Beng Kuang Marine Limited

annual report
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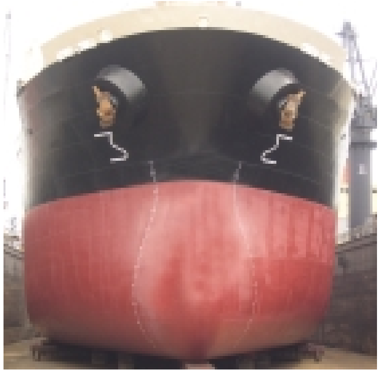
Mission Statement

Being an established provider of corrosion prevention services for the marine, oil and gas industries in Singapore, our main motivational factor comes from customers' satisfaction via our quality workmanship and services. We aspire to become an integrated marine services group with a leading presence in South East Asia.

Contents

(Registration No: 199400196M)
55 Shipyard Road Singapore 628141
Tel: 65 - 6266 0010 Fax: 65 - 6264 0010
Email: bkm@bkmgroup.com.sg
Website: www.bkmgroup.com.sg

Corporate Profile



Listed on the Singapore Exchange in October 2004, Beng Kuang Marine Limited ("Beng Kuang Marine") is principally engaged in the provision of corrosion prevention services, comprising blasting and painting work, to customers in the marine, oil and gas and other industries.

Established in 1994, Beng Kuang Marine has gained an industry reputation for providing comprehensive and quality solutions for clients' needs. Beng Kuang Marine's stringent emphasis on quality is reflected by its ISO9001:2000 certification as well as numerous Letters of Appreciation from shipyard operators and vessel owners.

With this reputation, Beng Kuang Marine has secured "Hullside Resident Contractor" for several established shipyards in Singapore and Batam, such as Keppel Shipyard, ST Marine, Pan United and Labroy Marine.

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Beng Kuang Marine also provides turnkey engineering services from planning, project management to implementation involving fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the oil and gas industry.

In addition, Beng Kuang Marine supplies over 300 types of hardware equipment, tools and other products under house brand "Master" that are used in the marine, oil and gas, and construction industries.

With Singapore being a leading maritime hub focusing on marine-related and offshore oil and gas activities such as shipbuilding, ship conversion, ship repair, and offshore engineering, Beng Kuang Marine expects corrosion prevention activities related to these industries in Singapore to increase given the expected increase in regional marine activities and new vessel construction by local shipyards.

Riding on the momentum of this booming sector provides Beng Kuang Marine with opportunities for further growth and more importantly, the enhancement of shareholders' value.

Beng Kuang Marine Limited & Its Subsidiaries

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

Company Secretary
Wee Woon Hong
L.L.B. (Hons) (Singapore)

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

Auditors
Ernst & Young
Certified Public Accountants
10 Collyer Quay
#21-01 Ocean Building
Singapore 049315

Partner-in-Charge :
Philip Ling Soon Hwa
(since the financial year ended 31 December 2002)

Bankers
United Overseas Bank Limited
KBC Bank N.V., Singapore Branch

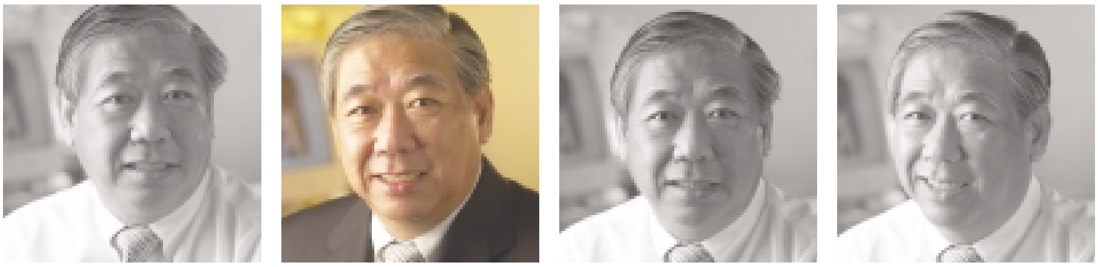
Solicitors
Loo & Partners
88 Amoy Street Level Three
Singapore 069907

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

Nominating Committee
Wong Chiang Yin
(Chairman)
Goh Chee Wee
Yong Thiam Fook

Remuneration Committee
Yong Thiam Fook
(Chairman)
Wong Chiang Yin
Goh Chee Wee

Audit Committee
Goh Chee Wee
(Chairman)
Yong Thiam Fook
Wong Chiang Yin



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present to you Beng Kuang Marine Limited's ("Beng Kuang Marine" or the "Group") maiden annual report for the financial year ended 31 December 2004 ("FY2004").

Corporate Milestone

FY2004 was an eventful year for Beng Kuang Marine. Our public listing on Singapore's SGX-SESDAQ in October 2004 marked an important milestone in our corporate history. Our Initial Public Offer received overwhelming response from the public. Our invitation by way of public offer was 135.5 times over-subscribed. The listing lifted the Company's profile and further strengthened our finances. All these had given us a great impetus to move on to attain greater heights and enhance shareholders' value. Our Initial Public Offer of 21,000,000 shares raised approximately S$3.9 million to fuel business expansion.

These efforts reflected our proactiveness in positioning Beng Kuang Marine as a one-stop service provider to our customers in the marine and oil & gas sectors.

Growing Our Business

Beng Kuang Marine was founded as a sub-contractor providing corrosion prevention services to shipyards since 1994. In 1999, management decided to expand its business to include infrastructure engineering, and in 2000 also began the supply and distribution of hardware and tools. These 2 divisions allow Beng Kuang Marine to leverage on the same base of marine clients that the Group has been serving.

Our determination to succeed in these ventures was a carefully calculated risk, which is currently paying off. During FY2004, Corrosion Prevention services accounted for 58.6% of sales while Infrastructure Engineering and Supply & Distribution activities contributed 14.8% and 26.6% respectively.

The strategic interdependence of our three businesses has given Beng Kuang Marine a strong competitive edge by allowing us to achieve not only synergy, but also superior cost efficiency benefits, and we believe it constitutes a positive fundamental growth factor for us in future years.

These efforts reflected our proactiveness in positioning Beng Kuang Marine as a one-stop service provider to our customers in the marine and oil & gas sectors.

Strengthening Our Financial Position

Our listing on the SGX-SESDAQ has enabled us to tap the equity market for funds to fuel our expansion. Return on equity, a common measure of business efficiency, remained at a commendable 10.8 percent in FY2004. Our earnings per share was 1.80 cents while net asset value per share rose by 25.4 percent to 14.23 cents. This has strengthened our financial position and enhanced the underlying value of your investment in the Company.

Shaping Our Fsuture

Singapore is currently a leading maritime hub focusing on marine-related and offshore oil and gas activities such as shipbuilding, ship conversion, ship repair, and offshore engineering.

The strategic interdependence of our three businesses has given Beng Kuang Marine a strong competitive edge by allowing us to achieve not only synergy, but also superior cost efficiency benefits.

We expect corrosion prevention activities related to marine and offshore oil and gas industries in Singapore to increase given the expected increase in regional marine activities and new vessel construction by local shipyards. This will provide us the opportunities to further develop our corrosion prevention, infrastructure engineering business as well as our supply and distribution business.

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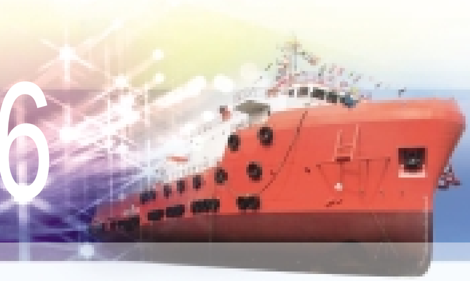
Acknowledgements

I would like to take this opportunity to extend my appreciation to the management team and staff who have contributed to the growth of the company, our suppliers and customers for their unwavering support through the years and the Board of Directors for their wise counsel and guidance to Beng Kuang Marine.

Yours faithfully,

Tan Boy Tee
Chairman
28 February 2005



After ten years of existence within this industry, 2004 was the year that elevated the Company's status to a higher plane as a listed company on Singapore's SGX-SESDAQ.

Our listing in October 2004 was indeed an enormous motivation to all our management and staff, and we will strive for greater heights in creating value for our shareholders.

I am pleased to go through with you, the performance of the Group in 2004.

Financial Review

Group revenue increased by 16% from S$41.2 million in FY2003 to S$48.1 million in FY2004. Gross profit increased 14% from S$9.8 million in FY2003 to S$11.2 million in FY2004.

Net profit, however, dipped to S$1.8 million primarily due to increased administrative and selling costs. The higher expenses were in line with increased responsibilities since our listing in October 2004.

Shareholders' equity increased to S$16.5 million as at 31 December 2004. On a brighter note, net gearing declined significantly from 1.46 times a year earlier to 0.74 times as a result of the IPO and substantial repayment of short-term borrowings during the year. Net cash flow from operating activities was S$0.7 million, while our cash reserves for the year ended 31 December 2004 stood at S$1.9 million.

Most, if not all, of the shipyards we operate in are currently showing healthy order books and the resulting new vessels will translate into more CP projects

Operations Review

A) CORROSION PREVENTION DIVISION

For our Corrosion Prevention ("CP") division, FY2004 turnover grew by 43% to S$28.2 million. Profit before tax ("PBT"), however, decreased by 10% to S$1.70 million in FY2004 from S$1.89 million in FY2003. This was mainly a result of lower margins for corrosion prevention works carried out for several new vessel construction projects, increases in material costs and administrative expenses. Increases in administrative expenses are mainly attributable to an increase in staff strength to enhance our management team and to expand our tank cleaning business and hydro-jetting services.

I firmly believe that the CP division will continue to be the Group's main growth driver. As such, we intend to expand this division's capacity by investing in additional compressors, dehumidifiers and hydro-jetting machines in this coming year. Nexus Hydrotech Pte. Ltd., our new subsidiary, owns 3 hydro-jetting machines and we are sourcing for additional hydro-jetting machines to meet the expected increase in demand for this environmental-friendly blasting work.

Most, if not all, of the shipyards we operate in are currently showing healthy order books and the resulting new vessels will translate into more CP projects. Hence, our expansion in capacity will give us the ability to handle higher volume of work.

B) SUPPLY AND DISTRIBUTION DIVISION

For Supply & Distribution ("SD") division, our FY2004 revenue increased by 27% to S$12.8 million. However, PBT for the division decreased by 59% to S$0.3 million. This is due mainly to an increase in provision of doubtful debts which is largely attributable to an overseas customer. We have since ceased business dealings with this customer.

On a brighter note, we have made in-roads into Indonesia and Malaysia for our SD business and are actively seeking new opportunities to expand to other overseas markets. Our "Master" brand is being promoted in new and existing markets via a network of local distributors and agents. To meet the needs of our customers, we seek to expand the "Master" product range.

We have made in-roads into Indonesia and Malaysia for our SD business and are actively seeking new opportunities to expand to other overseas markets.

C) INFRASTRUCTURE ENGINEERING DIVISION

For Infrastructure Engineering ("IE") division, our FY2004 turnover decreased marginally by 5% to S$7.2 million. However, PBT increased by 18% to S$0.33 million due to a decrease in administrative expenses arising primarily from a reduction in headcount resulting from a restructuring exercise undertaken by the Division.

Our two workshops in Singapore and Batam are fully equipped with overhead cranes facilities, forklifts, and a computerized numerical control ("CNC") machine to handle turnkey engineering projects involving steel modules mainly for customers in the oil and gas industry. As such, we will increase our marketing efforts to the oil and gas industry to capture a larger market share.

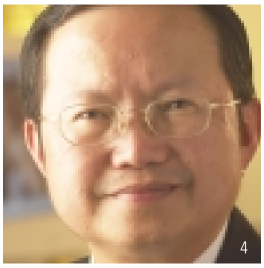
Looking Forward

In summary, our main focus for FY2005 will be to expand our CP division for grit blasting as well as hydro-jetting services. Other areas of focus will be the increase in market coverage and expansion of product range for SD division; as well as increasing our marketing efforts for the IE division to secure more turnkey projects.

These growth drivers, coupled with the buoyant industry conditions will serve to propel the Group's performance into FY2005 and I look forward to updating you again on the Group's progress.

Chua Beng Kuang
Managing Director
28 February 2005

Board of Directors



1 **Mr Tan Boy Tee** - Chairman & Non-Executive Director

Mr Tan was appointed as our Chairman and Non-Executive Director on 28 April 1998. He is the Executive Chairman of Labroy Marine Limited since 1996 and is responsible for the general administration and business development, overall strategic planning and direction of the Labroy Group. He has been with Labroy Marine Limited since its corporation in 1980 and was in the business of owning and managing tugs and barges, offshore vessels, tankers and container vessels before it was subsequently listed in 1996. He is a Patron of the Ulu Pandan Citizens' Consultative Committee.

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Mr Chua Beng Kuang is our Managing Director and one of our founders. He is in charge of overall management of our Group and is responsible for developing and steering the corporate plans, directions and business strategies of our Group. He has been involved in the corrosion prevention business in marine industry for about 25 years. He has led the management in pursuing our Group's mission and objectives and has been instrumental to our growth.

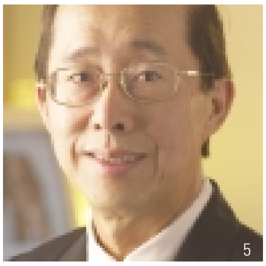
3 **Mr Chua Meng Hua** - Executive Director

Mr Chua Meng Hua is our Executive Director and is one of our founders. He oversees the overall administrative and the operational aspects of our Group and is in charge of the business development of our Group. He has over 12 years of experience in the corrosion prevention business in the marine industry. He is a member and treasurer of the Citizens' Consultative Committee of the Canberra Community Centre.

4 **Mr Yong Thiam Fook** - Non-Executive Director

Mr Yong was appointed as our Non-Executive Director on 30 May 2002. He is currently the Chief Financial Officer of Labroy Marine Limited and is responsible for Labroy Group's treasury, accounting and finance control matters. He has been with Labroy since 1994. From 1989 to 1994, he held position as the Manager of the Accounts department of Kuok (Singapore) Ltd. and Island Concrete group of companies. From 1984 to 1988, he was the Manager of the Accounting and Corporate Budget department of Neptune Orient Lines Ltd. He was also the head of the Internal Audit Department of the Singapore Polytechnic from 1982 to 1984 and the Audit Assistant to the Audit Senior of Citroen, Wells & Co, London from 1978 to 1982. He obtained a Bachelor of Science (Economics) from the University of London in 1978. He is currently a fellow member of the Institute of Certified Public Accountants of Singapore.

He is the Chairman of our Remuneration Committee as well as a member of our Audit Committee and Nominating Committee.



5 **Mr Goh Chee Wee** - Independent Director

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

He is the Chairman of our Audit Committee as well a member of our Remuneration Committee and Nominating Committee.

6 **Dr Wong Chiang Yin** - Independent Director

Dr Wong was appointed as our Independent Director on 30 August 2004. He is currently the Chief Operating Officer of the Changi General Hospital, the Director of the Business Development Department of the Singapore Health Services and the General Manager of Innovative Diagnostics Pte Ltd. From 1998 to April 2004, he held various senior positions, including the Chief Operating Officer of the Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He is the first Vice-President, Council member and Chairman of the Complaints Committee of the Singapore Medical Association. He is also the Secretary-General of the Medical Associations of ASEAN and a member of the Citizens' Consultative Committee of the Holland-Bukit Panjang Group Representation Constituency, Ulu Pandan Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001.

He is the Chairman of Nominating Committee as well as a member of our Audit Committee and Remuneration Committee.

Key Management

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

He is one of the founders for the Group business. He is responsible for overseeing our Group's infrastructure engineering division, including its marketing and business development. He has over 14 years of experiences within the marine industry.

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

He is one of the founders for the Group business. He is responsible for overseeing our Group's corrosion prevention division, including its marketing and business development. He has over 12 years of experiences within the marine industry.

Mr. Phoon Kim Sin
Financial Controller

He is our Financial Controller. He is primary responsible for our financing and accounting functions. From 1992 to 1994, he was the Graduate Assistant of Pioneer Management Services Pte. Ltd. and was in charge of handling compliance and advisory work in relation to corporate and personal tax. During the same period, he was also attached to Low, Yap & Associates, a local audit firm as an Audit Assistant. From 1994 to 1996, he was an accountant of Labroy. From 1996 to 2000, he was the Finance Manager of Labroy and in 2000, he was seconded to Nexus Engineering Pte Ltd as Financial Controller. He was officially transferred to our Group as an employee with effect from 2004. He obtained a Bachelor of Accountancy from Nanyang Technological University in 1992. He is currently a member of the Institute of Certified Public Accountants of Singapore.

Mr. William Lee
Finance Manager

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

Ms. Wendy Won
Human Resource Manager

She is our Human Resource Manager and has been with our Group since its incorporation. She is responsible for the overall welfare, performance, recruitment and training, deployment, payroll, legal and administrative responsibilities for the Group. She has over 10 years of experience in human resource. She is also a sponsor of a charity, World Vision, a non profit organisation which provides financial assistance to the poor in the less developed countries. She obtained a Diploma in Business Management from the Singapore Institute of Management in 2003.

Ms. Zann Chua
Business Development Manager

She is our Business Development Manager and has joined us since 2003. She is in charge for identifying, implementing and developing new business plans and strategies of the Group to broaden and diversify the business operations of the Group. She obtained a Bachelor of Business Management (marketing) from the University of Queensland in 2002.

Mr. Ong Hock Sze
Assistant General Manager (Batam)

He is our Assistant General Manager. He is in charge of overseeing our infrastructure engineering business activities in Batam and is responsible for the business operations and day-to-day management of our operations in Batam. He has about 15 years of experiences in the marine industry.

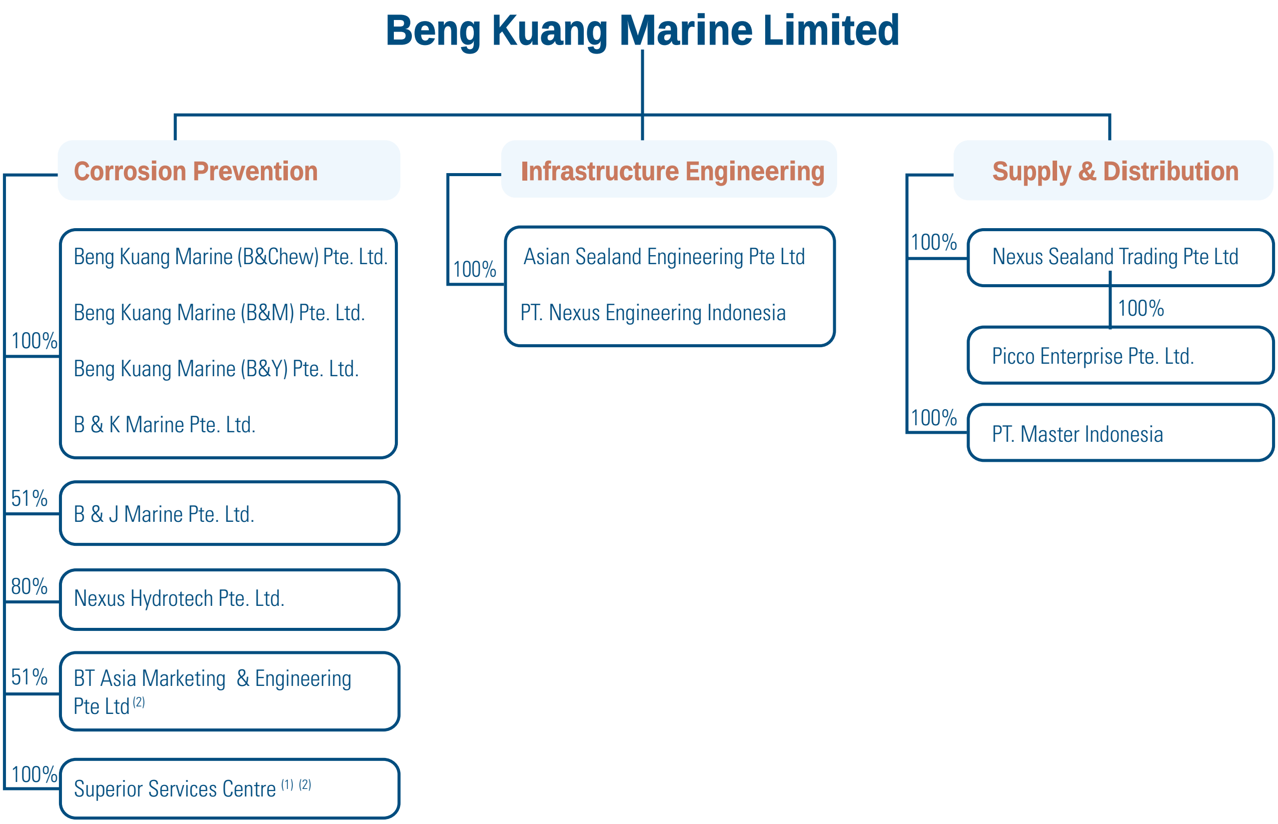
Mr. Lee Choon Hwee
Assistant General Manager
(Head of Supply & Distribution)

He is our Assistant General Manager. He is in charge of overseeing our supply & distribution business activities and is responsible for the business operations including the sourcing and merchandising from both local and overseas market. He has about 15 years of experiences in the marine industry.

Mr. Wilson Neo
Senior Manager (Singapore)

He is our Senior Manager. He is responsible for the operations and the budget control of our infrastructure engineering business activities. From 1989 to 1998, he was an Estimator involving in quantity survey work and from 1998 to 2000, he was the Assistant Ship Repair Manager and Safety Officer of Asian Sealand Engineering Pte Ltd. From 2001 to 2003, he was the Commercial manager of ASE involved in billing and quotation. He obtained a Diploma in Marketing Management in 1991 and a Diploma in Shipbuilding and Offshore Engineering in 1986 from the Ngee Ann Polytechnic of Singapore.

Beng Kuang Marine Limited & Its Subsidiaries



Notes:

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

[2] Held by Nexus Sealand Trading Pte Ltd.

Financial Report

The listing rules as stated in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") require an issuer which holds its Annual General Meeting ("AGM") on or after 1 January 2003 to describe its corporate governance policies in its annual report.

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

The Board is pleased to report compliance with the Code except where otherwise stated.

1. BOARD MATTERS

Principle 1: The Board's Conduct of Its Affairs

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group.

Matters which 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 Board 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, the Nominating Committee and the Remuneration Committee, which operate within clearly defined terms of reference and functional procedures.

Since the listing of the Company in October 2004, the Board has met once in February 2005 to discuss the operations and business affairs of the Company.

Principle 2: Board Composition and Balance

(i) As at the date of this report, the Board comprises the following 6 Directors:-

Executive Directors

Chua Beng Kuang	(Managing Director)
Chua Meng Hua	

Non-Executive Directors

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

(ii) The independence of each Director is reviewed annually by the Nominating Committee. The Nominating Committee adopts the Code's definition of what constitutes an independent director in its review that satisfy the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. The Nominating Committee is of the view that the Non-Executive Directors, namely Mr Goh Chee Wee and Dr Wong Chiang Yin, are independent.

(iii) The Board examines its size to ensure that it is an appropriate size for effective decision making, taking into account the scope and nature of the operations of the Company. The Nominating Committee is of the view that no individual or small group of individuals dominate the Board's decision-making processes.

Principle 3: Chairman and Managing Director

The Company keeps the posts of Chairman and the Managing Director separate and these positions are held by Mr Tan Boy Tee and Mr Chua Beng Kuang, respectively and they are not related to each other. 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 one individual represents a considerable concentration of power.

Principle 6: Access to Information

The Company makes available to all Directors the management accounts, as well as the relevant background information relating to the business to be discussed at the Board meetings. The Directors have also been provided with the contact details of the Company's Senior Management and Company Secretary to facilitate separate and independent access.

The Company Secretary attends all Board meetings. Together with the members of the Company's Management, the Company Secretary is responsible for and to ensure that appropriate procedures are followed and that the requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST are complied with.

2. BOARD COMMITTEES

Audit Committee

Principle 11: Audit Committee

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

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

Mr Goh Chee Wee, an independent director, chairs this Committee. The Audit Committee met once in the financial period under review with full attendance.

The Audit Committee has scheduled a minimum of two meetings in each financial year. The meetings shall be held, *inter alia*, for the following purposes:-

- Reviewing the announcement of the financial results prior to submission to the Board;
- Reviewing the audit plans and reports of the external auditors and to consider the effectiveness of the actions taken by Management on the auditors' recommendations;
- Appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information, and the appropriateness and quality of the system of management and internal controls;
- Reviewing the assistance and co-operations given by Management to the external auditors;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Nominating external auditors for re-appointment; and
- Reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.

In the event that a member of the Audit Committee is interested in any matter being considered by the Audit Committee, he will abstain from reviewing that particular transaction or voting on that particular resolution.

In the Audit Committee's opinion, Ernst & Young are suitable for re-appointment and it has accordingly recommended to the Board that they be nominated for re-appointment at the forthcoming Annual General Meeting.

The Audit Committee having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Audit Committee will meet with the external auditors, without the presence of Management, when necessary, 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 that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group's management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risk.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, fraud or other irregularities.

Principle 13: Internal Audit

With the system of internal controls in place for all companies within our Group, the Board is of the view that the engagement of internal auditors would not be required as the Company's present internal controls are considered adequate. However, as and when the need arises, the Audit Committee will determine internal review assignments to be delegated or outsourced. These internal controls and systems are designed to provide reasonable assurance as to the effectiveness and efficiency of operations, integrity and reliability of financial information and to safeguard and maintain accountability of its assets. The Company's external auditors also conduct a review of the effectiveness of the Company's internal controls during the course of their audit and reports its findings to the Audit Committee.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee comprises the following 3 members:-

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

The Remuneration Committee has adopted written terms of reference and in the period under review, held one Remuneration Committee meeting in the financial period under review with full attendance.

The Remuneration Committee will recommend to the Board a framework of remuneration for the Directors and key executives, and determine specific remuneration packages for each Executive Director. The recommendations of the Remuneration Committee should be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind shall be covered by the Remuneration Committee. The members of the Remuneration Committee 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. The Non-Executive Directors' remuneration in the form of Directors' fees are based on the roles that the individual Directors play, including but not limited to the efforts, time spent and responsibilities of the Non-Executive Directors. The Directors' fees are submitted for shareholders' approval at the Annual General Meeting. The Company has entered into a service agreement with the Managing Director and Executive Director for three years commencing 1 January 2004 and shall be automatically renewed on a three-year basis. The remuneration includes a fixed salary and a variable performance related bonus which is designed to align his interests with those of the shareholders.

Principle 9: Disclosure On Remuneration

The breakdown, showing the level and mix of each individual director's remuneration in FY2004 is as follows:

Name of Directors	**Fees***	**Salary#**	**Bonus**	**Benefits**	**Total**
$250,001 to below $500,000	%	%	%	%	%
Chua Beng Kuang	3	81	16	0	100
Chua Meng Hua	5	81	14	0	100
$0 to $250,000					
Tan Boy Tee	100	0	0	0	100
Yong Thiam Fook	100	0	0	0	100
Goh Chee Wee	100	0	0	0	100
Wong Chiang Yin	100	0	0	0	100

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

Executive Officers

	2004
Below $250,000	5

The top 5 Executive Officers of the Group are:

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

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

(c) Mr Phoon Kim Sin – Financial Controller

(d) Mr Ong Hock Sze – Assistant General Manager (Batam Operations)

(e) Mr Lee Choon Hwee – Assistant General Manager (Head of Supply and Distribution Division)

Our Executive Directors (Mr Chua Beng Kuang and Mr Chua Meng Hua) and our Executive Officers (Mr Chua Beng Yong and Mr Chua Beng Hock) are brothers. Mr Phoon Kim Sin is the nephew of our Chairman and Non-Executive Director, Mr Tan Boy Tee.

There are 4 employees who are family members of our Executive Directors, Mr Chua Beng Kuang and Mr Chua Meng Hua, whose remuneration does not exceed $150,000 during the financial year.

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

Nominating Committee

Principle 4: Board Membership

The Nominating Committee comprises the following 3 members:-

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

Under the written terms of reference, the Nominating Committee will be responsible for:

- Re-nomination of the Directors, having regard to their contribution and performance;
- Determining on an annual basis whether or not a Director is independent; and
- Deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director.

Principle 5: Board Performance

The Nominating Committee will decide how the Board's performance is to be evaluated and propose objective performance criteria, subject to the approval of the Board, which address how the Board has enhanced long-term shareholders' value. The performance evaluation will also include consideration of our share price vis-à-vis the Singapore Straits Times Index. The Board will also implement a process to be carried out by the Nominating Committee for assessing the effectiveness of the Board as a whole and for assessing the contribution of each individual Director to the effectiveness of the Board. Each member of the Nominating Committee 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.

Information is communicated to shareholders on a timely basis through 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 has an external public relations firm to assist in all matters of communication with its investors, analysts, and media as well as to attend to their queries.

4. DEALINGS IN SECURITIES

The Company has adopted policies in line with the Best Practices Guide 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 one month period before the announcement of the Company's financial results 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 periodically to the Audit Committee 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 set out on page 43 of this Annual Report. The Audit Committee reviewed the significant transactions entered into by the Company with its interested persons for the period ended 31 December 2004 in accordance with its existing procedures.

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

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Beng Kuang Marine Limited ("the Company"), and its subsidiaries ("the Group") for the financial year ended 31 December 2004, and balance sheet of the Company as at 31 December 2004.

Directors

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

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

Arrangements to enable Directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest			Deemed interest		
	At 1.1.2004 ***Ordinary shares of $1 each***	**At 31.12.2004** ***Ordinary shares of $0.08 each***	**At 21.1.2005** ***Ordinary shares of $0.08 each***	**At 1.1.2004** ***Ordinary shares of $1 each***	**At 31.12.2004** ***Ordinary shares of $0.08 each***	**At 21.1.2005** ***Ordinary shares of $0.08 each***
The Company						
Tan Boy Tee	–	100,000	100,000	671,328	48,570,875	48,570,875
Chua Beng Kuang	161,250	11,766,500	11,766,500	–	–	–
Chua Meng Hua	161,250	11,666,500	11,666,500	–	84,000	84,000
Yong Thiam Fook	–	50,000	50,000	–	–	–
Goh Chee Wee	–	100,000	100,000	–	–	–
Wong Chiang Yin	–	100,000	100,000	–	–	–

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

Mr Chua Meng Hua is deemed to be interested in the shares held by his spouse, Mdm Won Siew Wan, who has an interest in 84,000 shares in the Company.

Directors' contractual benefits

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

Audit Committee

The Audit Committee performed the functions specified in the Companies Act. The functions performed are detailed in the Report of Corporate Governance.

Auditors

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

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Tan Boy Tee
Director

Singapore
28 February 2005

Statement by Directors

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

(i) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement together with notes thereto, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2004 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.

On behalf of the Board of Directors,

Chua Beng Kuang
Director

Tan Boy Tee
Director

Singapore
28 February 2005

We have audited the accompanying financial statements of Beng Kuang Marine Limited ("the Company") and its subsidiaries ("the Group") set out on pages 22 to 49 for the year ended 31 December 2004. These financial statements are the responsibility of the Company's Directors. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

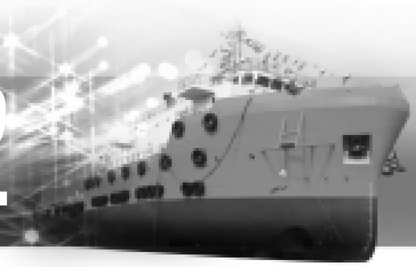
In our opinion,

(a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 ("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 2004 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

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

ERNST & YOUNG
Certified Public Accountants

Singapore
28 February 2005



Balance Sheets
as at 31 December 2004

	Note	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Non-current assets					
Fixed assets	3	7,315,415	8,101,343	1,003,703	1,829,440
Subsidiaries	4	–	–	2,640,799	2,298,523
Due from a subsidiary (non-trade)	5	–	–	213,996	–
Current assets					
Stocks	6	5,258,463	4,680,445	15,279	–
Work-in-progress in excess of progress billings	7	8,130,626	6,341,682	1,847,962	2,008,971
Trade debtors	8	18,014,941	16,609,889	1,493,112	7,699,447
Other debtors, deposits and prepayments	9	418,374	514,524	262,425	364,283
Due from subsidiaries (trade)		–	–	4,609,379	1,296,621
Due from subsidiaries (non-trade)	10	–	–	15,424,306	14,205,762
Due from related companies (trade)		–	3,182,815	–	688,831
Due from related parties (trade)		2,285,948	392,884	1,200,418	–
Due from related parties (non-trade)	10	76,206	–	519	–
Due from related companies (non-trade)	10	–	48,166	–	2,224
Fixed deposits	11	2,300,000	–	2,300,000	–
Cash and bank balances		1,256,931	977,749	8,859	194,152
		37,741,489	32,748,154	27,162,259	26,460,291
Current liabilities					
Trade creditors		5,172,376	4,845,904	661,738	1,049,971
Bills payable to banks	12	3,081,816	2,234,101	1,207,776	1,414,628
Other creditors and accruals	13	3,505,567	3,169,387	1,371,832	1,237,088
Due to holding company (trade)		–	224,953	–	168,790
Due to holding company (non-trade)	10	–	21,790	–	13,102
Due to related companies (trade)		–	1,099,775	–	9,330
Due to related companies (non-trade)	10	–	532,089	–	3,185
Due to related parties (trade)		1,054,590	58,885	246,967	10,103
Due to related parties (non-trade)	10	56,127	–	22,844	–
Due to subsidiaries (trade)		–	–	2,574,316	4,307,207
Due to subsidiaries (non-trade)	10	–	–	377,693	214,228
Loan from related companies	14	–	2,331,089	–	1,876,884
Provision for income tax		602,142	645,865	211,011	293,559
Lease obligations (current portion)	15	216,302	457,832	11,461	96,124
Bank overdrafts	12	1,699,008	1,147,428	1,256,315	801,881
Short-term bank loans	16	11,010,538	11,020,602	11,010,538	11,020,602
		26,398,466	27,789,700	18,952,491	22,516,682
Net current assets		11,343,023	4,958,454	8,209,768	3,943,609
Non-current liabilities					
Lease obligations (non-current portion)	15	218,704	413,836	35,311	205,622
Deferred taxation	26	820,100	934,000	163,500	247,000
		17,619,634	11,711,961	11,869,455	7,618,950
Share capital and reserves					
Share capital	17	9,298,950	1,316,328	9,298,950	1,316,328
Share premium	18	2,252,192	2,583,672	2,252,192	2,583,672
Revenue reserve	19	4,992,016	6,916,438	318,313	3,718,950
Translation reserves		–	(421)	–	–
		16,543,158	10,816,017	11,869,455	7,618,950
Minority interests		1,076,476	895,944	–	–
		17,619,634	11,711,961	11,869,455	7,618,950

The accounting policies and explanatory notes on pages 26 to 49 form an integral part of the financial statements.

	Note	Group 2004 $	Group 2003 $
Revenue	20	48,130,076	41,243,856
Cost of sales		(36,932,700)	(31,424,613)
Gross profit		11,197,376	9,819,243
Other operating income – net	21	158,899	19,591
Administrative expenses		(7,091,979)	(4,933,462)
Selling and distribution expenses		(1,377,181)	(1,327,911)
Profit from operations	22	2,887,115	3,577,461
Financial income	24	27,519	332
Financial expenses	25	(554,284)	(566,387)
Profit before taxation		2,360,350	3,011,406
Taxation	26	(405,290)	(493,373)
Profit after taxation		1,955,060	2,518,033
Minority interests		(160,532)	(201,369)
Net profit attributable to shareholders		1,794,528	2,316,664
Earnings per share (cents)			
– basic	27	1.80	2.43
– diluted	27	1.80	2.43

The accounting policies and explanatory notes on pages 26 to 49 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

Group	Share capital $	Share premium $	Revenue reserve $	Translation reserves $	Total $
Balance as at 31 December 2002	1,316,328	2,583,672	4,599,774	177	8,499,951
Net profit for the year	–	–	2,316,664	–	2,316,664
Currency translation differences	–	–	–	(598)	(598)
Balance as at 31 December 2003	1,316,328	2,583,672	6,916,438	(421)	10,816,017
Net profit for the year	–	–	1,794,528	–	1,794,528
Capitalisation of reserves by way of Bonus issue	6,302,622	(2,583,672)	(3,718,950)	–	–
Issuance of new ordinary shares	1,680,000	2,252,192	–	–	3,932,192
Reserves realised on disposal of a subsidiary	–	–	–	421	421
Balance as at 31 December 2004	9,298,950	2,252,192	4,992,016	–	16,543,158

The accounting policies and explanatory notes on pages 26 to 49 form an integral part of the financial statements.

	Note	Group 2004 $	2003 $
Cash flows from operating activities			
Profit before taxation		2,360,350	3,011,406
Adjustments:			
Bad debts written off		–	1,729
Provision for doubtful trade debts		617,049	90,585
Write-back of provision for doubtful trade debts		(67,454)	(214,648)
Write-back provision for stocks obsolescence		(21,000)	–
Provision for rebates/discounts		1,166,789	624,300
Write-back of provision for rebates/discounts		(31,563)	(20,553)
(Gain)/loss on disposal of fixed assets		(99,693)	2,529
Fixed assets written off		–	19,777
Depreciation of fixed assets		1,592,965	1,676,208
Interest income		(3,049)	(332)
Interest expenses		531,204	535,632
Operating profit before working capital changes		6,045,598	5,726,633
(Increase)/decrease in:			
Stocks		(591,422)	(1,492,410)
Work-in-progress in excess of progress billings		(2,928,074)	(1,904,512)
Trade debtors		(3,422,962)	(1,314,212)
Other debtors, deposits and prepayments		92,422	156,994
Due from related parties/companies, net		1,159,847	(357)
(Decrease)/increase in:			
Trade creditors		455,494	1,823,767
Bills payables to banks		847,715	391,817
Other creditors and accruals		621,489	538,933
Due to related parties/companies/holding company, net		(526,353)	(107,535)
Cash generated from operations		1,753,754	3,819,118
Interest received		3,049	332
Interest paid		(541,268)	(563,147)
Income taxes paid		(555,150)	(503,204)
Net cash generated from operating activities		660,385	2,753,099
Cash flows from investing activities			
Proceeds from disposal of fixed assets		501,653	61,550
Purchase of fixed assets	32(b)	(1,236,603)	(1,128,798)
Net cash outflow from disposal of a subsidiary	32(c)	(72,801)	–
Proceeds from minority shareholders of a subsidiary		20,000	49,000
Net cash used in investing activities		(787,751)	(1,018,248)
Cash flows from financing activities			
Net proceeds from Initial Public Offer		3,932,192	–
Repayment of finance lease liabilities		(485,622)	(608,830)
Repayment of loans from related companies		–	44,796
Repayment of loans to related parties		(1,291,602)	–
Dividends paid to minority shareholders of a subsidiary		–	(38,220)
Net cash generated from/(used in) financing activities		2,154,968	(602,254)
Net effect of exchange rate changes in consolidating subsidiaries		–	(598)
Net increase in cash and cash equivalents		2,027,602	1,131,999
Cash and cash equivalents at beginning of year		(169,679)	(1,301,678)
Cash and cash equivalents at end of year	32(a)	1,857,923	(169,679)

The accounting policies and explanatory notes on pages 26 to 49 form an integral part of the financial statements.

1. Corporate information

Beng Kuang Marine Limited ("the Company") was incorporated as a private limited liability company in Singapore on 8 January 1994 under the name of Beng Kuang Marine Pte Ltd. On 30 August 2004, the Company was converted into a public limited company and changed its name to Beng Kuang Marine Limited. On 15 October 2004, the Company was admitted to the official list of the Singapore Exchange Securities Trading Limited Dealing and Automated Quotation System ("SGX – SESDAQ").

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

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

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

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

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

The Group and Company employed 709 and 108 (2003: 635 and 338) employees as of 31 December 2004, respectively.

2. Summary of significant accounting policies

(a) Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act.

The financial statements have been prepared on a historical cost basis. The accounting policies have been consistently applied with those used in the previous financial year.

The financial statements are presented in Singapore Dollars ($).

(b) Basis of consolidation

The accounting year of the Company and all its subsidiaries ends on 31 December and the consolidated financial statements comprise financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed during the financial year are included in or excluded from the consolidated financial statements with effect from the respective dates of acquisition or disposal. All intercompany balances and transactions, and any unrealised profit or loss on intercompany transactions are eliminated on consolidation.

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Goodwill represents the excess of cost of acquisition over the fair value of the net identifiable assets acquired and is recognised as an asset in the balance sheet. Goodwill is amortised on a systematic basis over its useful life of five years during which future economic benefits are expected to flow to the enterprise.

Assets, liabilities and results of the foreign subsidiaries are translated into Singapore dollars on the basis outlined in paragraph (e) below.

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

(c) Subsidiaries

A subsidiary is defined as a company, in which the Group has a long-term interest of more than 50% of the equity or in whose financial and operating policy decisions the Group controls.

Investment in subsidiaries are stated in the Company's balance sheet at cost less impairment losses.

(d) Foreign currencies

Transactions in foreign currencies are measured in Singapore Dollars and recorded at exchange rates approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities are measured using the exchange rates ruling at balance sheet date. Non-monetary assets and liabilities are measured using the exchange rates ruling at the transaction dates or, in the case of items carried at fair value, the exchange rates that existed when the values were determined. All resultant exchange differences are recognised in the profit and loss account.

(e) Translation of foreign currency financial statements

Assets and liabilities of the foreign subsidiary are translated into Singapore dollars at the exchange rates ruling at balance sheet date. The results of the foreign subsidiary are translated into Singapore dollars at the weighted average exchange rates applicable for the financial year. Foreign currency translation adjustments arising on consolidation are accumulated in the separate component of equity.

(f) Fixed assets

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

(g) Depreciation

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

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

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

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

(h) Leases

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

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

(i) Stocks and work-in-progress

Stocks relate to trading goods which are stated at the lower of cost (determined on a weighted average basis) and net realisable value.

Net realisable value is the estimated normal selling price, less estimated costs necessary to make the sale.

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

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

(j) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, cash with banks and fixed deposits, including bank overdrafts that are readily convertible to known amounts of cash and subject to insignificant risk of changes in values.

Cash and cash equivalents are carried at cost.

(k) Trade and other receivables

Trade and other receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at cost less an allowance for any uncollectible amounts.

(l) Trade and other creditors

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

Payables to related parties are carried at cost.

(m) Loans and borrowings

Loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowings.

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

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

(n) Impairment of assets

Fixed assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. All impairment losses are recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount is the greater of the asset's net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account.

(o) Provisions

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

(p) Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group makes contributions to the Central Provident Fund (CPF) a defined contribution pension scheme in Singapore. Contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employment leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(q) Revenue recognition

(i) Revenue

Revenue from corrosion prevention and infrastructure engineering services is recognised, using the percentage-of-completion method. The percentage of completion for a given project is determined after considering the relationship of the value of work done to-date to total contract revenue for the project. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent of the expenses recognised, which are recoverable.

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers.

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

Group revenue excludes intercompany transactions.

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

(q) Revenue recognition (cont'd)

(ii) Interest income

Interest income is recognised on an accrual basis.

(r) Income tax

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

At each balance sheet date, the Group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The Group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilised.

Current tax and deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(s) Financial instruments

Financial assets and financial liabilities carried on the balance sheet include cash and cash equivalents, trade and other accounts receivable and payable, loans, borrowings and investments. The accounting policies on recognition and measurement of these items are disclosed in the respective accounting policies found in this Note.

(t) Segment reporting

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

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Inter-segment pricing, if any, is determined on an arms' length basis.

3. Fixed assets

Group	Motor vehicles $	Computers $	Office equipment $	Furniture and fittings $	Forklifts $	Machinery, tools and equipment $	Air-conditioners $	Leasehold improvement and renovation $	Leasehold building $	Total $
Cost:-										
As at 1.1.2004	2,344,990	323,830	419,258	151,083	768,155	9,078,015	90,680	2,287,703	564,134	16,027,848
Additions	353,417	21,878	9,941	3,376	–	968,320	–	6,200	–	1,363,132
Arising from disposal of a subsidiary	(111,444)	–	(10,022)	(7,438)	(12,329)	(47,823)	–	–	–	(189,056)
Disposals	(224,210)	(10,940)	(255)	–	(4,763)	(561,680)	–	–	–	(801,848)
Reclassification	184,202	–	(8,504)	1,800	84,519	(367,893)	–	136,780	(30,904)	–
As at 31.12.2004	2,546,955	334,768	410,418	148,821	835,582	9,068,939	90,680	2,430,683	533,230	16,400,076
Accumulated depreciation:-										
As at 1.1.2004	1,226,467	250,999	273,010	75,949	395,342	3,791,164	78,697	1,407,174	427,703	7,926,505
Charge for the year	248,677	44,527	34,384	19,023	63,811	1,046,460	1,939	125,616	8,528	1,592,965
Arising from disposal of a subsidiary	(13,080)	–	(1,310)	(1,400)	(1,849)	(17,282)	–	–	–	(34,921)
Disposals	(172,952)	(10,940)	(96)	–	(4,763)	(211,137)	–	–	–	(399,888)
Reclassification	53,367	–	613	1,500	51,293	(106,774)	–	14,271	(14,270)	–
As at 31.12.2004	1,342,479	284,586	306,601	95,072	503,834	4,502,431	80,636	1,547,061	421,961	9,084,661
Depreciation charge for 2003	254,459	58,249	25,703	19,428	54,128	1,115,289	3,575	124,828	20,549	1,676,208
Net book value:-										
As at 31.12.2004	1,204,476	50,182	103,817	53,749	331,748	4,566,508	10,044	883,622	111,269	7,315,415
As at 31.12.2003	1,118,523	72,831	146,248	75,134	372,813	5,286,851	11,983	880,529	136,431	8,101,343

As at 31 December 2004, the Group had motor vehicles and machinery, tools and equipment, and forklifts purchased under finance lease contracts with net book value of $632,713, $215,333 and $109,008 (2003: $712,872, $986,628, and S$121,708) respectively.

3. Fixed assets (cont'd)

Company	Motor vehicles $	Computers $	Office equipment $	Furniture and fittings $	Forklifts $	Tools and equipment $	Air-conditioners $	Renovation $	Total $
Cost:-									
As at 1.1.2004	944,828	163,457	61,236	61,668	648,263	2,715,045	28,090	56,965	4,679,552
Additions	34,737	15,824	2,642	3,376	–	270,005	–	–	326,584
Disposals	(128,205)	(10,940)	–	–	(4,763)	(111,960)	–	–	(255,868)
Transfer to subsidiaries	(277,031)	–	(7,588)	(2,420)	(190,500)	(495,451)	–	–	(972,990)
Reclassification	–	–	1,997	1,800	73,000	(76,797)	–	–	–
As at 31.12.2004	574,329	168,341	58,287	64,424	526,000	2,300,842	28,090	56,965	3,777,278
Accumulated depreciation:-									
As at 1.1.2004	571,474	142,443	36,088	36,336	355,409	1,648,590	27,961	31,811	2,850,112
Charge for the year	33,402	12,955	5,193	5,987	27,693	268,436	96	5,697	359,459
Disposals	(107,683)	(10,940)	–	–	(4,763)	(67,960)	–	–	(191,346)
Transfer to subsidiaries	(94,083)	–	(5,850)	(1,208)	(10,055)	(133,454)	–	–	(244,650)
Reclassification	8,810	–	1,663	1,500	42,033	(54,006)	–	–	–
As at 31.12.2004	411,920	144,458	37,094	42,615	410,317	1,661,606	28,057	37,508	2,773,575
Depreciation charge for 2003	33,402	12,955	5,193	5,987	27,693	268,437	96	5,697	359,460
Net book value:-									
As at 31.12.2004	162,409	23,883	21,193	21,809	115,683	639,236	33	19,457	1,003,703
As at 31.12.2003	373,354	21,014	25,148	25,332	292,854	1,066,455	129	25,154	1,829,440

As at 31 December 2004, the Company had motor vehicles, and tools and equipment and forklifts purchased under finance lease contracts with a net book value of $64,302, $Nil, and $Nil (2003: $263,397, $140,817 and $121,708) respectively.

4. Subsidiaries

	Company 2004 $	Company 2003 $
Unquoted equity shares, at cost	2,640,799	2,298,523

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

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2004 %	Effective equity held by the Group 2003 %	Cost of investment held by the Company 2004 $	Cost of investment held by the Company 2003 $
Held by the Company						
Nexus Sealand Trading Pte Ltd #	Supply and distribution of products	Singapore	100	100	2	2
Asian Sealand Engineering Pte Ltd #	Provision of infrastructure engineering services	Singapore	100	100	1,800,000	1,800,000
Asian Sealand Infrastructure and Construction Sdn Bhd @	Provision of shipbuilding and repair services and engineering construction business	Malaysia	–	100	–	137,724
PT Nexus Engineering Indonesia *	Provision of corrosion prevention and infrastructure engineering services	Indonesia	100(1)	100(1)	132,797	132,797
PT Master Indonesia *	Supply and distribution of products	Indonesia	100(1)	100(1)	177,000	177,000
B&J Marine Pte Ltd (formerly known as Jet Point Pte Ltd) #	Provision of hydro-jetting and tank cleaning services	Singapore	51	51	51,000	51,000
B & K Marine Pte. Ltd. #	Provision of corrosion prevention services	Singapore	100	–	100,000	–
Beng Kuang Marine (B&Chew) Pte. Ltd. #	Provision of corrosion prevention services	Singapore	100	–	100,000	–
Beng Kuang Marine (B&M) Pte. Ltd. #	Provision of corrosion prevention services	Singapore	100	–	100,000	–
Beng Kuang Marine (B&Y) Pte. Ltd. #	Provision of corrosion prevention services	Singapore	100	–	100,000	–
Nexus Hydrotech Pte. Ltd. +	Provision of corrosion prevention services (utilising hydrojetting machines)	Singapore	80	–	80,000	–
					2,640,799	2,298,523

4. Subsidiaries (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2004 %	2003 %
Held by Nexus Sealand Trading Pte Ltd				
BT Asia Marketing & Engineering Pte Ltd #	Trading of copper slag and waste management	Singapore	51	51
Picco Enterprise Pte. Ltd. #	Supply and distribution of products	Singapore	100	100

\# Audited by Ernst & Young Singapore.

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

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

@ Pursuant to a Share Sale Agreement dated 23 August 2004, the Company disposed its entire stake in Asian Sealand Infrastructure & Construction Sdn Bhd ("ASIC") to Heng Huat Shipbuilding & Construction Pte. Ltd., a wholly-owned subsidiary of Labroy Marine Limited, for an aggregate consideration of $141,868 that is equivalent to the net tangible assets of ASIC as at 31 December 2003. The sale is effected on 1 January 2004.

(1) 1% of the shareholding is held by an Executive Officer in trust for the Company.

5. Due from a subsidiary (non-trade)

The amount is unsecured, bears interest at 6.6% per annum and is repayable over 24 months from 1 January 2006.

6. Stocks

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Stocks	5,258,463	4,701,445	15,279	–
Provision for stock obsolescence	–	(21,000)	–	–
	5,258,463	4,680,445	15,279	–

Movements in provision for stocks obsolescence during the year are as follows:

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
At beginning of year	21,000	21,000	–	–
Write back of provision	(21,000)	–	–	–
At end of year	–	21,000	–	–

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

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Costs incurred to date	16,133,520	11,888,859	4,907,056	3,163,600
Add: Attributable profits	3,452,124	3,009,057	958,663	1,222,197
	19,585,644	14,897,916	5,865,719	4,385,797
Less: Progress billings	(11,455,018)	(8,556,234)	(4,017,757)	(2,376,826)
	8,130,626	6,341,682	1,847,962	2,008,971

8. Trade debtors

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Trade debtors	20,297,187	18,253,745	2,080,237	8,959,797
Provision for doubtful trade debts	(885,508)	(376,656)	(10,240)	(6,650)
Provision for rebates/discounts	(1,396,738)	(1,267,200)	(576,885)	(1,253,700)
	18,014,941	16,609,889	1,493,112	7,699,447

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

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Balance as at 1 January	376,656	890,850	6,650	6,650
Provision for the year	617,049	90,585	3,590	–
Written off against provision	(40,743)	(390,131)	–	–
Write back of provision	(67,454)	(214,648)	–	–
Balance as at 31 December	885,508	376,656	10,240	6,650
Bad trade debts written off	–	1,729	–	–

Movements in provision for rebates/discounts during the year are as follows:

	Group 2004 $	Group 2003 $	Company 2004 $	Company 2003 $
Balance as at 1 January	1,267,200	1,039,200	1,253,700	1,039,200
Transfer to subsidiaries	–	–	(328,500)	–
Provision for the year	1,166,789	624,300	279,223	610,800
Written off against provision	(1,005,688)	(375,747)	(613,619)	(375,747)
Write back of provision	(31,563)	(20,553)	(13,919)	(20,553)
Balance as at 31 December	1,396,738	1,267,200	576,885	1,253,700

9. Other debtors, deposits and prepayments

	Group		Company	
	2004	2003	2004	2003
	$	$	$	$
Staff loans	40,003	58,244	7,400	21,900
Sundry debtors	109,257	344,843	94,436	300,541
Deposits	22,700	26,947	7,766	–
Prepayments	246,414	84,490	152,823	41,842
	418,374	514,524	262,425	364,283

10. Due from/to holding company/subsidiaries/related companies/related parties (non-trade)

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

(i) amounts due from certain subsidiaries of $12,036,267 (2003: $11,869,343) which bear interest at 2.1% to 2.3% (2003: 1.89% to 2.61%) per annum and

(ii) an amount due from a subsidiary of $107,004 (2003: Nil) which bears interest at 6.6.% (2003: Nil) per annum and is repayable within 1 year from 1 January 2005.

11. Fixed deposits

Fixed deposits with a financial institution mature on varying periods within 1 month from the financial year end. Effective interest rates range from 0.81% to 1.47% per annum.

12. Bank overdrafts/bills payable to banks

The bank overdrafts and bills payable to banks bear interest at 4.50% to 5.25% (2003: 4.25% to 5.25%) and 2.00% to 3.08% (2003: 2.1% to 2.45%) per annum, respectively. Of these, bank overdrafts of $1,256,000 (2003: $1,147,428) and bills payable of $2,901,000 (2003: $2,234,101) are supported by a corporate guarantee from the Company's major shareholder, Labroy Marine Limited.

13. Other creditors and accruals

	Group		Company	
	2004	2003	2004	2003
	$	$	$	$
Other creditors	475,712	538,119	230,609	492,058
Accrued operating expenses	3,029,855	2,631,268	1,141,223	745,030
	3,505,567	3,169,387	1,371,832	1,237,088

14. Loans from related companies

For the financial year ended 31 December 2003, these amounts are unsecured, bear interest at a range of 1.6% to 2.87% per annum and are repayable on demand. During the financial year ended 31 December 2004, loans from related companies have been fully repaid.

15. Lease obligations

	2004 Minimum lease payments $	2004 Interest $	2004 Present value of payments $	2003 Minimum lease payments $	2003 Interest $	2003 Present value of payments $
Group						
Within 1 year	241,582	25,280	216,302	511,632	53,800	457,832
Within 2 to 5 years	254,812	36,764	218,048	470,404	61,691	408,713
More than 5 years	758	102	656	7,303	2,180	5,123
	255,570	36,866	218,704	477,707	63,871	413,836
	497,152	62,146	435,006	989,339	117,671	871,668
Company						
Within 1 year	13,968	2,507	11,461	107,460	11,336	96,124
Within 2 to 5 years	43,035	7,724	35,311	237,695	32,727	204,968
More than 5 years	–	–	–	757	103	654
	43,035	7,724	35,311	238,452	32,830	205,622
	57,003	10,231	46,772	345,912	44,166	301,746

Finance leases bear interest ranging from 2.2% to 4.6% (2003 : 2.2% to 4.6%) per annum. The effective interest rates range from 4.3% to 8.74% (2003 : 3.3% to 9.56%) per annum.

All assets acquired under finance leases are secured. The net book value of assets acquired under finance leases are disclosed in Note 3.

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

16. Short-term bank loans

The short-term bank loans are unsecured and bear interest ranging from 2.20% to 3.20% (2003: 2.14% to 2.53%) per annum which are also the effective interest rates. Bank loans of $8,000,000 (2003 : $8,000,000) are supported by a corporate guarantee from the Company's major shareholder, Labroy Marine Limited.

17. Share capital

	Group and Company 2004 $	2003 $
Authorised:		
375,000,000 (2003: 2,000,000) ordinary shares of $0.08 (2003: $1) each	30,000,000	2,000,000
Issued and fully paid:		
Balance as at 1 January		
1,316,328 (2003: 1,316,328) ordinary shares of $1 each	1,316,328	1,316,328
Issued during the year		
6,302,622 (2003: Nil) ordinary shares of $1 each by way of Bonus issue	6,302,622	–
	7,618,950	1,316,328
Sub-division and consolidation of 7,618,950 ordinary shares of $1 each into 95,236,875 ordinary share of $0.08 each (2003: Nil)	7,618,950	–
Issued during the year		
21,000,000 (2003: Nil) ordinary shares of $0.08 each pursuant to the initial public offer	1,680,000	–
Balance as at 31 December		
116,236,875 (2003: 1,316,328) ordinary shares of $0.08 (2003: $1) each	9,298,950	1,316,328

At the Extraordinary General Meeting held on 25 August 2004, the Shareholders approved, *inter alia*, the following:–

(a) an increase in the authorised share capital of the Company from $2,000,000 divided into 2,000,000 ordinary shares of $1 each to $30,000,000 divided into 30,000,000 ordinary shares of $1 each;

(b) the capitalisation of $6,302,622 out of the share premium and revenue reserves of the Company by way of a bouns issue of 6,302,622 ordinary shares of $1 each credited as fully paid to the shareholders ("Bonus issue");

(c) the allotment and issue of 6,302,622 ordinary shares of $1 each pursuant to the Bonus issue;

(d) the sub-division of each ordinary share of $1 each in the authorised and issued and paid-up share capital of the Company into 50 ordinary shares of $0.02 each respectively ("Sub-division");

(e) the consolidation of every four ordinary shares of $0.02 each in the authorised and issued and paid-up share capital of the Company into one ordinary share of $0.08 each ("Consolidation");

(f) the conversion of the Company into a public limited company and change of its name to "Beng Kuang Marine Limited"; and

(g) the adoption of the new Articles of Association of the Company.

Pursuant to the initial public offering of the Company, 21,000,000 ordinary shares of $0.08 each were issued at $0.23 per share.

These new ordinary shares issued rank *pari passu* in all respects with the existing ordinary shares of the Company.

18. Share premium

	Group and Company	
	2004	2003
	$	$
Balance as at 1 January	2,583,672	2,583,672
Capitalisation by way of Bonus issue	(2,583,672)	–
Arising from issue of 21,000,000 (2003: Nil) ordinary shares at a premium of $0.15 per share	3,150,000	–
Share issue expenses*	(897,808)	–
Balance as at 31 December	2,252,192	2,583,672

* Includes an amount of $135,500 paid to the auditors of the Company in connection with the Company's initial public offer.

The share premium account may be applied only for the purposes specified in the Companies Act.

The balance is not available for distribution of dividends except in the form of shares.

19. Revenue reserve

Movement in reserves for the Group is disclosed in the Consolidated Statement of Changes in Equity. Movement in reserve for the Company is set out below:-

	Company	
	2004	2003
	$	$
Balance as at 1 January	3,718,950	2,673,010
Capitalisation of revenue reserve by way of Bonus issue	(3,718,950)	–
Net profit for the year	318,313	1,045,940
Balance as at 31 December	318,313	3,718,950

20. Revenue

	Group	
	2004	2003
	$	$
Corrosion prevention services	28,176,614	19,766,423
Infrastructure engineering services	7,180,626	7,551,389
Supply and distribution of products	12,772,836	10,041,882
Ship repair services	–	3,884,162
	48,130,076	41,243,856

21. Other operating income/(expenses) – net

	Group 2004 $	Group 2003 $
Gain/(loss) on disposal of fixed assets	99,693	(2,529)
Fixed assets written off	–	(19,777)
Other income	59,206	41,897
	158,899	19,591

22. Profit from operations

This is determined after charging the following:

	Group 2004 $	Group 2003 $
Auditors' remuneration		
– auditors of the Company		
– non-audit services	12,900	9,500
Personnel expenses		
– Wages, salaries and bonuses	10,788,638	9,196,995
– Pension contributions	525,928	391,814
– Other personnel expenses	1,067,954	705,599

The personnel expenses include the amounts shown as Directors' and Executive Officers' remuneration in Note 28.

23. Directors' remuneration

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

	Group 2004	Group 2003
$500,000 and above	–	–
$250,000 to below $500,000	2	–
Below $250,000	4	6
Total	6	6

24. Financial income

	Group 2004 $	Group 2003 $
Exchange gain, net	24,470	–
Interest income – fixed deposits	3,049	332
	27,519	332

25. Financial expenses

	Group 2004 $	Group 2003 $
Exchange loss, net	–	10,323
Interest expense:-		
Bank overdrafts	142,698	135,168
Loan from related companies	11,614	41,318
Finance leases	52,955	68,560
Short-term bank loans	271,377	252,589
Bills payable	52,560	37,997
Bank charges	23,080	20,432
	554,284	566,387

26. Taxation

	Group 2004 $	Group 2003 $
Current tax:-		
Current year	555,355	654,961
Overprovision in prior year	(36,165)	(216,588)
Deferred tax:-		
Current year	(28,991)	87,872
Overprovision in prior year	–	(32,872)
Reduction in tax rates	(84,909)	–
	405,290	493,373

The Group and Company have unutilised tax losses of approximately $Nil (2003: $50,000) available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provisions of the Singapore Income Tax Act.

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

26. Taxation (cont'd)

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

	Group	
	2004	**2003**
	$	**$**
Accounting profit	2,360,350	3,011,406
Tax at the applicable tax rate of 20% (2003: 22%)	472,070	662,509
Tax effect of expenses that are not deductible in determining taxable profit	101,193	87,049
Tax exemption and rebates	(60,896)	(46,200)
Reduction of tax rates	(84,909)	–
Overprovision of current tax in respect of prior years	(36,165)	(216,588)
Overprovision of deferred tax in respect of prior years	–	(32,872)
Others – net	13,997	39,475
Tax expense	405,290	493,373

The statutory income tax rate applicable to Singapore companies of the Group was reduced to 20% for year of assessment 2005 from 22% for year of assessment 2004.

Deferred taxation at 31 December relate to the following:

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Deferred tax liabilities (assets):-				
Excess of net book value over tax written down value of fixed assets	863,476	993,377	167,500	247,000
Provisions	(43,376)	(48,377)	(4,000)	–
Unutilised tax losses	–	(11,000)	–	–
	820,100	934,000	163,500	247,000

27. Earnings per share

The calculations of earnings per share are based on the net profit attributable to shareholders and the number of shares shown below:

	Group	
	2004	**2003**
	$	**$**
Net profit attributable to shareholders	1,794,528	2,316,664

27. Earnings per share (cont'd)

	Number of shares 2004	2003
Weighted average number of shares		
For basic and diluted earnings per share	99,712,285	95,236,875

(a) The earnings per share for 2004 was computed based on 95,236,875 ordinary shares being in issue for 366 days and 21,000,000 ordinary shares being in issue for 78 days, giving rise to a weighted average of 99,712,285 ordinary shares for the year.

(b) The earnings per share for 2003 was computed based on 95,236,875 ordinary shares of $0.08 each after adjusting for Bonus Issue, Sub-division and Consolidation of shares as mentioned in note 17.

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

28. Related party information

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

	Group 2004 $	2003 $
Income:-		
Sales to related parties/companies	2,907,670	2,297,596
Service rendered to holding company	–	4,159
Service rendered to related parties/companies	2,198,651	3,091,046
Management fees from a related party	–	15,000
Expenses:-		
Purchases from related parties/companies	88,678	234,348
Services from related parties/companies	1,989,498	88,701
Interest expense to related parties/companies	11,613	41,318
Management fees to a related parties/company	6,000	72,000
Rental of premises from related parties/companies	660,000	240,000
Transport services from related parties	159,322	97,063

	Group 2004 $	2003 $
Directors' and Executive Officers' remuneration		
Directors' fees	71,000	23,000
Directors' remuneration	668,660	669,730
Executive Officers' remuneration	919,365	513,227

29. Operating lease commitments

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

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Future minimum lease payments				
– Within 1 year	722,000	286,000	420,000	152,000
– Within 2 to 5 years	393,000	393,000	–	–
– More than 5 years	65,000	164,000	–	–
	1,180,000	843,000	420,000	152,000

Rental expense was $660,836 and $561,151 for the years ended 31 December 2004 and 2003 respectively.

The lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing, escalation clauses and do not provide for contingent rents for the financial years ended 31 December 2004 and 2003. For the financial year ended 31 December 2004, certain lease agreements contain renewal option for additional lease period of 1 year at prevailing market rates. For the financial year ended 31 December 2003, lease agreements do not contain any renewable options.

30. Capital expenditure commitments

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

	Group	
	2004	**2003**
	$	**$**
Purchase of fixed assets approved but not provided for in the financial statement as at 31 December	37,730	6,301

31. Contingent liabilities

	Group		Company	
	2004	**2003**	**2004**	**2003**
	$	**$**	**$**	**$**
Performance guarantee given to customers	398,704	153,761	398,704	153,761
Letters of credit	455,960	462,695	206,682	120,572
Guarantee given in connection with rental of workers' accommodation	–	77,000	–	77,000
	854,664	693,456	605,386	351,333

32. Notes to consolidated cash flow statement

(a) Cash and cash equivalents

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

	2004 $	2003 $
Cash and bank balances	1,256,931	977,749
Fixed deposits	2,300,000	–
Bank overdrafts	(1,699,008)	(1,147,428)
	1,857,923	(169,679)

(b) Fixed assets

During the financial year, the Group acquired fixed assets with an aggregate cost of $1,363,132 (2003: $1,411,811) of which $126,529 (2003: $283,013) were acquired by means of lease agreements and cash payments of $1,236,603 (2003: $1,128,798).

(c) Disposal of a subsidiary

The attributable net assets disposed and the net cash flows resulting from the disposal of a subsidiary during the financial year are as follows:

	2004 $	2003 $
Fixed assets	154,135	–
Stocks	34,404	–
Work-in-progress in excess of progress billings	1,139,130	–
Trade debtors	333,089	–
Other debtors, deposits and prepayments	3,728	–
Cash and bank balances	215,090	–
Due to related companies, net	(1,238,045)	–
Trade creditors	(129,022)	–
Other creditors and accruals	(285,309)	–
Provision for income tax	(7,763)	–
Lease obligations	(77,569)	–
Net assets disposed	141,868	–
Translation reserves realised on disposal	421	–
Less: Cash and bank balances disposed	(215,090)	–
Net cash outflow from disposal of a subsidiary	(72,801)	–

33. Segment information

(a) *Business segments*

The Group has 3 main business segments as detailed below.

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

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

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

Segment assets consist primarily of fixed assets, trade debtors, stocks and work-in-progress in excess of progress billings.

Segment liabilities comprise mainly of operating liabilities and exclude income tax liabilities.

On 1 January 2004, the Group disposed its ship repair segment. Please refer to note 32(c) for the carrying amounts of the total assets and liabilities disposed.

	Corrosion Prevention $	Infrastructure Engineering $	Supply and Distribution $	Elimination $	Consolidated $
Year ended 31 December 2004					
Sales to external customers	28,176,614	7,180,626	12,772,836	–	48,130,076
Intersegment sales	210,610	391,887	3,625,930	(4,228,427)	–
	28,387,224	7,572,513	16,398,766	(4,228,427)	48,130,076
Segment results	1,889,615	424,458	573,042	–	2,887,115
Financial income	32,698	9,470	(14,649)	–	27,519
Financial expenses	(226,158)	(104,640)	(223,486)	–	(554,284)
Profit before taxation	1,696,155	329,288	334,907	–	2,360,350
Taxation					(405,290)
Profit after taxation					1,955,060
Minority interest					(160,532)
Net profit					1,794,528
Segment assets	48,129,035	7,230,822	14,534,754	(24,837,707)	45,056,904
Segment liabilities	33,431,422	6,129,563	11,291,750	(24,837,707)	26,015,028
Unallocated liabilities					1,422,242
Total liabilities					27,437,270
Capital expenditure	832,339	127,418	403,375	–	1,363,132
Depreciation	1,043,904	292,251	256,810	–	1,592,965
Non-cash expense	1,155,518	162,160	466,160	–	1,783,838

33. Segment information (cont'd)

(a) Business segments (cont'd)

	Corrosion Prevention $	Infrastructure Engineering $	Supply and Distribution $	Ship Repair Services $	Elimination $	Consolidated $
Year ended 31 December 2003						
Sales to external customers	19,766,423	7,551,389	10,041,882	3,884,162	–	41,243,856
Intersegment sales	905,693	1,469,257	2,200,186	–	(4,575,136)	–
	20,672,116	9,020,646	12,242,068	3,884,162	(4,575,136)	41,243,856
Segment results	2,049,850	445,017	1,024,600	57,994	–	3,577,461
Financial income	8,981	10,009	(680)	(17,978)	–	332
Financial expenses	(170,605)	(174,851)	(205,665)	(15,266)	–	(566,387)
Profit before taxation	1,888,226	280,175	818,255	24,750	–	3,011,406
Taxation						(493,373)
Profit after taxation						2,518,033
Minority interest						(201,369)
Net profit						2,316,664
Segment assets	36,794,926	10,242,113	13,911,240	1,981,440	(22,080,222)	40,849,497
Segment liabilities	27,653,271	9,297,691	10,855,122	1,831,809	(22,080,222)	27,557,671
Unallocated liabilities						1,579,865
Total liabilities						29,137,536
Capital expenditure	791,360	222,505	222,106	175,840	–	1,411,811
Depreciation	1,041,671	484,768	115,294	34,475	–	1,676,208
Non-cash expense	646,530	3,823	88,567	–	–	738,920

(b) Geographical segments

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

Sales by geographical markets are as follows:-

	Group 2004 $	Group 2003 $
Singapore	40,044,717	30,166,233
Others[1]	8,085,359	11,077,623
	48,130,076	41,243,856

33. Segment information (cont'd)

(b) Geographical segments (cont'd)

Carrying amount of segment assets by geographical market is as follows:-

	Group	
	2004	**2003**
	$	**$**
Singapore	38,698,072	34,697,073
Others (1)	6,358,832	6,152,424
	45,056,904	40,849,497

Capital expenditure by geographical market are as follows:-

	Group	
	2004	**2003**
	$	**$**
Singapore	1,189,790	1,091,540
Others (1)	173,342	320,271
	1,363,132	1,411,811

(1) Others include Indonesia and Malaysia.

34. Financial instruments

Financial risk management objectives and policies

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

Interest rate risk

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

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

Liquidity risk

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

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

Foreign exchange risk

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

34. Financial instruments (cont'd)

Credit risk

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

As at 31 December 2004, the Group has no significant concentrations of credit risk.

Fair value of financial instruments

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

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

Cash and cash equivalents and other current assets

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

Short-term borrowings and other current liabilities

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

Loan from related companies

No disclosure of the fair value of the loan from related companies as it is not practicable to determine their fair values with sufficient reliability since these balances have no fixed terms of repayment.

Lease obligations

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

As at 31 December 2004, the fair value of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table.

		2004		2003	
	Note	**Carrying amount $**	**Estimated fair value $**	**Carrying amount $**	**Estimated fair value $**
Group					
Lease obligations	15	435,006	478,391	871,668	941,294
Company					
Lease obligations	15	46,772	53,509	301,746	319,653

35. Authorisation of financial statements

The financial statements of Beng Kuang Marine Limited for the year ended 31 December 2004 were authorised for issue in accordance with a resolution of the Directors on 28 February 2005.

Shareholding Statistics

as at 14 March 2005

Authorised share capital	:	S$30,000,000
Issued and fully paid-up	:	S$9,298,950
Number of shares	:	116,236,875
Class of shares	:	Ordinary shares of S$0.08 each
Voting rights	:	One vote per ordinary share

Shareholdings Held in Hands of Public

Based on the information available to the Company as at 14 March 2005, approximately 17.60% of the issued ordinary shares of the Company is held by the public. Accordingly, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	383	64.48	1,313,000	1.12
10,001 - 1,000,000	204	34.34	15,633,000	13.45
1,000,001 and above	7	1.18	99,290,875	85.43
	594	100.00	116,236,875	100.00

TOP 20 SHAREHOLDERS

No.	Name	No. of shares	%
1	Labroy Marine Limited	48,570,875	41.78
2	Chua Beng Kuang	11,766,500	10.12
3	Chua Meng Hua	11,666,500	10.04
4	Chua Beng Yong	11,666,500	10.04
5	Chua Beng Hock	11,666,500	10.04
6	ABN Amro Nominees Singapore Pte Ltd	2,250,000	1.94
7	Leong Woon Poh Terry	1,704,000	1.47
8	Wee Piew	1,000,000	0.86
9	Kim Eng Securities Pte. Ltd.	823,000	0.71
10	Ng Ee Cher & Sons (Private) Limited	677,000	0.58
11	Phillip Securities Pte Ltd	493,000	0.42
12	Poh Eng Choo	465,000	0.40
13	United Overseas Bank Nominees Pte Ltd	464,000	0.40
14	Citibank Consumer Nominees Pte Ltd	410,000	0.35
15	Merrill Lynch (S) Pte Ltd	400,000	0.34
16	Chua Swee Cheng	365,000	0.31
17	DBS Vickers Securities (S) Pte Ltd	300,000	0.26
18	Tan Hock Heng	300,000	0.26
19	Lee Yong Chuan	286,000	0.25
20	DBS Nominees Pte Ltd	261,000	0.22
		105,534,875	90.79

SUBSTANTIAL SHAREHOLDERS
(As shown in the Register of Substantial Shareholders as at 14 March 2005)

		No. of Shares		
No.	Name	Direct Interests	Deemed Interests	%
1	Chua Beng Kuang	11,766,500	-	10.12
2	Chua Beng Hock	11,666,500	-	10.04
3	Chua Beng Yong	11,666,500	-	10.04
4	Chua Meng Hua[(1)]	11,666,500	84,000	10.11
5	Labroy Marine Limited	48,570,875	-	41.78
6	Tan Boy Tee[(2)]	100,000	48,570,875	41.87

(1) Chua Meng Hua is deemed to be interested in the shares held by his spouse, Mdm Won Siew Wan, who has an interest in 84,000 shares.
(2) Tan Boy Tee is deemed to be interested in 48,570,875 shares held by Labroy Marine Limited in the Company by virtue of section 7 of the Companies Act, Cap. 50.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of Beng Kuang Marine Limited will be held at 55 Shipyard Road, Singapore 628141 on Thursday, 28 April 2005 at 11.00 a.m. for the purpose of transacting the following businesses:-

As Ordinary Business:-

1. To receive and adopt the Directors' Report and audited Accounts for the financial year ended 31 December 2004 and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the amount of S$63,000 proposed as Directors' Fees for the financial year ended 31 December 2004. **(Resolution 2)**

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

   (i) Mr Tan Boy Tee **(Resolution 3)**

   (ii) Mr Chua Meng Hua **(Resolution 4)**

4. To re-elect the following directors retiring under Article 117 of the Company's Articles of Association:-

   (i) Mr Goh Chee Wee **[See Explanatory Note 1]** **(Resolution 5)**

   (ii) Dr Wong Chiang Yin **[See Explanatory Note 2]** **(Resolution 6)**

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

As Special Business:-

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

6. That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company for the time being, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company for the time being (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next AGM of the Company or on the date by which the next AGM is required by law to be held, whichever is earlier. **[See Explanatory Note 3]** **(Resolution 8)**

7. (a) That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company and its subsidiaries, to enter into any of the transactions falling within the categories of interested person transactions set out in the Appendix to this Annual Report of the Company dated 11 April 2005 (the "Appendix") with any party who is of the class of interested persons described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "Shareholders' Mandate");

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

(c) That the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution. **[see Explanatory Note 4]** **(Resolution 9)**

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

By Order Of The Board

Wee Woon Hong
Company Secretary

Singapore, 11 April 2005

NOTES:

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

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

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

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

EXPLANATORY NOTES:

1. Mr Goh Chee Wee shall upon his re-appointment as a Director, remain as a Non-Executive Director, Chairman of Audit Committee and member of the Remuneration and Nominating Committees and he will be considered independent for the purposes of Clause 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

2. Dr Wong Chiang Yin, shall upon his re-appointment as a Director, remain as a Non-Executive Director, Chairman of the Nominating Committee and member of the Audit and Remuneration Committees and he will be considered independent for the purposes of Clause 704(8) of the Listing Manual of the SGX-ST.

3. The Ordinary Resolution 8 proposed in item 6 above, if passed, will authorise the Directors of the Company to issue shares up to 50% of the Company's issued share capital, with an aggregate sub-limit of 20% of the Company's share capital for any issue of shares not made on a pro-rata basis to shareholders of the Company.

4. The Ordinary Resolution 9 proposed in item 7 above, if passed, will authorise the interested person transactions as described in the Appendix and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

11 April 2005

This Appendix is circulated to Shareholders of Beng Kuang Marine Limited ("the Company") together with the Company's annual report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Interested Person Transactions Mandate to be tabled at the Annual General Meeting to be held on 28 April 2005 at 11:00am at 55 Shipyard Road, Singapore 628141.

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

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

BENG KUANG MARINE LIMITED

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

APPENDIX

IN RELATION

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

DEFINITIONS

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

"AGM"	:	The annual general meeting of the Company to be convened on 28 April 2005, notice of which is set out in the Annual Report 2004 dispatched together with this Appendix
"Company"	:	Beng Kuang Marine Limited
"Group"	:	The Company and its subsidiaries
"Labroy"	:	Labroy Marine Limited
"Labroy Group"	:	Labroy and its subsidiaries
"Act"	:	The Companies Act (Chapter 50) of Singapore
"Board" or "Directors"	:	The directors of our Company as at the date of this Appendix
"Controlling Shareholder"	:	A person who holds directly or indirectly 15% or more of the nominal amount of our Shares, or in fact exercises control over our Company
"*Executive Director*"	:	The executive Director of our Company as at the date of this Appendix, unless otherwise stated, and *"Non-Executive Director"* refers to our non-executive Director
"*Executive Officers*"	:	The executive officers of our Group as at the date of this Appendix, unless otherwise stated
"Independent Directors"	:	The independent Directors of our Company as at the date of this Appendix, unless otherwise stated
"Interested Person"	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any interested person
"Latest Practicable Date"	:	March 14, 2005, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"	:	The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX SESDAQ"	:	Stock Exchange of Singapore Dealing and Automated Quotation System
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares of par value $0.08 each in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares

"Substantial Shareholder"	:	A person who owns directly or indirectly 5% or more of the total issued share capital in our Company or in a company, as the case may be
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent."	:	Per centum or percentage

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

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

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

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

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

BENG KUANG MARINE LIMITED

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

1. Introduction

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the general mandate ("Shareholders' Mandate") that will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual.

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.

Pursuant to Chapter 9 of the Listing Manual, the general mandate, which was approved by the Shareholders on 25 August 2004, will continue in force until the forthcoming AGM. Accordingly, the Directors propose that the general mandate be renewed at the AGM to be held on 28 April 2005, to take effect until the next AGM of the Company.

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

2. Shareholders' Mandate For Interested Person Transactions

2.1 Categories of Interested Person

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

(a) Labroy Marine Limited, our controlling shareholder, and its subsidiaries ("Labroy Group"); and

(b) Hwah Hong Lorry Crane Service ("HHL partnership"). Mr Chua Beng Hock, an Executive Officer of our Group and the brother of our Executive Directors, Mr Chua Beng Kuang and Mr Chua Meng Hua, is a co-owner of the HHL partnership.

Transactions with the Labroy Group, HHL partnership 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 Person Transactions

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

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

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

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

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

(e) our engagement of lorry and crane services from HHL partnership.

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 Manual.

2.3 Rationale for and Benefits of the Shareholders' Mandate

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

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

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

2.4 Review Procedures for Mandate Transactions

To ensure that Mandate Transactions are undertaken at arm's length basis and on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to the Labroy Group and HHL partnership 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 Labroy Group, the selling price or fee shall not be more favourable to the Labroy Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;

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

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

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

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

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

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

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

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

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

(a) The Company will maintain a list of Interested Person (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 Person. The master list of Interested Person which is maintained shall be reviewed on at least a quarterly basis; and

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

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

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

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

2.5 Audit Committee's Statements

(a) The Audit Committee (currently comprising Mr Goh Chee Wee, Dr Wong Chiang Yin and Mr Yong Thiam Fook) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 25 August 2004.

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

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

3. Directors' And Substantial Shareholders' Interests

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

	Direct interest No. of Shares	%	Deemed Interest No. of Shares	%
Directors				
Tan Boy Tee[(2)]	100,000	0.09	48,570,875	41.78
Chua Beng Kuang[(1)]	11,766,500	10.12	–	–
Chua Meng Hua[(1) (5)]	11,666,500	10.04	84,000	0.07
Yong Thiam Fook[(4)]	50,000	0.04	–	–
Goh Chee Wee	100,000	0.09	–	–
Wong Chiang Yin	100,000	0.09	–	–
Substantial Shareholders				
Labroy Marine Limited [(3)]	48,570,875	41.78	–	–
Chua Beng Yong[(1)]	11,666,500	10.04	–	–
Chua Beng Hock[(1)]	11,666,500	10.04	–	–

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

Notes:-

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

(2) Tan Boy Tee is deemed to be interested in 48,570,875 Shares held by Labroy Marine Limited in our Company by virtue of his interest in shares representing 59.79% of the total issued share capital in Labroy at the Latest Practicable Date.

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

(4) Yong Thiam Fook is the Chief Financial Officer of Labroy Marine Limited.

(5) Chua Meng Hua is deemed to be interested in the shares by his spouse, Mdm Won Siew Wan, who has an interest in 84,000 Shares.

4. Directors' Recommendations

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

5. Annual General Meeting

The AGM, notice of which is set out in the Annual Report 2004 of the Company, will be held on 28 April 2005 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

6. Action to be taken by shareholders

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his or her behalf, he or she should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with instructions printed thereon as soon as possible and, in any event, so as to reach the Company at 55 Shipyard Road, Singapore 628141 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him or her from attending and voting at the AGM if he or she so wishes. As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 above 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 28 April 2005.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2003 and 2004 are available for inspection at the registered office of the Company at 55 Shipyard Road, Singapore 628141 during normal business hours from the date of the Appendix up to the date of AGM.

8. Directors' responsibility statement

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

Annexure

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

Scope

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

Definitions

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

An "associate" includes an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent) of such director, chief executive officer, substantial shareholder or controlling shareholder, or any company in which the director/his immediate family, the chief executive officer/his immediate family, substantial shareholder/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) 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.

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.

General Mandate

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested person 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 review.

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BENG KUANG MARINE LIMITED

(Incorporated in the Republic of Singapore)

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.

PROXY FORM

ELEVENTH ANNUAL GENERAL MEETING

I/We, ______________________________ (Name)

of ______________________________ (Address)

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

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Eleventh Annual General Meeting ("AGM") of the Company, to be held on Thursday, 28 April 2005 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of Directors' Report and Audited Accounts		
2	Approval of proposed Directors' Fees of S$63,000		
3	Re-election of Mr Tan Boy Tee as a Director		
4	Re-election of Mr Chua Meng Hua as a Director		
5	Re-election of Mr Goh Chee Wee as a Director		
6	Re-election of Dr Wong Chiang Yin as a Director		
7	Re-appointment of Messrs Ernst & Young as Auditors		
8	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
9	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

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

Dated this __________ day of __________________, 2005.

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

____

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

(Please see notes overleaf before completing this form)

Notes

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

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

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

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

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

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

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

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

Designed and Printed by SNP Security Printing Pte Ltd

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