net cash flows used in investing activities		(42,933,322)	(12,668,922)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2011

	Note	2011	2010
		$	$
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		-	20,742,247
Proceeds from issuance of shares to non-controlling interests		-	870,000
Proceeds from borrowings		38,907,282	1,342,848
Repayment of borrowings		(8,958,283)	(2,658,553)
Repayment of lease liabilities		(2,292,840)	(2,127,858)
Interest paid		(316,456)	(304,425)
Dividends paid to equity holders of the Company		(810,062)	(2,250,208)
Dividends paid to non-controlling interest		(319,570)	(98,000)
Net cash flows generated from financing activities		26,210,071	15,516,051
Net (decrease)/increase in cash and cash equivalents		(10,913,250)	5,034,929
Cash and cash equivalents			
Beginning of financial year		24,066,506	19,268,544
Effects of currency translation on cash and cash equivalents		6,997	(236,967)
End of financial year	11	13,160,253	24,066,506

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the financial year ended 31 December 2011

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

These financial statements were authorised for issue in accordance with a resolution of the directors of Beng Kuang Marine Limited on 20 March 2012.

1 General 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. The address of its registered office is 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 and investment holding. The principal activities of subsidiaries are shown in Note 16 to the financial statements.

Related parties mentioned in these notes refer to the following:

a) Drydocks World-Southeast Asia Pte. Limited and its subsidiaries ("Drydocks Group") in which the Company is an associate of Drydocks Group.

b) Hwah Hong Transportation Pte. Ltd. ("Hwah Hong") which is significantly influenced by one of the Group's key management personnel by virtue of his directorship and substantial shareholdings in Hwah Hong.

2 Summary of significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2011

On 1 January 2011, the Group adopted the new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application from the date. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group's and Company accounting policies and had no material effect on the amounts reported for the current or prior financial years.

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

Subsidiaries are entities over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to the majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been charged where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the entity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interest having a deficit balance.

(ii) Acquisition of business

The acquisition method of accounting is used to account for business combination by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognised any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. Please refer to paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill.

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(a) Subsidiaries (cont'd)

(iii) Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transaction with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transaction with equity owner of the Company. Any difference between the changes in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised in a separate reserve within equity attributable to the equity holders of the Company.

(c) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%. Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associate over the Group's share of the fair value of the identifiable net assets of the associate and is included in the carrying amount of the investments.

In applying the equity method of accounting, the Group's share of its associated companies' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated companies are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company.

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(c) Associated companies (cont'd)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associated companies are derecognised when the Group loses significant influence. Any retained equity interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value is recognised in profit or loss.

Gains and losses arising from partial disposals or dilutions in investments in associated companies are recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries and associated companies" for the accounting policy on investments in associated companies in the separate financial statements of the Company.

2.3 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

Depreciation is calculated using a straight-line method to allocate the depreciable amounts of property, plant and equipment over their estimated useful lives as follows:

	Useful lives
Motor vehicles	10 years
Computers	3 years
Office equipment	10 years
Furniture and fittings	10 years
Forklifts	10 years
Machinery, tools and equipment	2 – 15 years
Air-conditioners	5 years
Yard development	30 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
Vessels	15 – 20 years

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

2.3 Property, plant and equipment (cont'd)

(b) Depreciation (cont'd)

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Fully depreciated property, plant and equipment 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 lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date.

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carry amount is recognised in profit or loss.

2.4 Intangible assets

(a) Goodwill on acquisition

Goodwill on acquisitions of subsidiaries on or after 1 January 2010 represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired.

Goodwill on acquisition of subsidiaries prior to 1 January 2010 and associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold, except for goodwill arising from acquisitions prior to 1 January 2001. Such goodwill was adjusted against retained profits in the year of acquisition and is not recognised in profit or loss on disposal.

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

2.4 Intangible assets(cont'd)

(b) Intellectual property rights

Intellectual property rights acquired in business combinations 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. The Company's existing intellectual property rights have a finite useful life and are amortised over the period of 8 years on a straight-line basis.

2.5 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value.

2.6 Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments in subsidiaries and associated companies, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.7 Impairment of non-financial assets

Intangible assets
Property, plant and equipment
Investment in subsidiaries and associated companies

Intangible assets, property, plant and equipment, investment in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed if, and 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. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

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

2.8 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" and "cash and cash equivalents" on the balance sheet.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified to profit or loss.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

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

2.8 Financial assets (cont'd)

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.9 Construction contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date (percentage-of-completion method). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion is measured by reference to the contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

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

2.9 Construction contracts (cont'd)

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts within "trade and other payables".

Progress billings not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.10 Inventories

Inventories relate to trading goods and materials to be used in the rendering of services. Inventories 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.

2.11 Trade and other payables

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

2.12 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

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

2.14 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax taxes are recognised as income and expense in the profit or loss.

2.15 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

2.16 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest rate method.

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

2.17 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.18 Revenue recognition

Sales comprise the fair value of the consideration received or receivable sales of goods and rendering of services in the ordinary course of the Group's activities. Sales are presented, net of value-added tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the group activities are met as follows:

(a) Corrosion prevention and infrastructure engineering services

Revenue from corrosion prevention and infrastructure engineering services are 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.

Please refer to the paragraph "Construction Contracts" for the accounting policy for revenue from construction contracts.

(b) Supply and distribution of products

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.

(c) Chartering income

Chartering income is recognised on a straight-line basis over the charter hire period.

(d) Interest income

Interest income is recognised using the effective interest method.

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

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) 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.

(b) Performance Share Plan

Employees of the Company receive remuneration in the form of fully paid shares as consideration for services rendered. The cost of these equity settled transactions with employees is measured by reference to the fair value of the shares at the date on which the shares are granted. This cost is recognised in profit or loss, with a corresponding increase in equity. There is no vesting period for these performance shares.

(c) 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.

2.20 Share capital

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.

2.21 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar.

(b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency translation differences from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss.

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

2.21 Currency translation (cont'd)

(c) Translation of Group entities' financial statements

The results and financial positions of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing exchange rates at the reporting date;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting currency translation differences are recognised in the currency translation reserve.

2.22 Fair value estimation

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

The fair values of financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest that are available to the Company for similar financial liabilities.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Officers whose members are responsible for allocating resources and assessing performance of the operating segments.

2.24 Lease

(a) When the Group is the lessee:

The Group leases land, motor vehicles and certain plant and machinery under finance leases and land, factories and warehouses under operating leases from non-related parties.

(i) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

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

2.24 Lease (cont'd)

(a) When the Group is the lessee: (cont'd)

(ii) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

The Group leases equipment under finance leases and investment properties under operating leases to non-related parties.

Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.25 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

3 Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

(a) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, plant and equipment and investment in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 17(b)).

There is no impairment charge on the goodwill arising from the acquisition of Water and Environmental Technologies (WET) Pte. Ltd. in the financial year ended 31 December 2011. If the net present values of estimated cash flows used in the value-in-use calculation for this CGU as at 31 December 2011 is lowered by 10%, there is no impairment charge on the goodwill as the recoverable amount for the CGU is above its carrying amount.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment yearly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delays in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgement as to whether there is observable data indicating that there is a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar risk characteristics. The methodology and assumptions used are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

If the values of financial assets that is past due but not impaired as at 31 December 2011 increase/decrease by 10%, the Group's and Company's allowance for impairment will increase/decrease by $104,318 and Nil respectively.

3 Critical accounting estimates, assumptions and judgements (cont'd)

3.1 Critical accounting estimates and assumptions (cont'd)

(c) Construction contracts

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

Significant judgement is required in determining the stage of completion, the extent of the contract costs 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 judgement, the Group relies on past experience and historical settlements with the customers.

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by $8,462,872 respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by $1,038,930 respectively.

4 Revenue

	Group	
	2011	**2010**
	$	**$**
Infrastructure engineering services	99,190,734	16,980,165
Corrosion prevention services	29,254,981	43,883,463
Supply and distribution of products	15,677,054	17,424,717
Chartering income	1,310,170	199,759
	145,432,939	78,488,104

5 Expenses by nature

	Note	Group 2011 $	Group 2010 $
Purchases		85,513,204	24,760,591
Subcontractors' fees		6,400,137	11,266,650
Amortisation of intangible assets	17	58,375	58,375
Depreciation of property, plant and equipment	18	6,674,365	6,075,977
Allowance for impairment of trade and other receivables		690,813	915,151
Allowance for impairment of obsolete inventories		31,233	41,774
Impairment loss on goodwill	17	16,111	19,810
Total amortisation, depreciation and impairment		7,470,897	7,111,087
Write-back of allowance for impairment of trade receivables		(434,818)	(749,913)
Inventories written-down		119,844	149,909
Audit fees paid/payable to			
- Auditor of the Company		179,600	154,000
- Other auditor		28,740	88,012
Total audit fees		208,340	242,012
Employee compensation	6	23,180,323	19,240,603
Rental and repair		3,641,590	4,047,615
Maintenance of equipment and machinery		295,662	709,552
Transport and travelling		1,189,560	1,177,495
Staff accommodation		2,186,755	1,496,196
Office related expenses		836,117	720,445
Insurance		1,198,726	-
Others		6,116,306	3,333,578
Total cost of sales, selling and distribution and administrative expenses		137,922,643	73,505,820

6 Employee compensation

	Group	
	2011	**2010**
	$	**$**
Wages and salaries	20,145,504	16,547,617
Employer's contribution to defined contribution plans including Central Provident Fund	1,122,683	900,480
Other short-term benefits	1,912,136	1,792,506
	23,180,323	19,240,603

7 Other (losses)/gains – net

	Group	
	2011	**2010**
	$	**$**
Interest income	32,899	39,481
Gain on disposal of property, plant and equipment	400,559	22,028
Write off of property, plant and equipment	(30,001)	(401)
Foreign exchange loss – net	(760,672)	(122,106)
Government grants	30,528	156,717
Other income	324,091	340,216
	(2,596)	435,935

8 Finance expenses

	Group	
	2011	**2010**
	$	**$**
Interest expenses		
- Bank borrowings	969,373	1,136,146
- Bank overdrafts	50,011	16,688
- Finance lease liabilities	217,569	162,899
- Bills payable	902,135	41,519
	2,139,088	1,357,252

Borrowing costs on construction of a vessel amounting $104,872 (2010:Nil) were capitalised at a rate of 2.5% (2010:Nil).

9 Income tax expense

	Group	
	2011	**2010**
	$	**$**
Tax expense attributable to profit is made up of:		
Current income tax		
- Singapore	552,606	149,010
- Foreign	828,339	944,455
	1,380,945	1,093,465
Deferred income tax	51,809	105,096
	1,432,754	1,198,561
Over provision in prior financial year		
- Current income tax	(328,761)	(49,965)
- Deferred income tax	(47,881)	(30,254)
	1,056,112	1,118,342

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	Group	
	2011	**2010**
	$	**$**
Profit before income tax	4,734,881	3,803,785
Tax at the applicable tax rate of 17% (2010:17%)	804,930	646,644
Effects of:		
- expenses not deductible for tax purposes	319,886	212,557
- income not subject to tax	(5,470)	(25,397)
- tax incentives	(112,422)	(96,837)
- different tax rate in foreign jurisdictions	227,589	274,592
- deferred tax assets not recognised	90,439	52,817
- share of loss of associated companies	107,734	43,721
- others	68	90,464
Tax charge	1,432,754	1,198,561

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $2,139,537 (2010:$1,812,906) and $20,432 (2010:$20,432) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act.

The potential deferred tax assets as at 31 December 2011 arising from these unutilised tax losses have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.14.

10 Earnings per share

a) Basic earnings per share

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.

	Group	
	2011	2010
	$	$
Profit attributable to ordinary equity holders of the Company	4,511,257	2,725,668

	Number of shares	
	2011	2010
Weighted average number of ordinary shares for basic earnings per share	540,041,625	481,332,036

	2011	2010
Basic earnings per share (cents per share)	0.84	0.57

b) Diluted earnings per share

Diluted earnings per 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 financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares. The Company only has one category of dilutive potential ordinary shares – share options.

Potential ordinary shares are anti-dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share. The calculation of diluted earnings per share does not assume conversion, exercise, or other issue of potential ordinary shares that would have an anti-dilutive effect on earnings per share.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company’s average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

10 Earnings per share (cont'd)

b) Diluted earnings per share (cont'd)

	Group 2011 $	Group 2010 $
Net profit attributable to ordinary equity holders of the Company	4,511,257	2,725,668

	Number of shares 2011	Number of shares 2010
Weighted average number of ordinary shares for diluted earnings per share	540,041,625	481,332,036

	2011	2010
Diluted earnings per share (cents per share)	0.84	0.57

11 Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Cash at bank and on hand	13,860,398	12,733,275	925,026	2,159,771
Short-term bank deposits	-	11,333,231	-	8,003,852
	13,860,398	24,066,506	925,026	10,163,623

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group 2011 $	Group 2010 $
Cash and cash equivalents (as above)	13,860,398	24,066,506
Less: Bank overdrafts (Note 20)	(700,145)	-
Cash and cash equivalents per consolidated statement of cash flows	13,160,253	24,066,506

Acquisition of businesses

Please refer to Note 31 for the effects of acquisition of subsidiaries on the cash flows of the Group.

12 Trade and other receivables

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Trade receivables				
- Subsidiaries	-	-	6,983,931	4,189,063
- Related parties	9,380,065	17,967,120	28,501	4,372,764
- Non-related parties	25,286,880	19,755,133	15,300	-
	34,666,945	37,722,253	7,027,732	8,561,827
Less: Allowance for impairment of trade receivables	(1,043,177)	(787,182)	-	-
Trade receivables - net	33,623,768	36,935,071	7,027,732	8,561,827
Construction contracts				
- Due from customers (Note 14)	68,278,929	13,286,971	229,887	2,364,973
- Retentions (Note 14)	23,279	191,655	-	-
	68,302,208	13,478,626	229,887	2,364,973
Non-trade receivables				
- Associated companies	1,800	2,424	-	218
- Subsidiaries	-	-	58,950,758	44,232,449
- Related parties	17,023	36	-	-
- Non-related parties	1,985,655	1,071,059	452,093	398,156
	2,004,478	1,073,519	59,402,851	44,630,823
Deposits	695,828	969,296	-	-
Prepayments	555,822	260,530	1,800	-
	105,182,104	52,717,042	66,662,270	55,557,623

The non-trade amounts due from associated companies, subsidiaries and related parties are unsecured, interest-free and repayable on demand except for:

i) An amount of $6,871,903 (2010:$4,435,302) due from a subsidiary which bear fixed interest amount of $120,000 (2010:$120,000) per annum and is repayable on demand.

ii) Amounts of $19,225,246 (2010: $3,183,819) due from certain subsidiaries which bear fixed interest rate from the range of 3.22% to 5.00% (2010: 5.00% to 6.80%) per annum and is repayable on demand.

13 Inventories

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Raw materials	4,683,518	1,802,226	-	-
Trading goods	7,393,681	8,022,140	-	-
	12,077,199	9,824,366	-	-

The cost of inventories related to trading goods recognised as an expense and included in "cost of sales" amounts to $22,410,565 (2010: $19,745,370).

14 Construction contracts

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	118,036,651	49,447,232	-	9,681,383
Less: Progress billings	(51,352,678)	(40,889,142)	-	(7,316,410)
	66,683,973	8,558,090	-	2,364,973
Presented as:				
Due from customers on construction contracts (Note 12)	68,278,929	13,286,971	229,887	2,364,973
Due to customers on construction contracts (Note 19)	(1,594,956)	(4,728,881)	-	-
	66,683,973	8,558,090	229,887	2,364,973
Retentions on construction contracts (Note 12)	23,279	191,655	-	-

15 Investment in associated companies

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Equity investments at cost	4,616,573	4,816,573	-	200,000
Transferred to equity interest in a subsidiary	-	(200,000)	-	(200,000)
Share of losses	(1,555,331)	(921,600)	-	-
End of financial year	3,061,242	3,694,973	-	-

The summarised financial information of associated companies, not adjusted for the proportion ownership interest held by the Group, is as follows:

	Group	
	$	**$**
- Assets	13,140,827	9,678,352
- Liabilities	280,642	102,976
- Revenue	-	-
- Net loss	1,584,327	684,855

Details of the associated companies as at 31 December are as follows:

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2011	**2010**
			%	**%**
Held by Water and Environmental Technologies (WET) Pte. Ltd.				
NewEarth Pte. Ltd.[1]	Solid waste management	Singapore	20.4	20.4
NewEarth Singapore Pte. Ltd.[1]	Solid waste management	Singapore	9.5	14.7

[1] Audited by KPMG LLP Singapore

On 25 July 2011, NewEarth Singapore Pte. Ltd. ("NewEarth") increased its issued and paid up capital by $5,300,000. The new issue was fully subscribed by equity holders of NewEarth. As a result, the shareholding diluted from 14.7% to 9.5%.

16 Investment in subsidiaries

	Company 2011 $	Company 2010 $
Equity investments at cost		
Beginning of financial year	12,022,085	9,392,085
Transferred from equity interest in an associated company	-	200,000
Acquisition of non-controlling interests' share in a subsidiary	36,848	-
Additions	-	2,430,000
End of financial year	12,058,933	12,022,085

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2011 %	Equity holding 2010 %	Cost of investment 2011 $	Cost of investment 2010 $
Significant subsidiaries held by Company						
Nexus Sealand Trading Pte Ltd [(1)]	Supply and distribution of hardware equipment, tools and other products	Singapore	100	100	2	2
Asian Sealand Engineering Pte Ltd [(1)]	Provision of infrastructure engineering services	Singapore	100	100	1,800,000	1,800,000
PT. Nexus Engineering Indonesia [(2)]	Provision of infrastructure engineering services	Indonesia	100	100	388,233	388,233
PT. Master Indonesia[(4)]	Supply and distribution of hardware equipment, tools and other products	Indonesia	100[(5)]	100[(5)]	177,000	177,000
B & J Marine Pte. Ltd. [(1)]	Provision of hydro-jetting and tank cleaning services	Singapore	100	51	87,848	51,000
B & K Marine Pte. Ltd.[(1)]	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&Chew) Pte. Ltd. [(1)]	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000

16 Investment in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2011	2010	2011	2010
			%	%	$	$
Significant subsidiaries held by Company						
Beng Kuang Marine (B&M) Pte. Ltd. [1]	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&Y) Pte. Ltd. [1]	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Nexus Hydrotech Pte. Ltd. [1]	Provision of corrosion prevention services (utilising hydro-jetting machines)	Singapore	80	80	80,000	80,000
ASIC Engineering Sdn Bhd [3]	Provision of infrastructure engineering services	Malaysia	100	100	43,479	43,479
Venture Automation & Electrical Engineering Pte. Ltd.[1]	Provision of industrial and marine automation works	Singapore	51	51	102,000	102,000
Pangco Pte. Ltd. [1]	Provision of corrosion prevention services	Singapore	51	51	51	51
Water and Environmental Technologies (WET) Pte. Ltd. [1]	Provision of research and development, and solution for waste management	Singapore	51	51	5,711,465	5,711,465
Asian Sealand Automation Pte. Ltd. [1]	Provision of automated engineering services	Singapore	100	100	258,855	258,855
PT. Nexelite CP Indonesia[4]	Provision of corrosion prevention services	Indonesia	100[5]	100[5]	280,000	280,000

16 Investment in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2011 %	Equity holding 2010 %	Cost of investment 2011 $	Cost of investment 2010 $
Significant subsidiaries held by Company						
Drako Shipping Pte. Ltd. [1]	Provision of freight transport services	Singapore	85	85	510,000	510,000
Quill Marine Pte Ltd [1]	Rental and sales of wet blasting machines and related business	Singapore	100	100	400,000	400,000
Ocean Eight Shipping Pte. Ltd. [1]	Provision of freight transport services	Singapore	70	70	1,820,000	1,820,000
					12,058,933	12,022,085

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2011 %	Equity holding 2010 %
Held by Nexus Sealand Trading Pte Ltd				
BT Asia Marketing & Engineering Pte Ltd [1]	Trading of copper slag and waste management	Singapore	100	100
Picco Enterprise Pte. Ltd. [1]	Supply and distribution of beverage products	Singapore	100	100
OneHub Tank Coating Pte. Ltd.[1]	Provision for internal tank coating services	Singapore	100	100
Held by Water & Environment Technologies (WET) Pte. Ltd.				
Pureflow Pte. Ltd. [1]	Provision of water and waste water treatment, recycling, consultancy and management services	Singapore	51	51
Asia Recovery Centre Pte. Ltd.[1]	Provision of water, waste treatment and oilfield chemical	Singapore	51[6]	51[6]

16 Investment in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2011	2010
			%	%
Held by Pangco Pte. Ltd.				
PT. Berger Batam[4]	Provision of corrosion prevention services	Indonesia	51[5]	51[5]
Held by Drako Shipping Pte. Ltd.				
PT. Marina Shipping[4]	Provision of freight transport services	Indonesia	85	-
Held by Ocean Eight Shipping Pte. Ltd.				
Ocean Eight Pte Ltd[4]	Provision of freight transport services	Marshall Islands	70	-

(1) Audited by Nexia TS Public Accounting Corporation.

(2) Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia and audited by Nexia TS Public Accounting Corporation for consolidation purposes.

(3) Audited by Ernst & Young Malaysia.

(4) Audited by Nexia TS Public Accounting Corporation for consolidation purposes. Not required to be audited under the laws of the country of incorporation.

(5) 1% of the shareholding is held in trust for the Group by an employee of the Group.

(6) 100% of the shareholding is held by Pureflow Pte. Ltd.

Acquisition of non-controlling interests

On 27 October 2011, the Company acquired 49,000 shares, representing 49% equity interest in the capital of B & J Marine Pte. Ltd. ("B&J") for a purchase consideration of $36,848 in cash, increasing its ownership from 51% to 100%. The carrying amount of B&J's net assets in the financial statements on the date of acquisition was $36,848.

17 Intangible assets

<u>**Group**</u> **2011**	**Goodwill**	**Intellectual property rights**	**Total**
	$	**$**	**$**
Cost:			
Beginning of financial year	2,304,708	467,000	2,771,708
Acquisition of subsidiary (Note 32)	63,837	-	63,837
End of financial year	2,368,545	467,000	2,835,545
Accumulated amortisation:			
Beginning of financial year	19,810	131,344	151,154
Amortisation charge	-	58,375	58,375
Impairment charge	16,111	-	16,111
End of financial year	35,921	189,719	225,640
Net book value	2,332,624	277,281	2,609,905

<u>**Group**</u> **2010**	**Goodwill**	**Intellectual property rights**	**Total**
	$	**$**	**$**
Cost:			
Beginning of financial year	2,268,787	467,000	2,735,787
Acquisition of subsidiary	35,921	-	35,921
End of financial year	2,304,708	467,000	2,771,708
Accumulated amortisation:			
Beginning of financial year	-	72,969	72,969
Amortisation charge	-	58,375	58,375
Impairment charge	19,810	-	19,810
End of financial year	19,810	131,344	151,154
Net book value	2,284,898	335,656	2,620,554

17 Intangible assets (cont'd)

a) Intellectual property rights

The Group holds two patent applications, namely Nano-Structured Photocatalytic Oxidation Process and Rotating Flow Membrane. Patents are amortised 8 years from the date of commercialisation and have a remaining amortisation period of 4 years (2010: 5 years). As at 31 December 2011, the carrying amounts of these patents were $277,281 (2010: $335,656).

b) Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to environment and resources as a cash generating unit for impairment testing. The recoverable amount for the cash generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets by management covering a five-year period.

The following describes each key assumption in which management has based its cash flow projections to undertake impairment testing of goodwill:

- Forecasted completion of plant in FY2012 and commencement of operating and sales activities in fourth quarter of FY2012;
- Budgeted sales of approximately $800,000 in FY2012. Sales is forecasted to increase to approximately $13,000,000 in FY2013 and thereafter 3% annually to FY2016;
- Costs of sales of approximately $950,000 in FY2012. Cost of sales is forecasted to increase to approximately $9,900,000 in FY2013 and thereafter 3% annually to FY2016; and
- Long term growth rates of 3% and weighted average costs of capital of approximately 9%.

An impairment loss of $16,111 was recognised to write down the carrying values of goodwill in relation to the disposal of a business unit of one of its subsidiaries, B & K Marine Pte. Ltd.

18 Property, plant and equipment

Group 2011	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Leasehold building	Leasehold land	Yard development	Construction in progress	Vessels	Total
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Cost														
Beginning of financial year	3,404,816	1,540,585	631,929	198,356	2,212,782	31,081,730	109,433	3,341,319	8,424,565	1,836,367	6,709,467	18,041,901	1,741,575	79,274,825
Addition	616,456	327,142	5,317	4,940	524,479	12,758,838	471	341,373	2,015,072	-	111,192	17,262,361	16,355,045	50,322,686
Disposal/write off	(249,476)	(13,902)	-	-	(326,058)	(1,737,132)	(1,075)	-	-	-	(22,663)	-	-	(2,350,306)
Transfer	-	(1,716)	-	-	-	-	-	-	-	-	70,464	(18,319,800)	18,251,052	-
Currency translation differences	(3,899)	(101)	(998)	(53)	(304)	(10,954)	(154)	(223)	-	-	(1,779)	-	-	(18,465)
End of financial year	3,767,897	1,852,008	636,248	203,243	2,410,899	42,092,482	108,675	3,682,469	10,439,637	1,836,367	6,866,681	16,984,462	36,347,672	127,228,740
Accumulated Depreciation														
Beginning of financial year	1,517,130	1,025,470	571,714	173,422	1,076,809	15,971,504	100,065	2,732,522	827,945	-	271,472	-	83,113	24,351,166
Depreciation charge	321,142	302,907	30,837	7,625	302,015	4,367,823	3,037	223,797	279,693	64,434	275,811	-	495,244	6,674,365
Disposal/write off	(194,103)	(13,902)	-	-	(302,327)	(1,426,489)	(1,075)	-	-	-	(1,900)	-	-	(1,939,796)
Transfer	-	(286)	-	-	-	-	-	-	-	-	-	-	286	-
Currency translation differences	(511)	(55)	(843)	(58)	(3,259)	(5,750)	(100)	(131)	-	-	-	-	-	(10, 707)
End of financial year	1,643,658	1,314,134	601,708	180,989	1,073,238	18,907,088	101,927	2,956,188	1,107,638	64,434	545,383	-	578,643	29,075,028
Net book value														
End of financial year	2,124,239	537,874	34,540	22,254	1,337,661	23,185,394	6,748	726,281	9,331,999	1,771,933	6,321,298	16,984,462	35,769,029	98,153,712

18 Property, plant and equipment (cont'd)

Group 2010	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Leasehold building	Leasehold land	Yard development	Construction in progress	Vessels	Total
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Cost														
Beginning of financial year	3,022,899	1,680,619	623,128	183,873	2,213,112	29,652,899	117,969	3,324,454	8,424,565	1,836,367	3,930,930	11,008,873	-	66,019,688
Addition	823,855	183,270	49,386	15,361	167,500	3,292,915	356	57,451	-	-	2,781,058	7,144,186	1,741,575	16,256,913
Disposal/write off	(443,495)	(323,304)	(41,433)	(926)	(167,830)	(1,864,199)	(9,041)	(40,804)	-	-	(2,521)	(111,158)	-	(3,004,711)
Currency translation differences	1,557	-	848	48	-	115	149	218	-	-	-	-	-	2,935
End of financial year	3,404,816	1,540,585	631,929	198,356	2,212,782	31,081,730	109,433	3,341,319	8,424,565	1,836,367	6,709,467	18,041,901	1,741,575	79,274,825
Accumulated Depreciation														
Beginning of financial year	1,422,571	956,835	558,181	168,433	808,552	13,008,638	104,173	2,492,987	531,788	-	175,986	-	-	20,228,144
Depreciation charge	283,916	362,523	31,531	5,860	374,910	4,257,411	4,856	280,214	296,157	-	95,486	-	83,113	6,075,977
Disposal/write off	(190,017)	(293,888)	(18,668)	(926)	(106,653)	(1,294,711)	(9,041)	(40,805)	-	-	-	-	-	(1,954,709)
Currency translation differences	660	-	670	55	-	166	77	126	-	-	-	-	-	1,754
End of financial year	1,517,130	1,025,470	571,714	173,422	1,076,809	15,971,504	100,065	2,732,522	827,945	-	271,472	-	83,113	24,351,166
Net book value														
End of financial year	1,887,686	515,115	60,215	24,934	1,135,973	15,110,226	9,368	608,797	7,596,620	1,836,367	6,437,995	18,041,901	1,658,462	54,923,659

18 Property, plant and equipment (cont'd)

Company 2011	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Beginning of financial year	1,397,983	724,673	68,745	64,424	86,530	1,230,578	37,830	220,155	3,830,918
Addition	244,800	56,122	-	-	-	-	-	-	300,922
End of financial year	1,642,783	780,795	68,745	64,424	86,530	1,230,578	37,830	220,155	4,131,840
Accumulated Depreciation									
Beginning of financial year	325,427	559,492	62,876	63,142	52,382	1,224,576	30,038	111,787	2,429,720
Depreciation charge	129,971	122,012	3,547	342	5,253	1,866	1,948	32,637	297,576
End of financial year	455,398	681,504	66,423	63,484	57,635	1,226,442	31,986	144,424	2,727,296
Net book value									
End of financial year	1,187,385	99,291	2,322	940	28,895	4,136	5,844	75,731	1,404,544

Company 2010	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Beginning of financial year	895,128	846,276	68,745	64,424	131,530	1,230,578	37,830	193,705	3,468,216
Addition	779,688	63,140	-	-	-	-	-	26,450	869,278
Disposal/write off	(276,833)	(184,743)	-	-	(45,000)	-	-	-	(506,576)
End of financial year	1,397,983	724,673	68,745	64,424	86,530	1,230,578	37,830	220,155	3,830,918
Accumulated Depreciation									
Beginning of financial year	369,912	538,058	58,637	62,234	92,129	1,222,710	28,090	79,247	2,451,017
Depreciation charge	91,015	206,177	4,239	908	5,253	1,866	1,948	32,540	343,946
Disposal/write off	(135,500)	(184,743)	-	-	(45,000)	-	-	-	(365,243)
End of financial year	325,427	559,492	62,876	63,142	52,382	1,224,576	30,038	111,787	2,429,720
Net book value									
End of financial year	1,072,556	165,181	5,869	1,282	34,148	6,002	7,792	108,368	1,401,198

18 Property, plant and equipment (cont'd)

a) Assets held under finance lease

The carrying amount of motor vehicles, forklifts and machinery, tools and equipment held under finance lease amounting to $1,353,818 (2010:$1,126,142), $487,750 (2010:$254,497) and $8,892,907 (2010:$5,549,902) respectively.

For the purpose of the consolidated statement of cash flows during the financial year, the Group acquired fixed assets with an aggregate cost of $50,322,686 (2010:$16,256,913) of which $6,836,754 (2010:$2,707,000) were acquired under finance leases and cash payments of $43,485,932 (2010: $13,549,913).

b) Assets pledged as security

The Group's leasehold property and vessel with carrying amount of $7,007,048 (2010: $7,163,262) and $17,051,542 (2010: Nil) respectively, is mortgaged to secure the Group's bank borrowings (Note 20).

19 Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Trade payables				
- Subsidiaries	-	-	1,808	211,384
- Related parties	23,770	27,334	-	181,283
- Non-related parties	32,811,734	11,536,234	150,592	56,678
	32,835,504	11,563,568	152,400	449,345
Construction contracts				
- Due to customers (Note 14)	1,594,956	4,728,881	-	-
Non-trade payables				
- Subsidiaries	-	-	3,857,308	445,751
- Related parties	282,745	-	-	-
- Non-related parties	3,530,888	2,296,506	767,891	841,849
	3,813,633	2,296,506	4,625,199	1,287,600
Accruals for operating expenses	31,448,521	7,386,972	1,673,315	1,381,227
	69,692,614	25,975,927	6,450,914	3,118,172

The non-trade amounts due to subsidiaries and related parties are unsecured, interest-free and repayable on demand.

20 Borrowings

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Current				
Bank borrowings	48,868,112	26,774,513	21,136,842	22,584,411
Bank overdrafts	700,145	-	-	-
Bills payable	7,880,948	2,467,064	1,303,300	553,959
Finance lease liabilities (Note 21)	2,334,205	1,382,581	221,272	197,248
	59,783,410	30,624,158	22,661,414	23,335,618
Non-current				
Bank borrowings	12,686,123	4,961,335	625,000	1,875,000
Finance lease liabilities (Note 21)	5,249,038	1,656,747	378,800	429,072
	17,935,161	6,618,082	1,003,800	2,304,072
Total borrowings	77,718,571	37,242,240	23,665,214	25,639,690

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
6 months or less	56,200,499	28,566,936	21,922,696	22,606,428
6 – 12 months	3,582,910	2,057,222	738,718	729,189
1 – 5 years	17,887,418	6,618,082	1,003,800	2,304,073
Over 5 years	47,744	-	-	-
	77,718,571	37,242,240	23,665,214	25,639,690

a) Security granted

Total borrowings included amounts of $39,130,393 (2010: $6,250,409) and $600,072 (2010: $626,320) for the Group and the Company respectively which are secured over the Group's certain assets. Bank borrowings of the Group are secured over a leasehold property, a vessel and certain projects work-in-progress. Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries (Note 21), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company (Note 27).

20 Borrowings (Cont'd)

b) Fair value of non-current borrowings

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Bank borrowings	12,960,649	5,045,421	625,880	1,880,819
Finance lease liabilities	5,634,178	1,755,300	391,681	429,072

The fair value above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the director expect to be available to the Group and the Company as follows:

	Group		Company	
	2011	2010	2011	2010
	%	%	%	%
Bank borrowings	2.20 – 5.25	5.50	5.25	5.50
Finance lease liabilities	2.20 – 3.50	2.08 – 3.50	3.50	3.50

21 Finance lease liabilities

The Group and the Company leases certain motor vehicles and machineries from non-related parties under finance leases. The lease agreements do not have renewal clauses but provided the Group and the Company with options to purchase the leased assets at nominal values at the end of the lease term.

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Minimum lease payment due				
- Not later than one year	2,569,518	1,500,333	238,419	212,964
- Between one and five years	5,776,209	1,811,110	407,048	461,607
- Later than five years	58,921	-	-	-
	8,404,648	3,311,443	645,467	674,571
Less: Future finance charges	(821,405)	(272,115)	(45,395)	(48,251)
Present value of finance lease liabilities	7,583,243	3,039,328	600,072	626,320

21 Finance lease liabilities (Cont'd)

The present value of finance lease liabilities are analysed as follows:

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Not later than one year (Note 20)	2,334,205	1,382,581	221,272	197,248
Later than one year (Note 20)				
- Between one and five years	5,201,294	1,656,747	378,800	429,072
- Later than five years	47,744	-	-	-
	5,249,038	1,656,747	378,800	429,072
Total	7,583,243	3,039,328	600,072	626,320

22 Deferred tax liabilities

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Deferred income tax liabilities				
- To be settled after one year	993,445	989,517	19,450	36,570

The movement in deferred tax account is as follows:

Group	Accelerated tax depreciation $	Provision $	Tax losses $	Total $
2011				
Beginning of financial year	992,813	(45,495)	42,199	989,517
Charged/(credited) to				
- profit or loss	(2,354)	(9,410)	15,692	3,928
End of financial year	990,459	(54,905)	57,891	993,445
2010				
Beginning of financial year	964,439	(25,202)	(72,865)	866,372
Currency translation differences	18,049	-	-	18,049
Charged/(credited) to				
- profit or loss	10,325	(20,293)	115,064	105,096
End of financial year	992,813	(45,495)	42,199	989,517

22 Deferred tax liabilities (Cont'd)

Company	Accelerated tax depreciation $	Provision $	Tax losses $	Total $
2011				
Beginning of financial year	62,160	(19,940)	(5,650)	36,570
Charged/(credited) to				
- profit or loss	(21,080)	(1,690)	5,650	(17,120)
End of financial year	41,080	(21,630)	-	19,450
2010				
Beginning of financial year	89,407	(16,542)	(72,865)	-
Charged/(credited) to				
- profit or loss	(27,247)	(3,398)	67,215	36,570
End of financial year	62,160	(19,940)	(5,650)	36,570

23 Share capital

Group and Company	No. of shares	$
2011		
Beginning and end of financial year	540,041,625	49,651,347
2010		
Beginning of the financial year	441,041,625	28,909,100
Shares issued	99,000,000	21,150,000
Share issue expenses	-	(407,753)
End of financial year	540,041,625	49,651,347

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry a right to dividend as and when declared by the Company.

24 Currency translation reserve

	Group	
	2011	**2010**
	$	**$**
Beginning of financial year	(13,044)	(33,585)
Net currency translation difference of financial statement of foreign subsidiaries	(58,569)	20,541
End of financial year	(71,613)	(13,044)

Currency translation reserve is non-distributable.

25 Retained profits

Retained profits of the Group and Company are distributable.

26 Dividends

	Group and Company	
	2011	**2010**
	$	**$**
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 0.15 cents (2010: 0.50 cents) per share	810,062	2,250,208

At the Annual General Meeting on 23 April 2012, a final dividend of 0.20 cents per share amounting to total of $1,080,083 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial years ending 31 December 2012.

27 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $48,789,504 (2010:$4,524,568). The fair values of the corporate guarantees have not been recognised in the financial statements of the Company as the amounts involved are not material to the Company and has no significant impact on the consolidated financial statements of the Group.

28 Commitments

a) Capital commitments

Capital commitment contracted for at the balance sheet date but not recognised in the financial statement are as follows:

	Group	
	2011	**2010**
	$	**$**
Property, plant and equipment	32,978,201	2,885,567

b) Operating lease commitments

The Group lease office premises and workers' accommodation from non-related parties under non-cancellable operating lease arrangements. These leases have varying terms, escalation clauses and renewal right.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Not later than one year	966,154	191,384	480,000	480,000
Between one and five years	1,017,710	573,044	480,000	960,000
	1,983,864	764,428	960,000	1,440,000

29 Financial risk management

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 market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. 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.

29 Financial risk management (cont'd)

a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group operates in South East Asia with dominant operations in Singapore, Indonesia and Malaysia. Currency risk arises when transactions are denominated in foreign currencies such as Indonesian Rupiah ("IDR") and United States Dollar ("USD"). The Group's exposure to currency translation 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 closely monitors the currency translation risk and will consider hedging significant currency translation exposure should the need arise in future.

The Group's currency exposure based on the information provided to key management is as follows:

	SGD	USD	IDR	Other	Total
At 31 December 2011					
Financial assets					
Cash and cash equivalents	5,986,191	1,055,499	6,533,674	285,034	13,860,398
Trade and other receivables	101,886,743	1,992,022	583,713	163,804	104,626,282
Receivables from subsidiaries	164,895,819	129,848	309,566	-	165,335,233
	272,768,753	3,177,369	7,426,953	448,838	283,821,913
Financial liabilities					
Borrowings	(61,363,884)	(16,243,240)	-	(111,447)	(77,718,571)
Trade and other payables	(62,567,302)	(3,843,537)	(2,747,755)	(534,020)	(69,692,614)
Payables to subsidiaries	(164,895,819)	(129,848)	(309,566)	-	(165,335,233)
	(288,827,005)	(20,216,625)	(3,057,321)	(645,467)	(312,746,418)
Net financial assets/(liabilities)	(16,058,252)	(17,039,256)	4,369,632	(196,629)	(28,924,505)
Add: Net non-financial assets/(liabilities)	114,627,501	-	(995,578)	154,502	113,786,425
Net assets/(liabilities)	98,569,249	(17,039,256)	3,374,054	(42,127)	84,861,920
Currency profile including non-financial assets and liabilities	98,569,249	(17,039,256)	3,374,054	(42,127)	84,861,920
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	(18,855,206)	(17,039,256)	3,962,049	-	(31,932,413)

29 Financial risk management (cont'd)

a) Market risk (cont'd)

(i) Currency risk (cont'd)

	SGD	USD	IDR	Other	Total
At 31 December 2010					
Financial assets					
Cash and cash equivalents	16,385,284	612,556	5,025,837	2,042,829	24,066,506
Trade and other receivables	50,234,101	1,967,543	249,039	5,829	52,456,512
Receivables from subsidiaries	73,770,499	-	186,194	-	73,956,693
	140,389,884	2,580,099	5,461,070	2,048,658	150,479,711
Financial liabilities					
Borrowings	(34,593,892)	(2,618,526)	-	(29,822)	(37,242,240)
Trade and other payables	(24,278,092)	(166,640)	(1,268,572)	(262,623)	(25,975,927)
Payables to subsidiaries	(73,770,499)	-	(186,194)	-	(73,956,693)
	(132,642,483)	(2,785,166)	(1,454,766)	(292,445)	(137,174,860)
Net financial assets/ (liabilities)	7,747,401	(205,067)	4,006,304	1,756,213	13,304,851
Add: Net non-financial assets/(liabilities)	70,145,384	-	(1,052,507)	40,155	69,133,032
Net assets/(liabilities)	77,892,785	(205,067)	2,953,797	1,796,368	82,437,883
Currency profile including non-financial assets and liabilities	77,892,785	(205,067)	2,953,797	1,796,368	82,437,883
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities functional currencies	670,048	(205,067)	3,711,605	-	4,176,586

29 Financial risk management (cont'd)

a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Company's currency exposure based on the information provided to key management is as follows:

	2011 SGD	2011 USD	2011 Total	2010 SGD	2010 USD	2010 Total
Financial assets						
Cash and cash equivalents	897,013	28,013	925,026	10,137,208	26,415	10,163,623
Trade and other receivables	66,653,837	6,634	66,660,471	55,557,623	-	55,557,623
	67,550,850	34,647	67,585,497	65,694,831	26,415	65,721,246
Financial liabilities						
Borrowings	(23,665,214)	-	(23,665,214)	(25,639,690)	-	(25,639,690)
Trade and other payables	(6,450,914)	-	(6,450,914)	(3,118,172)	-	(3,118,172)
	(30,116,128)	-	(30,116,128)	(28,757,862)	-	(28,757,862)
Net financial assets	37,434,722	34,647	37,469,369	36,936,969	26,415	36,963,384
Add: Net non-financial assets	13,445,826	-	13,445,826	13,386,713	-	13,386,713
Net assets	50,880,548	34,647	50,915,195	50,323,682	26,415	50,350,097
Currency profile including non-financial assets and liabilities	50,880,548	34,647	50,915,195	50,323,682	26,415	50,350,097
Currency exposure of financial assets/ (liabilities) net of those denominated in the respective entities functional currencies	-	34,647	34,647	-	26,415	26,415

29 Financial risk management (cont'd)

a) Market risk (cont'd)

(i) Currency risk (cont'd)

If the IDR and USD change against the SGD by 5% (2010: 7%) and 8% (2010: 7%) respectively with all other variable including tax rate being held constant, the effect arising from the net financial liability/asset position will be as follows:

	2011	**2010**
	Profit after tax	**Profit after tax**
	$	**$**
IDR against SGD		
- Strengthened	31	39
- Weakened	(31)	(39)
USD against SGD		
- Strengthened	(1,859,923)	(17,647)
- Weakened	1,859,923	17,647

(ii) 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.

29 Financial risk management (cont'd)

a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

	Within 1 year $	Within 2 to 5 years $	More than 5 years $	Total $
Group				
2011				
Fixed rate				
Finance lease liabilities	2,334,205	5,201,294	47,744	7,583,243
Bank borrowings	3,870,416	8,793,762	-	12,664,178
Floating rate				
Bank overdrafts	700,145	-	-	700,145
Bank borrowings	44,997,696	3,892,361	-	48,890,057
Bills payable	7,880,948	-	-	7,880,948
2010				
Fixed rate				
Finance lease liabilities	1,375,377	1,663,951	-	3,039,328
Bank borrowings	1,752,716	2,691,336	-	4,444,052
Floating rate				
Fixed deposits	11,333,231	-	-	11,333,231
Bank borrowings	25,021,796	2,270,000	-	27,291,796
Bills payable	2,467,063	-	-	2,467,063
Company				
2011				
Fixed rate				
Finance lease liabilities	221,272	378,800	-	600,072
Bank borrowings	1,253,082	625,000	-	1,878,082
Floating rate				
Bank borrowings	19,883,761	-	-	19,883,761
Bills payable	1,303,300	-	-	1,303,300
2010				
Fixed rate				
Finance lease liabilities	626,320	-	-	626,320
Bank borrowings	1,255,565	1,875,000	-	3,130,565
Floating rate				
Fixed deposits	8,003,852	-	-	8,003,852
Bank borrowings	21,328,845	-	-	21,328,845
Bills payable	553,959	-	-	553,959

29 Financial risk management (cont'd)

a) Market risk (cont'd)

(ii) Interest rate risk (cont'd)

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 amount shown below. This analysis assumes that all variables including tax rate are held constant.

	Group		Company	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	$	$	$	$
2011				
Floating rate instruments				
Singapore Dollar	(531,919)	531,919	(230,651)	230,651
United States Dollar	(162,432)	162,432	-	-
Malaysian Ringgit	-	-	-	-
Indonesian Rupiah	-	-	-	-
2010				
Floating rate instruments				
Singapore Dollar	(234,772)	234,772	(170,095)	170,095
United States Dollar	(26,185)	26,185	-	-
Malaysian Ringgit	12,148	(12,148)	-	-
Indonesian Rupiah	20,112	(20,112)	-	-

b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The major classes of financial assets of the Group and of the Company are bank deposits and trade receivables. For trade receivables, 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 and its subsidiaries obtain guarantee from the customer or arrange netting agreements. For customer of lower credit standing, the Group would usually enforce to transact in cash terms, advance payments and letters of credit. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold an collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2011	2010
	$	$
Corporate guarantees provided to banks on subsidiaries' loans	48,789,504	4,524,568

29 Financial risk management (cont'd)

b) Credit risk (cont'd)

The credit risk for trade receivables based on the information provided by management is as follows:

	Group	
	2011	**2010**
	$	**$**
By geographical areas		
Singapore	16,989,707	22,833,092
Indonesia	16,471,582	14,096,149
Malaysia	162,479	5,830
	33,623,768	36,935,071
By types of customers		
Non-related parties	24,243,703	19,009,525
Related parties	9,380,065	17,925,546
	33,623,768	36,935,071

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

The Group's and Company's trade receivables not past due include receivables amounting to $19,728,609 (2010: $28,074,322) and $29,517 (2010: $4,372,765) respectively that would have been past due or impaired if the terms were not re-negotiated during the financial year.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Past due				
- Less than 30 days	3,869,533	3,474,664	7,650	-
- 30 to 60 days	2,085,426	2,637,511	-	-
- 61 to 90 days	1,835,697	1,642,321	-	-
- More than 91 days	11,937,953	20,319,826	21,867	4,372,765
	19,728,609	28,074,322	29,517	4,372,765

29 Financial risk management (cont'd)

b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired (cont'd)

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Trade debtors - nominal value	11,975,411	6,602,834	-	-
Less: Estimated rebates/discount	(4,182,573)	(1,619,706)	-	-
Less: Allowance for impairment	(1,043,177)	(787,182)	-	-
	6,749,661	4,195,946	-	-
Beginning of financial year	787,182	826,281	-	-
Allowance made	690,813	915,151	-	-
Allowance utilised	-	(204,338)	-	-
Allowance write-back	(434,818)	(749,912)	-	
End of the year	1,043,177	787,182	-	-

c) Liquidity risk

The Group's exposure to liquidity risk 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 obligation as they fall due.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by the Group 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.

The table below analyses financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flow. Balance due within 12 months equal their carrying amounts as the impact of discounting is not significant.

29 Financial risk management (cont'd)

c) Liquidity risk (cont'd)

	Less than 1 year $	Between 1 to 5 years $	Over 5 years $
Group			
As 31 December 2011			
Trade and other payables	69,692,614	-	-
Borrowings	59,783,264	19,209,904	58,921
As 31 December 2010			
Trade and other payables	25,975,927	-	-
Borrowings	30,624,158	6,772,445	
Company			
As 31 December 2011			
Trade and other payables	6,450,914	-	-
Borrowings	22,661,414	1,041,166	-
Financial guarantee contracts	32,932,128	17,057,193	-
As 31 December 2010			
Trade and other payables	3,118,172	-	-
Borrowings	23,335,618	2,336,607	-
Financial guarantee contracts	1,438,232	3,233,456	-

d) Capital risk

The primary objective of the Group's capital management is to ensure that it maintains 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 adjustment 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 maintenances of adequate lines of credit and assessing the need to raise additional equity where required.

The gearing ratio is calculated as net debts 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.

29 Financial risk management (cont'd)

d) Capital risk (cont'd)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Net debt	133,550,787	39,151,661	29,191,102	18,594,239
Total equity	84,861,920	82,437,882	50,915,195	50,350,097
Total capital	218,412,707	121,589,543	80,106,297	68,944,336
Gearing ratio	61%	32%	36%	27%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2010 and 2011.

30 Related party transaction

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

a) Sale and purchase of goods and services

	Group	
	2011	**2010**
	$	**$**
Sale of goods and/or services to		
- Associated companies	-	12,000
- Related parties	11,744,392	13,258,345
	11,744,392	13,270,345
Purchase of material and/or services from		
- Related parties	4,243,685	146,359

Outstanding balances at 31 December 2011, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 19 respectively.

30 Related party transaction (cont'd)

b) Key management personnel compensation is as follows:

	Group	
	2011	2010
	$	$
Wages and salaries	3,700,566	3,409,717
Employer's contribution to defined contribution plans, including Central Provident Fund	144,609	142,881
Share based payments	-	-
	3,845,175	3,552,598
Directors of the Company	1,749,201	1,666,894
Executive officers of the Group	2,095,974	1,885,704
	3,845,175	3,552,598

31 Segment information

Business segments

For management purposes, the Group organised their business unit into four reportable operating segments as follows:

(a) Infrastructure Engineering

(b) Corrosion Prevention

(c) Supply and Distribution

(d) Shipping and Others

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on the operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

31 Segment information (cont'd)

	Infrastructure Engineering $	Corrosion Prevention $	Supply and Distribution $	Shipping and Others $	Total $
2011					
Total segment sales	121,576,555	32,810,671	23,114,256	1,943,626	179,445,108
Inter-segment sales	(22,385,821)	(3,555,690)	(7,437,202)	(633,456)	(34,012,169)
Sales to external customers	99,190,734	29,254,981	15,677,054	1,310,170	145,432,939
Results:					
Segment result	6,917,143	2,542,021	2,689,462	1,215	12,149,841
Interest expense	(1,069,642)	(486,259)	(424,152)	(159,035)	(2,139,088)
Interest income	26,265	4,276	1,214	1,144	32,899
Share of results of associated companies	-	-	-	(633,731)	(633,731)
Profit/(loss) from operating segment	5,873,766	2,060,038	2,266,524	(790,407)	9,409,921
Unallocated administrative expenses					(4,675,040)
Profit before income tax					4,734,881
Income tax expense					(1,056,112)
Profit after income tax					3,678,769
Loss attributable to non-controlling interests					832,488
					4,511,257
Profit after income tax includes:					
- Depreciation	2,762,062	3,124,013	279,213	509,077	6,674,365
- Amortisation	-	-	-	58,375	58,375
Other information					
Segment assets	126,649,400	43,751,026	20,673,834	41,537,676	232,611,936
Segment assets includes:					
Investment in associated companies	-	-	-	3,061,242	3,061,242
Additions to: Property, plant and equipment	20,663,208	770,446	-	28,889,032	50,322,686
Segment liabilities	85,930,224	13,497,219	15,050,661	13,005,524	127,483,628

31 Segment information (cont'd)

	Infrastructure Engineering $	Corrosion Prevention $	Supply and Distribution $	Shipping and Others $	Total $
2010					
Total segment sales	21,916,944	45,414,742	22,013,600	204,759	89,550,045
Inter-segment sales	(4,936,779)	(1,531,279)	(4,588,883)	(5,000)	(11,061,941)
Sales to external customers	16,980,165	43,883,463	17,424,717	199,759	78,488,104
Results:					
Segment result	484,533	6,434,025	3,141,125	(438,372)	9,621,311
Interest expense	(127,388)	(836,031)	(393,833)	-	(1,357,252)
Interest income	23,473	15,041	850	117	39,481
Share of results of associated companies	-	16,760	-	(273,942)	(257,182)
Profit/(loss) from operating segment	380,618	5,629,795	2,748,142	(712,197)	8,046,358
Unallocated administrative expenses					(4,242,573)
Profit before income tax					3,803,785
Income tax expense					(1,118,342)
Profit after income tax					2,685,443
Loss attributable to non-controlling interests					40,225
					2,725,668
Profit after income tax includes:					
- Depreciation	1,889,213	3,801,974	286,670	98,120	6,075,977
- Amortisation	-	-	-	58,375	58,375
Other information					
Segment assets	44,594,696	66,165,086	21,751,296	13,051,124	145,562,202
Segment assets includes:					
Investment in associated companies	-	-	-	3,694,973	3,694,973
Additions to: Property, plant and equipment	4,672,921	3,923,405	57,810	7,602,777	16,256,913
Segment liabilities	16,886,214	10,066,052	9,641,069	2,032,077	38,625,412

31 Segment information (cont'd)

(a) Reconciliations

(i) Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the management monitors the property, plant and equipment, intangible assets, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments other goodwill.

Segment assets are reconciles to total assets as follows:

	2011	2010
	$	$
Segment assets for reportable segments	232,611,936	145,562,202
Unallocated:		
Goodwill	2,332,624	2,284,898
	234,944,560	147,847,100

(ii) Segment liabilities

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than current income tax liabilities, deferred tax liabilities and borrowings.

Segment liabilities are reconciles to total liabilities as follows:

	2011	2010
	$	$
Segment liabilities for reportable segments	127,483,628	38,625,412
Unallocated:		
Current income tax liabilities	1,678,010	1,201,534
Deferred tax liabilities	993,445	989,517
Borrowings	19,927,557	24,592,755
	150,082,640	65,409,218

31 Segment information (cont'd)

(b) Geographical information

Revenues and non-current assets based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2011	**2010**	**2011**	**2010**
	$	**$**	**$**	**$**
Singapore	110,910,607	43,460,192	28,261,509	31,259,690
Indonesia	32,737,480	27,662,626	55,306,776	26,248,218
Others	1,784,852	7,365,286	17,195,332	36,305
	145,432,939	78,488,104	100,763,617	57,544,213

Non-current assets presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

(c) Information about major customers

Revenues from a major customer amounted to $11,175,467 (2010: $18,520,931), arising from sales by all the segments.

Revenues from another major customer amounted to $10,236,117 (2010: Nil), arising from sales by the corrosion prevention segment.

32 Business Combination

As at 31 December 2011

On 3 January 2011, Drako Shipping Pte. Ltd., a subsidiary of the Company, acquired 100% of equity interest in PT. Marina Shipping. The principal activity of PT. Marina Shipping is that of provision for freight transport services.

(a) Purchase consideration

	$
Cash paid, representing consolidation transferred for the business	242,837

(b) Effects on cash flows of the Group

	$
Cash paid (as above)	242,837
Less: Cash and cash equivalents in business acquired	(179,000)
Cash outflow on acquisition	63,837

32 Business Combination (cont'd)

(c) Identifiable assets acquired and liabilities assumed

	At fair value
	$
Cash and cash equivalents	179,000
Total assets	179,000
Total identifiable net assets	179,000
Add: Goodwill (Note 17)	63,837
Consideration transferred for the business	242,837

(d) Goodwill

The goodwill of $63,837 arising from acquisition of PT. Marina Shipping is attributable to the existing expertise of PT. Marina Shipping in the ship chartering business.

(e) Revenue and profit contribution

The acquired businesses contributed revenue of $1,187,386 and net profit of $49,780 to the Group for the period from 3 January 2011 to 31 December 2011.

As at 31 December 2010

On 1 April 2010, the Group acquired 100% of equity interest of a business unit of B & K Marine Pte. Ltd.

On 17 August 2010, the Group acquired 100% of equity interest of Quill Marine Pte Ltd. The principal activities of Quill Marine Pte Ltd, is that of rental and sales of wet blasting machines and related business.

(a) Purchase consideration

	$
Cash paid, representing consolidation transferred for the businesses	250,000

(b) Effects on cash flows of the Group

	$
Cash paid (as above)	250,000
Less: Cash and cash equivalents in businesses acquired	(59,362)
Cash outflow on acquisition	190,638

32 Business Combination (cont'd)

(c) Identifiable assets acquired and liabilities assumed

	At fair value $
Cash and cash equivalents	59,362
Trade and other receivables	509,097
Inventories	168,000
Total assets	736,459
Trade and other payables	(322,380)
Total identifiable net assets	414,079
Less: Transfer from equity interest of associated companies	(200,000)
Add: Goodwill (Note 18)	35,921
Consideration transferred for the businesses	250,000

(d) Goodwill

The goodwill of $16,111 arising from acquisition of the business unit of B & K Marine Pte. Ltd., is attributable to the increase of the Group's Corrosion Prevention market share in local shipyards.

The goodwill of $19,810 arising from acquisition of Quill Marine Pte Ltd is attributable to the acquisition of Quill Marine Pte Ltd's remaining share capital, with the share capital amount being more than the total net identifiable assets amount at the date of acquisition.

(e) Revenue and profit contribution

The acquired businesses contributed revenue of $525,198 and net profit of $214 to the Group for the period from 1 April 2010 to 31 December 2010.

33 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2012 or later periods and which the Group has not early adopted:

- Amendments to FRS 1 – Presentation of items of Other Comprehensive Income (effective for annual periods beginning on or after 1 July 2012)
- Amendments to FRS 12 Deferred Tax – Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012)
- Amendments to FRS 101 – Secure Hyperinflation and Removal of Fixed Prices of First-time Adopter (effective for annual periods beginning on or after 1 July 2011)
- Amendment to FRS 107 Disclosures – Transfers of Financial Assets (effective for annual periods beginning on or after 1 July 2011)
- FRS 27 (revised) – Separate Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- FRS 28 (revised) – Investment in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013)
- FRS 110 – Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013)
- FRS 111 – Joint Arrangements (effective for annual periods beginning on or after 1 January 2013)
- FRS 112 – Disclosure of Interest in Other Entities (effective for annual periods beginning on or after 1 January 2013)
- FRS 113 – Fair Value Measurements (effective for annual periods beginning on or after 1 January 2013)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future period will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

Use of Proceeds from Placement of New Shares

Pursuant to the Subscription and Call Option Agreement dated 7 September 2009 with Mr Tan Chin Hock, Mr Ang Poon Beng, Mr Lee Wee Soon, Mr Goh Yew Gee, Mr Aw Yong Wee and Mr Low Chui Heng (the "Subscribers"), the Subscribers subscribed 38,000,000 new shares in the Company at an issue price of $0.225. The Subscribers were granted a call option to subscribe for another 38,000,000 new shares in the Company at an exercise price of $0.25 per share. This call option is exercisable at the sole discretion of the Subscribers within the period of 3 years from the date of the Call Option Agreement. As at 31 December 2011, 22,000,000 Call Option shares have been exercised.

Gross Proceeds from	**S$**
38 Million new ordinary shares at S$0.225 per share	8,550,000
22 Million new ordinary shares at S$0.25 per share	5,500,000
	14,050,000
Less : Expenses	(45,000)
Net proceeds	14,005,000

As at the date of this report, the total net proceeds of S$14,005,000 were fully utilized as follows:

Use of Proceeds		
i)	Repay bank borrowings	7,800,000
ii)	Capital expenditures for new yard	3,205,000
iii)	General working capital	3,000,000
Total		14,005,000

Shareholding Statistics

as at 15 March 2012

Issued and fully paid	: S$50,127,342.00
Number of shares	: 540,041,625
Number of Treasury Shares held	: Nil
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 15 March 2012, 49.89% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.08	1,000	0.00
1,000 - 10,000	556	22.58	4,163,000	0.77
10,001 - 1,000,000	1,868	75.84	139,480,000	25.83
1,000,001 and above	37	1.50	396,397,625	73.40
	2,463	100.00	540,041,625	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Labroy Marine Pte Ltd	145,712,625	26.98
2	Chua Beng Kuang	36,267,500	6.72
3	Chua Meng Hua	35,319,500	6.54
4	Maybank Kim Eng Securities Pte Ltd	28,335,000	5.25
5	Chua Beng Hock	25,319,500	4.69
6	Chua Beng Yong	25,319,500	4.69
7	OCBC Securities Pte Ltd	18,347,000	3.40
8	Ng Chee Keong	12,655,000	2.34
9	Phillip Securities Pte Ltd	9,509,000	1.76
10	UOB Kay Hian Pte Ltd	7,623,000	1.41
11	DBS Nominees Pte Ltd	4,106,000	0.76
12	Chang Thiam Hui	4,098,000	0.76
13	Tay Yew Chong	4,084,000	0.76
14	Hong Leong Finance Nominees Pte Ltd	3,682,000	0.68
15	United Overseas Bank Nominees (Pte) Ltd	3,190,000	0.59
16	Chua Wui Wui	2,312,000	0.43
17	CIMB Securities (S) Pte Ltd	2,094,000	0.39
18	Nge Yock Hua	2,000,000	0.37
19	Chuah Lam Siang	1,800,000	0.33
20	Toh Cheng Hua	1,798,000	0.33
		373,571,625	69.18

Shareholding Statistics

as at 15 March 2012

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Labroy Marine Pte. Ltd.	145,712,625	26.98	-	-
Chua Beng Kuang	36,267,500	6.72	-	-
Chua Meng Hua	35,319,500	6.54	-	-
Dubai World Holdings Limited[1]	-	-	145,712,625	26.98
Drydocks World LLC[1]	-	-	145,712,625	26.98
Dry Docks & Maritime World LLC[1]	-	-	145,712,625	26.98
Drydocks World – Southeast Asia Pte. Limited[1]	-	-	145,712,625	26.98

Note:

[1] Dubai World Holdings Limited, Drydocks World LLC, Dry Docks & Maritime World LLC and Drydocks World – Southeast Asia Pte Limited are deemed to have an interest in 145,712,625 shares held by Labroy Marine Pte. Ltd.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the "Company") will be held at 55 Shipyard Road, Singapore 628141 on Monday, 23 April 2012 at 11.00 a.m., for the purpose of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a one-tier tax exempt first and final dividend of 0.20 cents per ordinary share for the financial year ended 31 December 2011. **(Resolution 2)**

3. To re-elect Mr Chua Beng Kuang as a Director retiring pursuant to Article 107 of the Company's Articles of Association. **(Resolution 3)**

4. To re-elect Mr Yong Thiam Fook as a Director pursuant to Article 107 of the Company's Articles of Association. **(Resolution 4)**

5. To approve the payment of Directors' fees of S$103,900 (2010: S$98,000) for the financial year ended 31 December 2011. **(Resolution 5)**

6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

7. 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 **(Resolution 7)**

   "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 1]

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

Authority to grant awards and to allot and issue shares under BKM Performance Share Plan **(Resolution 8)**

"That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of BKM Performance Share Plan ("BKM PSP"), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of the awards under BKM PSP, provided always that the aggregate number of Shares to be allotted and issued pursuant to BKM PSP, when aggregated together with Shares to be allotted and issued pursuant to any other existing employee share schemes of the Company shall not exceed 15 per cent of the total number of issued Shares excluding treasury shares from time to time."
[See Explanatory Note 2]

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

Renewal of Shareholders' Mandate for Interested Person Transactions **(Resolution 9)**

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions set out in the addendum to this Annual Report dated 5 April 2012 (the "Addendum") with any party who is of the class of interested persons described in Addendum provided that such transactions are on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions (the "Shareholders' Mandate");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company; and

(c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."
[See Explanatory Note 3]

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

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

Singapore

5 April 2012

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 Notes:

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

2. The proposed Ordinary Resolution 8, if passed, will empower the Directors to offer and grant awards under BKM PSP (as from time to time amended, modified or supplemented), which was approved at the Annual General Meeting of the Company on 19 April 2011, and to allot and issue Shares in the capital of the Company, pursuant to the vesting of the awards under BKM PSP provided that the aggregate number of Shares to be issued under BKM PSP, when aggregated with Shares to be issued under any other existing share schemes of the Company, does not exceed 15 per cent of the total number of issued Shares excluding treasury shares of the Company for the time being.

3. The proposed Ordinary Resolution 9, if passed, will authorise the interested person transactions as described in the Addendum and recurring in the year and will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to do all acts necessary to give effect to the Shareholders' Mandate. The rationale for and categories of interested person transactions pursuant to the Shareholders' Mandate are set out in greater detail in the Addendum accompanying this Notice.

ADDENDUM DATED 5 APRIL 2012

This Addendum is circulated to Shareholders of Beng Kuang Marine Limited (the "Company") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Shareholders' Mandate for Interested Person Transactions to be tabled at the Annual General Meeting to be held on 23 April 2012 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141. The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

If you are in any doubt as to the action you should take, you should consult your bank manager, stockbroker, solicitor, accountant or other professional adviser immediately. If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Notice of Annual General Meeting and the enclosed Proxy Form to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer for onward transmission to the purchaser or the transferee.

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

BENG KUANG MARINE LIMITED

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

ADDENDUM

in relation to

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

DEFINITIONS

In this Addendum, the following definitions apply throughout unless otherwise stated:

"Act"	:	The Companies Act (Chapter 50) of Singapore
"AGM"	:	The annual general meeting of the Company
"Board" or "Directors"	:	The directors of the Company as at the date of this Addendum
"CDP"	:	The Central Depository (Pte) Limited of Singapore
"Company"	:	Beng Kuang Marine Limited
"Controlling Shareholder"	:	A person who has an interest in the Shares of an aggregate of not less than 15% of the total votes attached to all the Shares, or in fact exercises control over the Company
"DDW LLC"	:	Drydocks World LLC
"DWS"	:	Drydocks World – Singapore Pte. Ltd.
"Group"	:	The Company and its subsidiaries
"Hwah Hong"	:	Hwah Hong Transportation Pte. Ltd.
"Interested Person"	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any interested person
"LMPL"	:	Labroy Marine Pte. Ltd.
"Latest Practicable Date"	:	15 March 2012, being the latest practicable date prior to the printing of this Addendum
"Listing Manual"	:	The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of the Company

"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Shareholders' Mandate"	:	The shareholders' general mandate pursuant to Chapter 9 permitting the Company, its subsidiaries and associated companies or any of them, to enter into certain types of recurrent transactions of a revenue or trading nature necessary for day-to-day operations with specific classes of Interested Persons, which was approved by Shareholders at the extraordinary general meeting held on 22 April 2008
"Substantial Shareholder"	:	A person who owns directly or indirectly 5% or more of the total share capital in the Company or in a company, as the case may be
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent"	:	Per centum or percentage

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

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

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

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

BENG KUANG MARINE LIMITED

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

Directors

Mr Chua Beng Kuang (Executive Chairman)
Mr Chua Meng Hua (Managing Director)
Mr Yong Thiam Fook (Executive Director)
Mr Ali Abdulla Ahmad Bin Towaih (Non-Executive Director)
Mr Goh Chee Wee (Independent Director)
Dr Wong Chiang Yin (Independent Director)

Registered Office

55 Shipyard Road
Singapore 628141

5 April 2012

To: The Shareholders of Beng Kuang Marine Limited

Dear Sir/Madam

1. INTRODUCTION

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

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

The current Shareholders' Mandate, which was last renewed by the Shareholders during the AGM held on 19 April 2011, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate at the forthcoming AGM which is scheduled to be held on 23 April 2012.

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

2. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Persons

The renewed Shareholders' Mandate will apply to the transactions (as defined below) with:

(a) DDW LLC, its existing subsidiaries, including LMPL and its subsidiaries and DWS and its subsidiaries, together with any of their respective future subsidiaries which may be newly set up or to be acquired by them from time to time (collectively, "DDW LLC Group"); and

(b) Hwah Hong.

By virtue of LMPL's equity interest of approximately 26.98% in the Company as at the Latest Practicable Date, the DDW LLC Group is deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

Mr Chua Beng Hock, who is the Executive Officer of the Group and the brother of Mr Chua Beng Kuang (Executive Chairman), Mr Chua Meng Hua (Managing Director) and Mr Chua Beng Yong (Executive Officer), has an equity interest of approximately 65% in Hwah Hong as at the Latest Practicable Date. Accordingly, Hwah Hong is deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

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

2.2 Categories of Interested Persons Transactions

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

(a) the provision of corrosion prevention services and infrastructure engineering services to the DDW LLC Group;

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

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

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

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

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

2.3 Rationale for and Benefits of the Shareholders' Mandate

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

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

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

2.4 Review Procedures for Mandate Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Audit Committee's Statements

(a) The independent Directors from the Audit Committee have reviewed the terms of the Shareholders' Mandate and are satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Independent Directors from the Audit Committee confirm that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 19 April 2011.

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

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in the capital of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Chua Beng Kuang	36,267,500	6.72	-	-
Chua Meng Hua	35,319,500	6.54	-	-
Yong Thiam Fook	256,000	0.05	-	-
Ali Abdulla Ahmad Bin Towaih	-	-	-	-
Goh Chee Wee	-	-	-	-
Dr Wong Chiang Yin	100,000	0.02	-	-
Substantial Shareholders (other than Directors)				
Labroy Marine Pte. Ltd.	145,712,625	26.98	-	-
Dubai World Holdings Limited[1]	-	-	145,712,625	26.98
Drydocks World LLC[1]	-	-	145,712,625	26.98
Dry Docks & Maritime World LLC[1]	-	-	145,712,625	26.98
Drydocks World – Southeast Asia Pte. Limited[1]	-	-	145,712,625	26.98

Note:

(1) Dubai World Holdings Limited, Drydocks World LLC, Dry Docks & Maritime World LLC, and Drydocks World – Southeast Asia Pte. Limited are deemed to have an interest in 145,712,625 shares held by Labroy Marine Pte. Ltd.

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

4. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 9.

As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Addendum together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 9 at the AGM to be held on 23 April 2012.

5. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Yong Thiam Fook, Mr Goh Chee Wee and Dr Wong Chiang Yin (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Addendum, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 9, being the resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors who collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of Shareholders' Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading.

Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2010 and 31 December 2011 are available for inspection at the registered office of the Company at during normal business hours from the date of Addendum up to the date of AGM.

Yours faithfully
For and on behalf of the Board of Directors

Chua Beng Kuang
Executive Chairman

Annexure

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

Scope

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

Definitions

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

An "associate" means:

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

  (i) his immediate family;

  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.

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

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

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

General Requirements

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

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

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

Immediate announcement of a transaction is required where:

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

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

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

General Mandate

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

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BENG KUANG MARINE LIMITED
(Registration No.: 199400196M)
(Incorporated in the Republic of Singapore)

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 55 Shipyard Road, Singapore 628141 on Monday, 23 April 2012 at 11.00 a.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 2011		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Chua Beng Kuang as a Director		
4.	Re-election of Mr Yong Thiam Fook as a Director		
5.	Approval of Directors' Fees for the financial year ended 31 December 2011		
6.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
7.	Authority to allot and issue of shares		
8.	Authority to grant awards and to allot and issue shares under BKM PSP		
9.	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Delete accordingly

Dated this ____________ day of __________________ 2012.

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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Company Reg. No: 199400196M

Beng Kuang Marine Limited

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