LIGHTING THE WAY

Total Solutions For Today's Challenge

明 光 海 事 有 限 公 司

Beng Kuang Marine Limited

(Company Reg. No: 199400196M)

Mission Statement

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

Contents

Corporate Profile

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

Established in 1994, BKM has gained an industry reputation for providing comprehensive and quality solutions for its customers' needs. As a testament of its commitment to quality, the Group has been accredited with the ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators and vessel owners.

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

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

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

Corporate Information

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 Mae Ann, *L.L.B. (Hons)*

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

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

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

Bankers
Malayan Banking Berhad
United Overseas Bank Limited

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

Chairman's Statement

The strategic interdependence of the three business divisions has given the Group a competitive edge as it allows it to achieve not only synergy, but also superior cost efficient benefits which will be a positive fundamental growth factor in future years.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Group's annual report for the financial year ended 31 December 2005 ("FY2005").

Growing the Business

BKM was incorporated in 1994 as a company providing Corrosion Prevention services to the marine industry. In a bid to expand the business, the management set up an Infrastructure Engineering division in 1999 and a Supply and Distribution division in 2000. BKM was able to leverage on its existing client base in the marine industry to grow the business of these new divisions.

In FY2005, the Group's Corrosion Prevention services accounted for 63% of sales while its Infrastructure Engineering and Supply & Distribution activities contributed 10% and 27%, respectively.

The strategic interdependence of the three business divisions has given the Group a competitive edge as it allows it to achieve not only synergy, but also superior cost efficient benefits which will be a positive fundamental growth factor in future years.

In December 2005, the Group expanded the scope of services offered by its Infrastructure Engineering division through the incorporation of Venture Automation & Electrical Engineering Pte. Ltd., which provides industrial and marine automation works as well as electrical engineering services for ship repair, shipbuilding and offshore projects.

These efforts serve as an excellent testimony of the Group's continuous efforts in positioning itself as a one-stop service provider to customers in the marine, and oil and gas sectors.

Strenghtened Financial Position

The Group's return on equity, a common measure of business efficiency, improved from 10.8% in FY2004 to 12.1% in FY2005. Its earnings per share also increased from 1.80 cents in FY2004 to 1.96 cents in FY2005 while net asset value per share rose by 13.8% from 14.23 cents in FY2004 to 16.19 cents in FY2005. This has strengthened the Group's financial position and enhanced the underlying value of your investment in BKM.

In light of the improved financial position and in appreciation of support shown by shareholders, the Board of Directors is pleased to propose a dividend of 0.75 cent less tax per ordinary share in respect of FY2005. The proposed dividend will be subject to approval at the Annual General Meeting to be held on 26 April 2006, which if approved will be paid out on 17 May 2006.

Industry Outlook - Shaping the Future

2006 is expected to be another busy year for most, if not all, of the Group's shipyard customers. The Directors believe that with its three well integrated business divisions, BKM is well positioned to leverage on the increase in shipyard activities and new vessel construction by local shipyards. This increase will also provide it with the opportunity to further develop its Corrosion Prevention, Infrastructure Engineering as well as its Supply and Distribution businesses.

Acknowledgements

I would like to take this opportunity to extend my appreciation to shareholders, customers, bankers, business associates and suppliers for their unwavering support through the years. I would also like to thank the management team and staff for their hard work and the Board of Directors for their wise counsel and guidance provided to BKM.

Yours faithfully,
Tan Boy Tee, Chairman
28 February 2006

Managing Director's Statement
(Business/Operation Review)

Net Profit increased by 28% from S$1.8 million in FY2004 to S$2.3 million in FY2005 led by better performances by the Corrosion Prevention and Supply and Distribution division.

Dear Shareholders,

2005 was a good year for the Group due to the buoyant industry conditions. Most of the shipyards in which the Group operates are experiencing an increase in activities, which has translated directly into an increase in demand for Corrosion Prevention services as well as for hardware products.

Financial Review

I am pleased to inform that the Group's revenue has increased by 11% from S$48.1 million in FY2004 to S$53.2 million in FY2005. Gross profit also increased by 32% from S$11.2 million in FY2004 to S$14.8 million in FY2005.

There was also an increase in net profit by 28% from S$1.8 million in FY2004 to S$2.3 million in FY2005. Better performances by the Corrosion Prevention and Supply and Distribution divisions are the main reasons for this growth.

The Group's financial position has also improved significantly from FY2004. Shareholders' equity increased from S$16.5 million as at 31 December 2004 to S$18.8 million as at 31 December 2005 and net gearing declined from 0.74 times a year earlier to 0.52 times as a result of a significant improvement in net operating cash flows. Net cash flow from operating activities was S$4.9 million in FY2005 compared to a deficit of S$0.2 million in FY2004. Cash reserves as at 31 December 2005 stood at S$3.5 million.

Operations Review

Corrosion Prevention Division

The increase in shipyard activities translated directly into an increase in demand for the Group's services, resulting in its Corrosion Prevention division registering a 19% increase in sales from S$28.2 million in FY2004 to S$33.6 million in FY2005. This was another challenging year as BKM had to contend with increases in the prices of raw materials and fuel. To remain competitive in light of these challenges, the Group focused on upgrading and improving its resources management and work processes. These efforts resulted in improved margins for this division. Coupled with increased sales, profit before tax grew by a commendable 41% from S$1.7 million in FY2004 to S$2.4 million in FY2005.

The Corrosion Prevention division will continue to be the Group's key growth driver. In FY2005, in a bid to expand the capacity of this division, approximately S$1.4 million was invested for the acquisition of additional compressors, dehumidifiers and hydrojetting machines. It gives me great satisfaction to see that the expansion efforts have come to fruition. The Group's expanded capacity has enabled it to better meet the increase in demand for its Corrosion Prevention services. Nevertheless, the Group intends to continue expanding this division's capacity through further investment in additional equipment where necessary and through upgrading the skills of its employees.

Infrastructure Engineering Division
Revenue for the Infrastructure Engineering division decreased by 29% from S$7.2 million in FY2004 to S$5.1 million in FY2005 as there were no major projects awarded to the Group in FY2005. This was due to a change in strategy wherein BKM focused on securing only projects with higher profit margins. In the process of doing so, the Group secured fewer projects. Accordingly, revenue decreased and this division registered a net loss before tax of S$0.3 million for FY2005.

In 2005, the Group embarked on development and expansion efforts for its Infrastructure Engineering division, with the aim of expanding the business geographically as well as expanding the range of services it provides. In May 2005, the Group acquired ASIC Engineering Sdn Bhd (formerly known as "Colour Ace Engineering Sdn Bhd") to provide Infrastructure Engineering and Corrosion Prevention services to shipyards in Malaysia.

In December 2005, the Group, together with two experienced individuals, incorporated a new subsidiary, Venture Automation & Electrical Engineering Pte. Ltd., to provide industrial and marine automation works as well as electrical engineering services for ship repair, shipbuilding and offshore projects. These activities are an expansion of the Group's existing range of services provided under its Infrastructure Engineering division.

Although there have been financial repercussions arising from the shift in marketing focus, I believe that this move, together with the recent expansion plans, will prove to be beneficial and pave the way for a more sustainable growth for the Infrastructure Engineering division in the long run.

Supply and Distribution Division
Demand for the Group's hardware products continued its increase in FY2005, in line with the buoyant marine and offshore engineering industries in Singapore. As a result, revenue for this division increased by 13% from S$12.8 million FY2004 to S$14.5 million in FY2005. Profit before tax increased by 267% from S$0.3 million in FY2004 to S$1.1 million in FY2005, marking a successful year for the Supply and Distribution division.

The increase in revenue was one of the main reasons for better performance in the Supply and Distribution division. In addition, provision for doubtful debts was lower in FY2005 as compared to FY2004. The higher doubtful debts provision in FY2004 was mainly attributable to an overseas customer with whom we did not have any dealings in FY2005.

The Group will continue to seek ways to grow this division through expanding the range of products carried under the "Master" brand and increasing its market coverage.

Appreciation
Finally, I would like to thank all management and staff for their dedication and teamwork in making FY2005 a fruitful year for the Group. In addition, I would like to express my appreciation to all customers, suppliers, bankers, business associates and shareholders' for their unwavering support.

Yours faithfully,
Chua Beng Kuang, Managing Director
28 February 2006

Board of Directors

Mr Tan Boy Tee • Chairman & Non-Executive Director

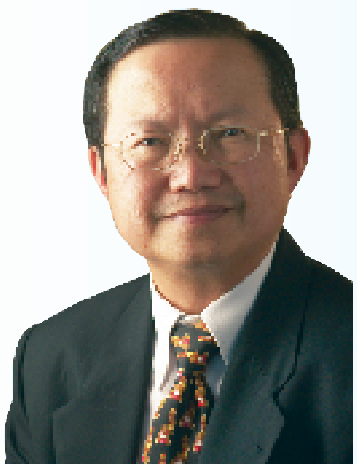
Mr Tan was appointed as our Chairman and Non-Executive Director on 28 April 1998. He has been the Executive Chairman of Labroy Marine Limited since 1996 and is responsible for the general administration and business development, overall strategic planning and direction of Labroy Marine Limited and its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

Mr Chua Beng Kuang • Managing Director

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

Mr Chua Meng Hua • Executive Director

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



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 its treasury, accounting and finance control matters. He has been with Labroy Marine Limited since 1994. From 1989 to 1994, he was the Manager of the Accounts department of Kuok (Singapore) Ltd. and Island Concrete group of companies. From 1984 to 1988, he was the Manager of the Accounting and Corporate Budget department of Neptune Orient Lines Ltd. He was also the head of the Internal Audit Department of Singapore Polytechnic from 1982 to 1984 and the Audit Assistant to the Audit Senior of Citroen, Wells & Co, London from 1978 to 1982. He obtained a Bachelor of Science (Economics) from the University of London in 1978. He is currently 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.

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 Childcare 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.

Dr Wong Chiang Yin • Independent Director

Dr Wong was appointed as our Independent Director on 30 August 2004. He is currently the Chief Operating Officer of the Changi General Hospital and the 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.

Executive Officers

Mr. Chua Beng Yong

• General Manager
(Head of Infrastructure Engineering Division)

He is one of our founders and is responsible for overseeing our Group's Infrastructure Engineering division, including its marketing and business development functions. He has had over 14 years of experience within the marine industry.

Mr. Chua Beng Hock

• Assistant General Manager
(Head of Corrosion Prevention Division)

He is one of our founders and is responsible for overseeing our Group's Corrosion Prevention division, including its marketing and business development functions. He has had over 12 years of experience within the marine industry.

Mr. Phoon Kim Sin

• Financial Controller

He is our Financial Controller and is primarily 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 Marine Limited. 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 Marine Limited to our Group as an accountant handling finance and accounting work in 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 of the company. 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.

Mr. Ong Hock Sze

• Assistant General Manager (Batam)

He is our Assistant General Manager and has been with us since 1990. 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 had about 15 years of experience in the marine industry.

Ms. Zann Chua

• Business Development Manager

She is our Business Development Manager and has been with us since 2003. She is in charge of identifying, implementing and developing new business plans and strategies for 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. Wilson Neo

• Senior Manager (Singapore)

He is our Senior Manager and is responsible for the operations and budget control of our Infrastructure Engineering business activities. From 1989 to 1998, he was an Estimator involved 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 works. 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.

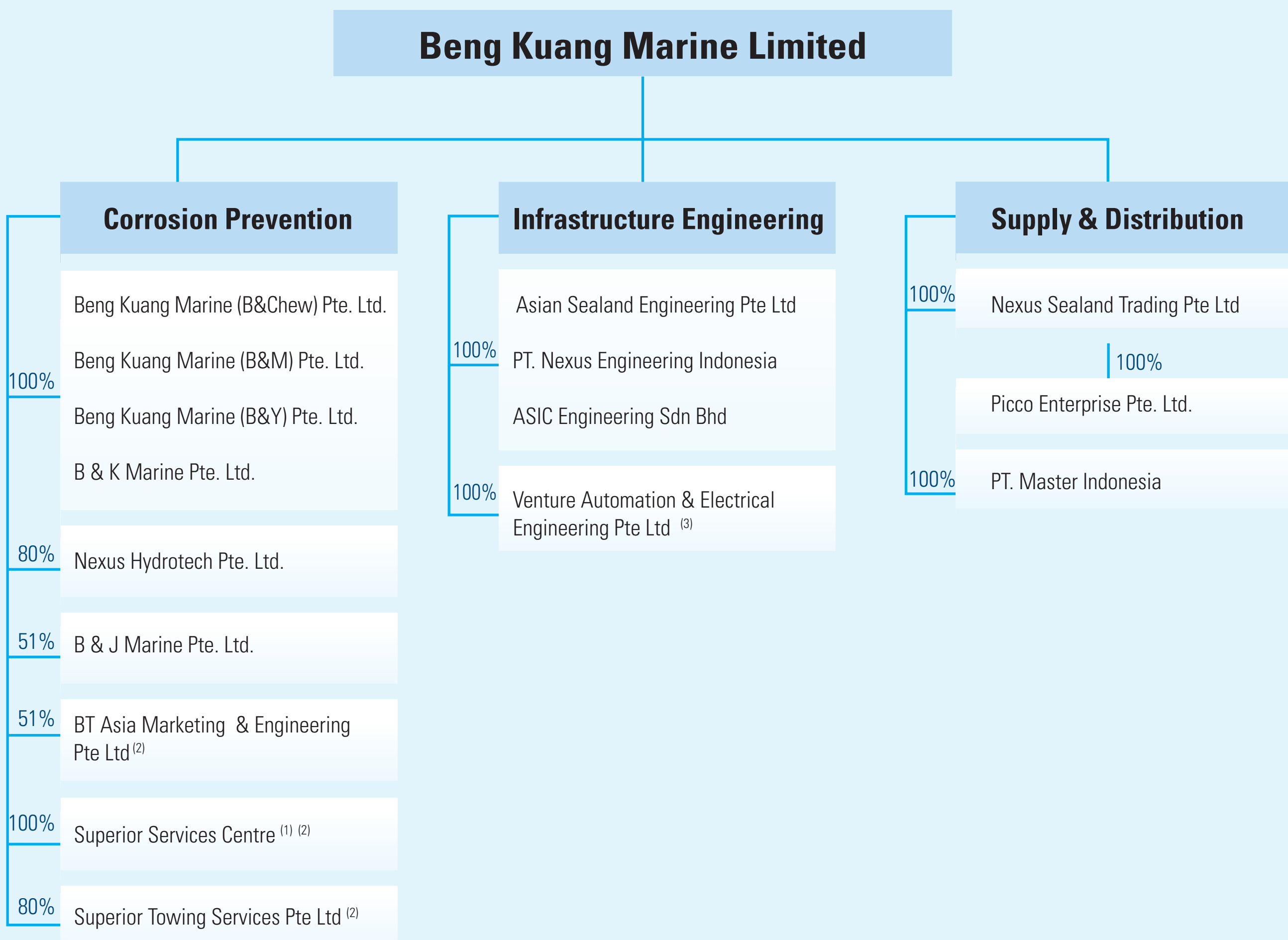
Mr. Lee Choon Hwee

• Assistant General Manager
(Head of Supply & Distribution)

He is the Assistant General Manager of our Supply and Distribution division. He is responsible for its day-to-day operations including the sourcing and merchandising from both local and overseas market. He has had about 15 years of experience in the marine industry.

Group Structure

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.

[3] On 28 February 2006, the share capital of Venture Automation & Electrical Engineering Pte. Ltd. was increased to S$200,000 through the subscription of 101,998 ordinary shares by the company and 49,000 ordinary shares each by two other individuals. As a result, the company now holds 51 percent the total share capital of Venture Automation & Electrical Engineering Pte. Ltd.

Financial Report

Report of Corporate Governance

For the year ended 31 December 2005

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

The 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 that specifically require the Board's decision or approval, are those involving:-

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

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

The Board conducts regular scheduled meetings on a quarterly basis at the registered office of the Company. Where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Article 120(2) of the Company's Articles of Association. The number of Board meetings held in the year and the attendance of the Directors of the Board and Board committees for FY2005 are as follows:-

	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings		No. of meetings		No. of meetings		No. of meetings	
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Tan Boy Tee	4	1	–	–	–	–	–	–
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Yong Thiam Fook	4	4	4	4	1	1	1	1
Goh Chee Wee	4	3	4	3	1	1	1	1
Wong Chiang Yin	4	4	4	4	1	1	1	1

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

The Company conducts sessions to provide its Directors with regular updates on the latest governance and listing policies that are relevant to the Group. All Directors are also updated regularly concerning any changes in company policies.

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

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

Principle 2: Board Composition and Balance

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

Executive Directors

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

Non-executive Directors

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

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

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

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

Principle 3: Chairman and Managing Director

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

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

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

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

The Chairman is not related to the Managing Director.

Principle 6: Access to Information

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

The Company makes available to all Directors the management accounts, as well as the relevant background information relating to matters, that are to be discussed at the Board meetings. Detailed board papers are sent out to the Directors before the scheduled meetings so that the members may be informed of the issues beforehand and have sufficient time to formulate questions that they may have.

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

The Company's Secretary attends all Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST.

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

2. BOARD COMMITTEES

Audit Committee

Principle 11: Audit Committee

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

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 AC met four times in the financial year under review. It performs the following functions:-

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

Mr Goh Chee Wee is a consultant to NTUC Fairprice Co-Operative Ltd., the Chairman of NTUC Board of Trustees, NTUC Foodfare Co-Operative Ltd., and NTUC Childcare Co-Operative Ltd as well as a director of several public listed companies. Dr Wong Chiang Yin is the Chief Operating Officer of Changi General Hospital whilst Mr Yong Thiam Fook is the Chief Financial Officer of Labroy Marine Limited. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities.

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

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

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

Principle 12: Internal Controls

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

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

Principle 13: Internal Audit

The Company has set up an Internal Control Committee ("ICC") to assist the AC in reviewing and auditing the Group's internal control processes.

With the ICC in place, the Board is of the view that the Company's present internal controls are considered adequate and that the engagement of internal auditors would not be required. However, as and when the need arises, the AC will request for 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.

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:-

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

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

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

Principle 8: Level and Mix of Remuneration

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

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

The Company does not have any employee share option schemes.

Principle 9: Disclosure on Remuneration

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

The breakdown, showing the level and mix of each individual Directors' remuneration in FY2005 is as follows:-

Name of Directors	**Fees***	**Salary#**	**Bonus**	**Benefits**	**Total**
$250,001 to below $500,000	%	%	%	%	%
Chua Beng Kuang	3	67	30	0	100
Chua Meng Hua	5	64	31	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.

The top five Executive Officers of the Group, namely Mr Chua Beng Yong (General Manager, Head of Infrastructure Engineering Division), Mr Chua Beng Hock (Assistant General Manager, Head of Corrosion Prevention Division), Mr Ong Hock Sze (Assistant General Manager, Batam Operations), Mr Phoon Kim Sin (Financial Controller) and Mr Lee Choon Hwee (Assistant General Manager, Head of Supply and Distribution Division) each received remuneration of less than $250,000 during the financial year.

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.

No employee who is an immediate family member of any Director was paid more than $150,000 during the financial year.

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

Nominating Committee

Principle 4: Board Membership

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

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

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

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

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

The NC is of the opinion that the Independent Directors are independent.

Principle 5: Board Performance

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

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

3. COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

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

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

Information is communicated to shareholders on a timely basis through 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.

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM. The members of the AC, NC and RC will be present at these meetings to answer questions relating to matters, that are overseen by these committees. The external auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

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 "close periods" prior to and ending on the date of the announcement of the results.

5. INTERESTED PERSON TRANSACTIONS

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

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

Disclosure of interested person transactions are made together with the Company's quarterly results and also set out on page 57 of this Annual Report. The AC reviewed the significant transactions entered into by the Company with its interested persons for the year ended 31 December 2005 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.

6. MATERIAL CONTRACTS

Other than the service agreements between the Executive Directors and the Company, there are no material contracts entered by the Company or its subsidiaries with or for the benefit of the directors or controlling shareholder during FY2005.

7. RISK MANAGEMENT

Management reviews on an on-going basis, the Group's business and operational activities to identify ares of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategy. The Group has also considered the various financial risks, details of which are disclosed in the notes to the accompanying audited financial statements.

Directors' Report

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") for the financial year ended 31 December 2005, and the balance sheet of the Company as at 31 December 2005.

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 1.1.2005	**At 31.12.2005**	**At 21.1.2006**	**At 1.1.2005**	**At 31.12.2005**	**At 21.1.2006**
The Company (Ordinary shares of $0.08 each)						
Tan Boy Tee	100,000	100,000	100,000	48,570,875	48,570,875	48,570,875
Chua Beng Kuang	11,766,500	11,882,500	11,882,500	–	–	–
Chua Meng Hua	11,666,500	11,666,500	11,666,500	84,000	–	–
Yong Thiam Fook	50,000	50,000	50,000	–	–	–
Goh Chee Wee	100,000	100,000	100,000	–	–	–
Wong Chiang Yin	100,000	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 was deemed to be interested in the shares held by his spouse, Mdm Won Siew Wan, who had an interest in 84,000 shares in the Company. Mdm Won disposed of her shares during the financial year ended 31 December 2005.

Except as disclosed above, no Director had an interest in any shares or debentures of the Company or related corporations either at the beginning or end of the financial year or on 21 January 2006.

Directors' contractual benefits

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

Share options

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

Audit Committee

The Audit Committee 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 2006

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 2005 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 2006

Auditors' Report to the Members of Beng Kuang Marine Limited

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") set out on pages 27 to 66 for the year ended 31 December 2005. 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 2005 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 2006

Balance Sheets

as at 31 December 2005

	Note	Group 2005 $	Group 2004 $	Company 2005 $	Company 2004 $
Non-current assets					
Fixed assets	3	7,631,133	7,315,415	720,905	1,003,703
Subsidiaries	4	–	–	2,684,280	2,640,799
Due from subsidiaries (non-trade)	5	–	–	340,720	213,996
Current assets					
Stocks	6	6,007,469	5,258,463	–	15,279
Work-in-progress in excess of progress billings	7	7,674,745	8,130,626	1,012,877	1,847,962
Trade debtors	8	16,231,348	18,014,941	8,701	1,493,112
Other debtors, deposits and prepayments	9	698,625	418,374	45,687	262,425
Due from subsidiaries (trade)	10	–	–	5,105,186	4,609,379
Due from subsidiaries (non-trade)	10	–	–	14,736,606	15,424,306
Due from related parties (trade)	10	3,185,874	2,285,948	1,447,332	1,200,418
Due from related parties (non-trade)	10	78,711	76,206	18	519
Fixed deposits	11	448,229	2,300,000	–	2,300,000
Cash and bank balances		3,032,150	1,256,931	613,910	8,859
		37,357,151	37,741,489	22,970,317	27,162,259
Current liabilities					
Trade creditors	13	5,503,933	5,172,376	191,353	661,738
Bills payable to banks	12	3,196,444	3,081,816	615,485	1,207,776
Other creditors and accruals	13	4,188,371	3,505,567	1,571,279	1,371,832
Due to related parties (trade)	10	345,793	1,054,590	138,758	246,967
Due to related parties (non-trade)	10	44,787	56,127	500	22,844
Due to subsidiaries (trade)	10	–	–	494,251	2,574,316
Due to subsidiaries (non-trade)	10	–	–	5,782	377,693
Provision for income tax		940,656	602,142	61,399	211,011
Lease obligations (current portion)	14	123,284	216,302	11,461	11,461
Bank overdrafts	12	30,091	1,699,008	30,091	1,256,315
Short-term bank loans	15	10,011,926	11,010,538	10,011,926	11,010,538
		24,385,285	26,398,466	13,132,285	18,952,491
Net current assets		12,971,866	11,343,023	9,838,032	8,209,768
Non-current liabilities					
Lease obligations (non-current portion)	14	95,692	218,704	23,850	35,311
Deferred taxation	25	682,699	820,100	101,600	163,500
		19,824,608	17,619,634	13,458,487	11,869,455
Share capital and reserves					
Share capital	16	9,298,950	9,298,950	9,298,950	9,298,950
Share premium	17	2,252,192	2,252,192	2,252,192	2,252,192
Revenue reserve	18	7,265,115	4,992,016	1,907,345	318,313
Translation reserves		1,567	–	–	–
		18,817,824	16,543,158	13,458,487	11,869,455
Minority interests		1,006,784	1,076,476	–	–
		19,824,608	17,619,634	13,458,487	11,869,455

The accounting policies and explanatory notes on pages 32 to 66 form an integral part of the financial statements.

Consolidated Profit and Loss Account

for the year ended 31 December 2005

	Note	Group 2005 $	Group 2004 $
Revenue	19	53,246,389	48,130,076
Cost of sales		(38,427,243)	(36,932,700)
Gross profit		14,819,146	11,197,376
Other operating income – net	20	32,912	158,899
Administrative expenses		(9,830,528)	(7,091,979)
Selling and distribution expenses		(1,481,779)	(1,377,181)
Profit from operations	21	3,539,751	2,887,115
Financial income	23	88,089	27,519
Financial expenses	24	(645,731)	(554,284)
Profit before taxation		2,982,109	2,360,350
Taxation	25	(749,502)	(405,290)
Profit after taxation		2,232,607	1,955,060
Attributable to:			
Equity holders of the Company		2,273,099	1,794,528
Minority interests		(40,492)	160,532
		2,232,607	1,955,060
Earnings per share (cents)			
- basic	26	1.96	1.80
- diluted	26	1.96	1.80

The accounting policies and explanatory notes on pages 32 to 66 form an integral part of the financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

Group	Share capital $	Share premium $	Revenue reserve $	Translation reserve $	Total $	Minority interests $	Total equity $
	Attributable to equity holders of the Company						
Balance as at 31 December 2003	1,316,328	2,583,672	6,916,438	(421)	10,816,017	915,944	11,731,961
Net profit for the year	–	–	1,794,528	–	1,794,528	160,532	1,955,060
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	–	3,932,192
Reserves realised on disposal of a subsidiary	–	–	–	421	421	–	421
Balance as at 31 December 2004	9,298,950	2,252,192	4,992,016	–	16,543,158	1,076,476	17,619,634
Net profit/(loss) for the year	–	–	2,273,099	–	2,273,099	(40,492)	2,232,607
Currency translation differences representing net gains and losses not recognised in statement of profit and loss	–	–	–	1,567	1,567	–	1,567
Issuance of shares to minority interest	–	–	–	–	–	10,000	10,000
Dividend paid	–	–	–	–	–	(39,200)	(39,200)
Balance as at 31 December 2005	9,298,950	2,252,192	7,265,115	1,567	18,817,824	1,006,784	19,824,608

The accounting policies and explanatory notes on pages 32 to 66 form an integral part of the financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	Group 2005 $	Group 2004 $
Cash flows from operating activities			
Profit before taxation		2,982,109	2,360,350
Adjustments:			
Provision for doubtful trade debts		1,674,424	617,049
Write-back of provision for doubtful trade debts		(63,534)	(67,454)
Write-back provision for stocks obsolescence		–	(21,000)
Gain on disposal of fixed assets		(10,947)	(99,693)
Fixed assets written off		40,216	–
Depreciation of fixed assets		1,786,157	1,592,965
Interest income		(15,649)	(3,049)
Interest expenses		626,432	531,204
Operating profit before working capital changes		7,019,208	4,910,372
(Increase)/decrease in:			
Stocks		(749,006)	(591,422)
Work-in-progress in excess of progress billings		455,881	(2,928,074)
Trade debtors		172,703	(2,287,736)
Other debtors, deposits and prepayments		(280,251)	92,422
Due from related parties/companies, net		(902,431)	1,159,847
(Decrease)/increase in:			
Trade creditors		331,557	455,494
Other creditors and accruals		682,804	621,489
Due to related parties/companies, net		(720,137)	(526,353)
Cash generated from operations		6,010,328	906,039
Interest received		15,649	3,049
Interest paid		(626,432)	(541,268)
Income taxes paid		(548,389)	(555,150)
Net cash generated from / (used in) operating activities		4,851,156	(187,330)
Cash flows from investing activities			
Proceeds from disposal of fixed assets		201,065	501,653
Purchase of fixed assets	30(b)	(2,296,809)	(1,236,603)
Net cash outflow from disposal of a subsidiary	30(c)	–	(72,801)
Proceeds from minority shareholders of a subsidiary		10,000	20,000
Net cash used in investing activities		(2,085,744)	(787,751)

	Note	Group 2005 $	Group 2004 $
Cash flows from financing activities			
Proceeds from Initial Public Offer		–	4,830,000
Share issue expenses relating to Initial Public Offer		–	(897,808)
Repayment of finance lease liabilities		(251,430)	(485,622)
Increase in bills payable to banks		114,628	847,715
Repayment of short-term bank loans		(998,612)	–
Repayment of loans to related parties		–	(1,291,602)
Dividends paid to minority shareholders of a subsidiary		(39,200)	–
Net cash (used in)/generated from financing activities		(1,174,614)	3,002,683
Net effect of exchange rate changes in consolidating subsidiaries		1,567	–
Net increase in cash and cash equivalents		1,592,365	2,027,602
Cash and cash equivalents at beginning of year		1,857,923	(169,679)
Cash and cash equivalents at end of year	30(a)	3,450,288	1,857,923

The accounting policies and explanatory notes on pages 32 to 66 form an integral part of the financial statements.

Notes to the Financial Statements

31 December 2005

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"). The Company is domiciled in the Republic of Singapore.

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.

2. Summary of significant accounting policies

2.1 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 and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below.

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

2.2 Changes in accounting policies

(a) Adoption of new FRS

On 1 January 2005, the Group and the Company adopted the following standards mandatory for annual financial periods beginning on or after 1 January 2005:

(i) FRS 39, Financial Instruments: Recognition and Measurement;

(ii) FRS 103, Business Combinations, including amendments to FRS 36 (revised), Impairment of Assets and FRS 38 (revised), Intangible Assets; and

(iii) FRS 105, Non-Current Assets Held for Sale and Discontinued Operations.

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

2.2 Changes in accounting policies (cont'd)

(a) Adoption of new FRS (cont'd)

There is no impact on the Group's financial statements for the years ended 31 December 2005 and 2004 arising from the adoption of the above standards.

(b) Adoption of revised FRS

The Group adopted the following revised standards which did not result in any significant change in accounting policies:-

(i) FRS 1 (revised), Presentation of Financial Statements

The revised FRS 1 requires the revision in the presentation of the consolidated profit and loss account of the Group to incude the profit and loss for the year and the allocation of this amount between that attributable to members of the Company and that attributable to minority interests.

Similarly, the presentation of the Consolidated Statement of Changes in Equity is also revised to show separately the movements of profit and loss for the year, showing separately the amounts attributable to members of the Company and to minority interests.

(ii) The Group adopted the following revised standards which did not result in any significant change in accounting policies:

FRS 2 *(revised),*	Inventories
FRS 8 *(revised),*	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10 *(revised),*	Events after the Balance Sheet Date
FRS 16 *(revised),*	Property, Plant and Equipment
FRS 17 *(revised),*	Leases
FRS 21 (revised),	The Effects of Changes in Foreign Exchange Rates
FRS 24 *(revised),*	Related Party Disclosures
FRS 27 *(revised),*	Consolidated and Separate Financial Statements
FRS 31 *(revised),*	Interests in Joint Ventures
FRS 32 *(revised),*	Financial Instruments: Disclosure and Presentation
FRS 33 *(revised),*	Earnings Per Share

(c) FRS and INT FRS not yet effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006:

(i) FRS 40, Investment Property;

(ii) Amendments to FRS 19 (revised), Employee Benefits relating to actuarial gains and losses, group plans and disclosures;

(iii) Amendments to FRS 39 cash flow hedge accounting for forecast intragroup transactions;

(iv) FRS 106, Exploration for and Evaluation of Mineral Resources;

(v) INT FRS 104, Determining Whether an Arrangement Contains a Lease;

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

2.2 Changes in accounting policies (cont'd)

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

(vi) INT FRS 105, Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds;

(vii) INT FRS 106, Liabilities arising from participating in a specific market – Waste Electrical and Electronic Equipment; and

(viii) INT FRS 107, Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies

The above FRS and interpretations other than (v), do not apply to the activities of the Group. The Group does not expect that the adoption of the above pronouncements will have a significant impact on the financial statements in the period of initial application.

2.3 Significant accounting estimates and judgements

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

(a) Key sources of estimation uncertainty

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

(i) Income taxes

The Group has exposure to income taxes in a number of jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax payables at 31 December 2005 was $940,656 (2004: $602,142).

(ii) Depreciation of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these machinery, tools and equipment to be within 10 years. The carrying amount of the Group's machinery, tools and equipment at 31 December 2005 was stated in Note 3 to the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

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

2.3 Significant accounting estimates and judgements (cont'd)

(b) Critical judgements made in applying accounting policies

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

Revenue recognition

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

Significant judgement is required in determining the stage of completion, the extent of the contract cost incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contracts. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and history of settlements with the customers. An estimation of recoverable variation works amounting to approximately $4.05 million (2004: $5.80 million) was taken into consideration in arriving at the estimated revenue of the construction contracts. Any shortfall in recovery of this estimation will impact the results of the Group by the same quantum.

2.4 Functional and foreign currency

(a) Functional currency

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

(b) Foreign currency transactions

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

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

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

2.4 Functional and foreign currency (cont'd)

(c) Foreign currency translation

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

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

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

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

2.5 Subsidiaries and principles of consolidation

(a) Subsidiaries

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

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

(b) Principles of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date, i.e. as at 31 December, as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

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

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Acquisitions of subsidiaries are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

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

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

2.6 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.

2.7 Depreciation

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

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

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

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

2.8 Leases

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

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

2.9 Impairment of non-financial assets

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

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

2.9 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the profit and loss account as 'impairment losses' or treated as a revaluation decrease for assets carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for that same asset.

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

2.10 Stocks and work-in-progress

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

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

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

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

2.11 Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

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

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

2.11 Financial assets (cont'd)

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

Loans and receivables

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

The Group has not classified any financial assets at fair value through profit or loss, or as held-to-maturity or as available-for-sale.

2.12 Cash and cash equivalents

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

Cash and short term deposits carried in the balance sheet are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

2.13 Trade and other receivables

Trade and other receivables, including amounts due from subsidiaries and related parties are classified and accounted for as loans and receivables under FRS 39. The accounting policy for this category of financial assets is stated in Note 2.11.

An allowance is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.14 below.

2.14 Impairment of financial assets

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

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the profit and loss account, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

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

2.15 Trade and other creditors

Liabilities for trade and other amounts payable, which are normally settled on 60-120 day terms, and payables to related parties are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

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

2.16 Loans and borrowings

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

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

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

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

2.17 Provisions

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

Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.18 Employee benefits

Defined contribution plan

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

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

2.19 Derecognition of financial assets and liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- The contractual rights to receive cash flows from the asset have expired;
- The Group retains the contractual rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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

(b) Financial liabilities

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

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

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

2.20 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(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 is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

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

(ii) Interest income

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

(iii) Dividends

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

2.21 Income tax

(a) Current tax

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

(b) Deferred tax

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

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

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

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

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

2.21 Income tax (cont'd)

(b) Deferred tax (cont'd)

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(c) Sales tax

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

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

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

3. Fixed assets

Group	Motor vehicles $	Computers $	Office equipment $	Furniture and fittings $	Forklifts $	Machinery, tools and equipment $	Air-conditioners $	Leasehold improvement and renovation $	Leasehold building $	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 1.1.2005	2,546,955	334,768	410,418	148,821	835,582	9,068,939	90,680	2,430,683	533,230	16,400,076
Additions	414,032	71,028	17,515	4,001	8,700	1,796,813	1,648	18,472	–	2,332,209
Disposals	(239,137)	(10,347)	(7,649)	(27,463)	(190,763)	(391,197)	–	(9,382)	–	(875,938)
As at 31.12.2005	2,721,850	395,449	420,284	125,359	653,519	10,474,555	92,328	2,439,773	533,230	17,856,347
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 1.1.2005	1,342,479	284,586	306,601	95,072	503,834	4,502,431	80,636	1,547,061	421,961	9,084,661
Charge for the year	277,353	52,676	30,609	14,381	60,833	1,210,085	1,927	129,765	8,528	1,786,157
Disposals	(189,604)	(7,778)	(3,822)	(16,301)	(165,273)	(261,262)	–	(1,564)	–	(645,604)
As at 31.12.2005	1,430,228	329,484	333,388	93,152	399,394	5,451,254	82,563	1,675,262	430,489	10,225,214
Net book value:-										
As at 31.12.2005	1,291,622	65,965	86,896	32,207	254,125	5,023,301	9,765	764,511	102,741	7,631,133
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 December 2005, the Group had motor vehicles and machinery, tools and equipment, and forklifts purchased under finance lease contracts with net book value of $371,196, $NIL and $96,308 (2004 : $632,713, $215,333 and $109,008) respectively. During 2004, certain reclassifications were made to better reflect the nature of the fixed assets.

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 1.1.2005	574,329	168,341	58,287	64,424	526,000	2,300,842	28,090	56,965	3,777,278
Additions	45,213	47,032	–	–	–	–	–	–	92,245
Disposals	(126,356)	–	(3,000)	–	(116,500)	(239,460)	–	–	(485,316)
Transfer to subsidiaries	–	–	–	–	–	(18,880)	–	–	(18,880)
As at 31.12.2005	493,186	215,373	55,287	64,424	409,500	2,042,502	28,090	56,965	3,365,327
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 1.1.2005	411,920	144,458	37,094	42,615	410,317	1,661,606	28,057	37,508	2,773,575
Charge for the year	37,461	25,862	5,179	5,712	25,643	212,489	33	5,697	318,076
Disposals	(126,172)	–	(1,750)	–	(116,500)	(197,299)	–	–	(441,721)
Transfer to subsidiaries	–	–	–	–	–	(5,508)	–	–	(5,508)
As at 31.12.2005	323,209	170,320	40,523	48,327	319,460	1,671,288	28,090	43,205	2,644,422
Net book value :-									
As at 31.12.2005	169,977	45,053	14,764	16,097	90,040	371,214	–	13,760	720,905
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 December 2005, the Company had motor vehicles purchased under finance lease contracts with a net book value of $55,116 (2004: $64,302).

4. Subsidiaries

	Company 2005 $	Company 2004 $
Unquoted equity shares, at cost	2,684,280	2,640,799

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 2005 %	Effective equity held by the Group 2004 %	Cost of investment held by the Company 2005 $	Cost of investment held by the Company 2004 $
Held by the Company						
Nexus Sealand Trading Pte Ltd#	Supply and distribution of products	Singapore	100	100	2	2
Asian Sealand Engineering Pte Ltd#	Provision of infrastructure engineering services	Singapore	100	100	1,800,000	1,800,000
PT Nexus Engineering Indonesia*	Provision of corrosion prevention and infrastructure engineering services	Indonesia	100(1)	100(1)	132,797	132,797
PT Master Indonesia*	Supply and distribution of products	Indonesia	100(1)	100(1)	177,000	177,000
B&J Marine Pte Ltd (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	100,000	100,000
Beng Kuang Marine (B&Chew) Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&M) Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&Y) Pte. Ltd.#	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Nexus Hydrotech Pte. Ltd.#	Provision of corrosion prevention services (utilising hydrojetting machines)	Singapore	80	80	80,000	80,000

4. Subsidiaries (cont'd)

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment held by the Company	
			2005	2004	2005	2004
			%	%	$	$
ASIC Engineering Sdn Bhd.^	Provision of infrastructure engineering services	Malaysia	100	–	43,479	–
Venture Automation & Engineering Pte. Ltd.+	Provision of industrial & marine automation works	Singapore	100	–	2	–
					2,684,280	2,640,799
Held by Nexus Sealand Trading Pte Ltd						
BT Asia Marketing & Engineering Pte Ltd#	Trading of copper slag and waste management	Singapore	51	51		
Picco Enterprise Pte. Ltd.#	Supply and distribution of products	Singapore	100	100		
Superior Towing Services Pte. Ltd.+	Provision of towing truck services	Singapore	80	–		

\# Audited by Ernst & Young Singapore.
^ Audited by Ernst & Young Malaysia.
* Not required to be audited by the laws of country of incorporation.
\+ The entity was incorporated during the year and is not due for audit for the financial year.
(1) 1% of the shareholding is held by an Executive Officer in trust for the Company.

5. Due from subsidiaries (non-trade)

The amount is unsecured, bears fixed rate of interest at 6.6% (2004: 6.6%) per annum and is repayable over a period ranging from 12 to 21 months.

6. Stocks

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Trading goods	5,818,702	4,652,035	–	–
Materials for own use	188,767	606,428	–	15,279
Total stocks at lower of cost or net realisable value	6,007,469	5,258,463	–	15,279

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

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Costs incurred to date	18,117,743	16,133,520	2,628,263	4,907,056
Add: Attributable profits	2,425,456	3,452,124	704,364	958,663
	20,543,199	19,585,644	3,332,627	5,865,719
Less: Progress billings	(12,868,454)	(11,455,018)	(2,319,750)	(4,017,757)
Representing gross amount due from customers	7,674,745	8,130,626	1,012,877	1,847,962

8. Trade debtors

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Trade debtors	19,964,201	20,297,187	22,591	2,080,237
Less: Estimated rebates/discounts	(1,707,751)	(1,396,738)	–	(576,885)
	18,256,450	18,900,449	22,591	1,503,352
Provision for doubtful trade debts	(2,025,102)	(885,508)	(13,890)	(10,240)
	16,231,348	18,014,941	8,701	1,493,112

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

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

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Balance as at 1 January	885,508	376,656	10,240	6,650
Provision for the year	1,674,424	617,049	3,650	3,590
Written off against provision	(471,296)	(40,743)	–	–
Write back of provision	(63,534)	(67,454)	–	–
Balance as at 31 December	2,025,102	885,508	13,890	10,240

9. Other debtors, deposits and prepayments

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Staff loans	1,400	40,003	650	7,400
Sundry debtors	256,150	109,257	26,302	94,436
Deposits	85,883	22,700	–	7,766
Prepayments	178,639	246,414	18,735	152,823
Others	176,553	–	–	–
	698,625	418,374	45,687	262,425

10. Due from/to subsidiaries/ related parties

(a) Non-trade

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

(i) amounts due from certain subsidiaries of $7,867,666 (2004 : $12,036,267) which bear floating rate of interest at 2.0% to 5.0% (2004 : 2.1% to 2.3%) per annum; and

(ii) an amount due from certain subsidiaries of $265,356 (2004 : $107,004) which bears fixed rate of interest at 6.6.% (2004 : 6.6.%) per annum and is repayable within 1 year from 1 January 2006.

(b) Trade

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

11. Fixed deposits

Fixed deposits with a financial institution mature on varying periods within 1 month from the financial year end. Effective interest rates range from 1.19% to 3.00% (2004: 0.81% to 1.47%) per annum.

12. Bank overdrafts/bills payable to banks

The bank overdrafts and bills payable are unsecured and they bear floating rate of interest at 4.50% to 5.50% (2004 : 4.50% to 5.25%) and 2.91% to 4.85% (2004 : 2.00% to 3.08%) per annum, respectively. In 2004, bank overdrafts of $1,256,000 and bills payable of $2,901,000 were supported by a corporate guarantee from the Company's major shareholder, Labroy Marine Limited.

13. Trade and other payables

(a) Trade Creditors

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

(b) Other creditors and accruals

	Group		Company	
	2005	**2004**	**2005**	**2004**
	$	**$**	**$**	**$**
Other creditors	372,662	475,712	249,561	230,609
Accrued operating expenses	3,815,709	3,029,855	1,321,718	1,141,223
	4,188,371	3,505,567	1,571,279	1,371,832

14. Lease obligations

	2005			2004		
	Minimum lease payments $	**Interest $**	**Present value of payments $**	**Minimum lease payments $**	**Interest $**	**Present value of payments $**
Group						
Within 1 year	141,699	18,415	123,284	241,582	25,280	216,302
Within 2 to 5 years	112,937	17,245	95,692	254,812	36,764	218,048
More than 5 years	–	–	–	758	102	656
	112,937	17,245	95,692	255,570	36,866	218,704
	254,636	35,660	218,976	497,152	62,146	435,006
Company						
Within 1 year	13,968	2,507	11,461	13,968	2,507	11,461
Within 2 to 5 years	29,068	5,218	23,850	43,035	7,724	35,311
More than 5 years	–	–	–	–	–	–
	29,068	5,218	23,850	43,035	7,724	35,311
	43,036	7,725	35,311	57,003	10,231	46,772

Finance leases bear interest ranging from 2.3% to 3.5% (2004 : 2.2% to 4.6%) per annum. The effective interest rates range from 4.3% to 6.75% (2004 : 4.3% to 8.74%) per annum.

14. Lease obligations (cont'd)

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

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

15. Short-term bank loans

The short-term bank loans are unsecured (2004: $8,000,000 secured by a corporate guarantee from the Company's major shareholder, Labroy Marine Limited) and bear floating rate of interest ranging from 2.73% to 4.68% (2004: 2.20% to 3.20%) per annum which are also the effective interest rates. The repricing interval for the interest rate ranges from 1 to 3 months.

16. Share capital

	Group and Company	
	2005	**2004**
	$	**$**
Authorised:		
375,000,000 ordinary shares of $0.08 each	30,000,000	30,000,000
Issued and fully paid:		
Balance as at 1 January		
116,236,875 (2004 : 1,316,328) ordinary shares of $0.08 (2004 : $1.00) each	9,298,950	1,316,328
Issued during the year		
2004 : 6,302,622 ordinary shares of $1 each by way of bonus issue	–	6,302,622
	9,298,950	7,618,950
2004 : Sub-division and consolidation of 7,618,950 ordinary shares of $1 each into 95,236,875 ordinary share of $0.08 each	–	7,618,950
Issued during the year		
2004 : 21,000,000 ordinary shares of $0.08 each pursuant to the initial public offer	–	1,680,000
Balance as at 31 December		
116,236,875 ordinary shares of $0.08 each	9,298,950	9,298,950

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

17. Share premium

	Group and Company	
	2005	2004
	$	$
Balance as at 1 January	2,252,192	2,583,672
Capitalisation by way of Bonus issue	–	(2,583,672)
Arising from issue of 21,000,000 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	2,252,192

* 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.

18. Revenue reserves

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

	Company	
	2005	2004
	$	$
Balance as at 1 January	318,313	3,718,950
Capitalisation of revenue reserve by way of Bonus Issue	–	(3,718,950)
Net profit for the year	1,589,032	318,313
Balance as at 31 December	1,907,345	318,313

The directors proposed a first and final dividend of 0.75 cent (2004: Nil) per share less tax of 20% (2004:20%) amounting to $697,422 in respect of the financial year ended 31 December 2005. The dividends have not been recognised as a liability at year end as it is subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

19. Revenue

	Group 2005 $	Group 2004 $
Corrosion prevention services	33,628,071	28,176,614
Infrastructure engineering services	5,102,096	7,180,626
Supply and distribution of products	14,516,222	12,772,836
	53,246,389	48,130,076

Revenue is stated net of estimated rebates and discounts.

20. Other operating income/(expenses) – net

	Group 2005 $	Group 2004 $
Gain on disposal of fixed assets	10,947	99,693
Fixed assets written off	(40,216)	–
Other income	62,181	59,206
	32,912	158,899

21. Profit from operations

This is determined after charging the following:

	Group 2005 $	Group 2004 $
Auditors' remuneration		
- auditors of the Company		
- non-audit services	25,500	12,900
Depreciation of fixed assets	1,786,157	1,592,965
Personnel expenses		
- Wages, salaries and bonuses	11,897,407	10,788,638
- Central Provident Fund contributions	459,975	525,928
- Other personnel expenses	1,048,286	1,067,954

The personnel expenses include the amounts shown as Directors' and Executive Officers' remuneration in Note 27.

22. Directors' remuneration

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

	Group 2005 $	Group 2004 $
$500,000 and above	–	–
$250,000 to below $500,000	2	2
Below $250,000	4	4
Total	6	6

23. Financial income

	Group 2005 $	Group 2004 $
Exchange gain, net	72,440	24,470
Interest income – fixed deposits	15,649	3,049
	88,089	27,519

24. Financial expenses

	Group 2005 $	Group 2004 $
Interest expense:-		
Bank overdrafts	130,568	142,698
Loan from related companies	–	11,614
Finance leases	28,038	52,955
Short-term bank loans	376,205	271,377
Bills payable	91,621	52,560
Bank charges	19,299	23,080
	645,731	554,284

25. Taxation

	Group 2005 $	Group 2004 $
Current tax:-		
Current year	906,089	555,355
Overprovision in prior year	(19,186)	(36,165)
Deferred tax:-		
Current year	(122,097)	(28,991)
Overprovision in prior year	(15,304)	–
Reduction in tax rates	–	(84,909)
	749,502	405,290

The Group has unutilised tax losses of approximately $291,000 (2004 : $Nil) available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provisions of the Singapore Income Tax Act.

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

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

	Group 2005 $	Group 2004 $
Accounting profit	2,982,109	2,360,350
Tax at the applicable tax rate of 20% (2004 : 20%)	596,422	472,070
Tax effect of expenses that are not deductible in determining taxable profit	200,174	101,193
Tax exemption and rebates	(57,383)	(60,896)
Reduction of tax rates	–	(84,909)
Overprovision of current tax in respect of prior years	(19,186)	(36,165)
Overprovision of deferred tax in respect of prior years	(15,304)	–
Others – net	44,779	13,997
Tax expense	749,502	405,290

25. Taxation (cont'd)

Deferred taxation at 31 December relate to the following:

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Deferred tax liabilities (assets):-				
Excess of net book value over tax written down value of fixed assets	822,755	863,476	114,600	167,500
Provisions	(81,856)	(43,376)	(13,000)	(4,000)
Unutilised tax losses	(58,200)	–	–	–
	682,699	820,100	101,600	163,500

26. Earnings per share

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

	Group	
	2005	2004
	$	$
Profit attributable to ordinary equity holders of the Company	2,273,099	1,794,528

	Number of shares	
	2005	2004
Weighted average number of shares For basic and diluted earnings per share	116,236,875	99,712,285

(a) The earnings per ordinary share for 2005 was computed based on the post-invitation share capital of 116,236,875 ordinary shares.

(b) 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.

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

27. Related party disclosures

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

	Group 2005 $	Group 2004 $
Income:-		
Sales to related parties/companies	4,232,097	2,907,670
Service rendered to related parties/companies	3,318,888	2,198,651
Expenses:-		
Purchases from related parties/companies	501,036	88,678
Services from related parties/companies	–	1,989,498
Interest expense to related parties/companies	–	11,613
Management fees to a related parties/company	–	6,000
Rental of premises from related parties/companies	660,000	660,000
Transport services from related parties	142,815	159,322

	Group 2005 $	Group 2004 $
Directors' and Executive Officers' remuneration		
Directors' fees	104,000	71,000
Wages, salaries and bonuses	1,683,908	1,477,362
Central Provident Fund contributions	102,800	110,663
Total	1,890,708	1,659,025
Short–term employee benefits comprise amounts paid to:		
Directors of the Company	928,255	739,660
Executive Officers of the Group	962,453	919,365
Total	1,890,708	1,659,025

28. Operating lease commitments

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

	Group		Company	
	2005	2004	2005	2004
	$	$	$	$
Future minimum lease payments				
– Within 1 year	753,040	722,000	420,000	420,000
– Within 2 to 5 years	473,140	393,000	–	–
– More than 5 years	–	65,000	–	–
	1,226,180	1,180,000	420,000	420,000

Rental expense was $660,000 and $660,836 for the years ended 31 December 2005 and 2004 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 2005 and 2004. For the financial year ended 31 December 2005 and 2004, certain lease agreements contain renewal option for additional lease period of 1 year at prevailing market rates.

29. Capital expenditure commitments

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

	Group	
	2005	2004
	$	$
Purchase of fixed assets approved but not provided for in the financial statements as at 31 December	237,000	37,730

30. Notes to consolidated statement of cash flows

(a) Cash and cash equivalents

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

	2005	2004
	$	$
Cash and bank balances (non-interest bearing)	3,032,150	1,256,931
Fixed deposits	448,229	2,300,000
Bank overdrafts	(30,091)	(1,699,008)
	3,450,288	1,857,923

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

30. Notes to consolidated statement of cash flows (cont'd)

(b) Fixed assets

During the financial year, the Group acquired fixed assets with an aggregate cost of $2,332,209 (2004 : $1,363,132) of which $35,400 (2004 : $126,529) were acquired by means of lease agreements and cash payments of $2,296,809 (2004 : $1,236,603).

(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:

	2005 $	2004 $
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)

31. Segment information

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

(a) Reporting format

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

31. Segment information (cont'd)

(b) Allocation basis and transfer pricing

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

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

(c) Business segments

The Group has 3 main business segments as detailed below.

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

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

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

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.

31. Segment information (cont'd)

(c) Business segments (cont'd)

	Corrosion Prevention $	Infrastructure Engineering $	Supply and Distribution $	Elimination $	Consolidated $
Year ended 31 December 2005					
Sales to external customers	33,628,071	5,102,096	14,516,222	–	53,246,389
Intersegment sales	164,028	10,602	3,847,423	(4,022,053)	–
	33,792,099	5,112,698	18,363,645	(4,022,053)	53,246,389
Segment results	2,671,305	(281,288)	1,306,734		3,696,751
Unallocated Expenses					(157,000)
Financial income	60,051	27,163	875	–	88,089
Financial expenses	(324,835)	(66,774)	(254,122)	–	(645,731)
Profit before taxation	2,406,521	(320,899)	1,053,487	–	2,982,109
Taxation					(749,502)
Profit after taxation					2,232,607
Minority interest					40,492
Net profit					2,273,099
Segment assets	36,010,413	6,877,568	13,749,859	(11,649,556)	44,988,284
Total assets					44,988,284
Segment liabilities	19,415,280	6,210,482	9,564,115	(11,649,556)	23,540,321
Unallocated liabilities					1,623,355
Total liabilities					25,163,676
Capital expenditure	1,851,778	346,818	133,613	–	2,332,209
Depreciation	1,423,754	175,447	186,956	–	1,786,157
Non-cash expense (Provision for doubtful trade debts)	600,603	884,903	188,918	–	1,674,424

31. Segment information (cont'd)

(c) Business segments (cont'd)

	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	32,395,702[1]	6,748,941[1]	12,379,513[1]	(6,467,252)	45,056,904
Segment liabilities	17,698,089[1]	5,647,682[1]	9,136,509[1]	(6,467,252)	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 (Provision for doubtful trade debts)	87,070	62,698	467,281	–	617,049

[1] Prior year comparatives have been reclassified to better reflect the nature of the transactions as segment assets and segment liabilities had included intra-segment amounts which should have been eliminated within the segment itself.

31. Segment information (cont'd)

(d) 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.

	Singapore		Others[1]		Eliminations		Consolidated	
	2005	2004	**2005**	2004	**2005**	2004	**2005**	2004
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Revenue :								
Sales to external customers	**41,751,146**	40,044,717	**11,495,243**	8,085,359	**–**	–	**53,246,389**	48,130,076
Intersegment sales	**4,869,398**	1,397,288	**1,586,736**	3,888,062	**(6,456,134)**	(5,285,350)	**–**	–
	46,620,544	41,442,005	**13,081,979**	11,973,421	**(6,456,134)**	(5,285,350)	**53,246,389**	48,130,076
Other segment information :								
Segment assets	**43,571,771**	43,542,344	**8,255,325**	6,439,444	**(6,838,812)**	(4,924,884)	**44,988,284**	45,056,904
Total assets							**44,988,284**	45,056,904
Capital expenditure	**2,036,409**	1,189,790	**295,800**	173,342	**–**	–	**2,332,209**	1,363,132

(1) Others include Indonesia and Malaysia.

32. Financial instruments

Financial risk management objectives and policies

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

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

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

Interest rate risk

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

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

Liquidity risk

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

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

Foreign exchange risk

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

Credit risk

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

As at 31 December 2005, the Group has no significant concentrations of credit risk.

32. Financial instruments (cont'd)

Fair value of financial instruments

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

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

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

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

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

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

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 2005, the fair values of financial assets and financial liabilities which do not approximate the carrying amounts in the balance sheet are presented in the following table.

		2005		2004	
	Note	Carrying amount $	Estimated fair value $	Carrying amount $	Estimated fair value $
Group					
Lease obligations	14	218,976	261,404	435,006	478,391
Company					
Lease obligations	14	35,311	41,023	46,772	53,509

33. Prior year comparatives

Certain prior year comparatives have been reclassified to better reflect the nature of the transactions, as follows:

	Group	
	31 December 2004 as reclassified $	31 December 2004 as previously reported $
Consolidated cash flow statement		
Cash flows from operating activities		
Adjustments:		
Provision for rebates/discounts	-	1,166,789
Write back of provision for rebates/discounts	-	(31,563)
(Increase)/decrease in:		
Trade debtors	(2,287,736)	(3,422,962)
(Decrease)/increase in:		
Bills payable to banks	-	847,715
Cash flow from financing activities		
Increase in bills payable to banks	847,715	-
Net proceeds from Initial Public Offer	-	3,932,192
Proceeds from Initial Public Offer	4,830,000	-
Share issue expenses relating to Initial Public Offer	(897,808)	-
Segment information		
Non cash expense	617,049	1,783,838[1]

[1] Previously, non-cash expense included amounts of rebates and discounts which were deducted from revenue.

34. Authorisation of financial statements

The financial statements of Beng Kuang Marine Limited for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the Directors on 28 February 2006.

Shareholding Statistics

as at 13 March 2006

Issued and fully paid-up	–	SGD 11,551,142
Number of shares	–	116,236,875
Class of shares	–	Ordinary shares fully paid
Voting rights	–	One vote of each ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 13 March 2006, approximately 17.58% 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	348	62.03	1,170,000	1.01
10,001 – 1,000,000	206	36.72	15,865,000	13.65
1,000,001 and above	7	1.25	99,201,875	85.34
	561	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	11,882,500	10.22
3	Chua Beng Hock	11,666,500	10.04
4	Chua Beng Yong	11,666,500	10.04
5	Chua Meng Hua	11,666,500	10.04
6	ABN Amro Nominees Singapore Pte Ltd	2,250,000	1.94
7	Leong Woon Poh Terry	1,499,000	1.29
8	Wee Piew	1,000,000	0.86
9	Kim Eng Securities Pte Ltd	920,000	0.79
10	Merrill Lynch (S) Pte Ltd	696,000	0.60
11	Ng Ee Cher & Sons (Private) Limited	677,000	0.58
12	Lim Nguan Nam	583,000	0.50
13	Goh Ah Hon	427,000	0.37
14	Citibank Consumer Nominees Pte Ltd	410,000	0.35
15	Chua Swee Cheng	300,000	0.26
16	Tan Hock Heng	300,000	0.26
17	Lee Choon Lui	246,000	0.21
18	Lee Kwang Chin	235,000	0.20
19	Ng Chin Tong	233,000	0.20
20	Khong Chin Kiat @ Tai Chin Kiat	200,000	0.17
		105,428,875	90.70

SUBSTANTIAL SHAREHOLDERS

(As shown in the Company's Register of Substantial Shareholders as at 13 March 2006)

	Direct interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Substantial Shareholders				
Tan Boy Tee [(1)]	100,000	0.09	48,570,875	41.78
Chua Beng Kuang	11,882,500	10.22	–	–
Chua Meng Hua	11,666,500	10.04	–	–
Labroy Marine Limited	48,570,875	41.78	–	–
Chua Beng Yong	11,666,500	10.04	–	–
Chua Beng Hock	11,666,500	10.04	–	–

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of Beng Kuang Marine Limited will be held at 55 Shipyard Road, Singapore 628141 on Wednesday, 26 April 2006 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 2005 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend of 0.75 cent less tax per ordinary share for the year ended 31 December 2005. **(Resolution 2)**

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

   (i) Mr Chua Beng Kuang **(Resolution 3)**

   (ii) Mr Yong Thiam Fook **[See Explanatory Note 1]** **(Resolution 4)**

4. To approve the amount of S$92,000 proposed as Directors' Fees for the financial year ended 31 December 2005. **(Resolution 5)**

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

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

As Special Business:-

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

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50% of the issued share capital of the Company for the time being, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing Shareholders of the Company shall not exceed 20% of the issued share capital of the Company for the time being (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next 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 2]** **(Resolution 7)**

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

(a) That approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company and its subsidiaries, to enter into any of the transactions falling within the categories of interested person transactions set out in the Appendix to this Annual Report of the Company dated 10 April 2006 (the "Appendix") with any party who is of the class of interested persons described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions as set out in the Appendix (the "Shareholders' Mandate") **(Resolution 8)**

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

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

By Order Of The Board

Wee Mae Ann
Company Secretary

Singapore, 10 April 2006

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 Yong Thiam Fook will, upon re-election as Director of the Company, remain a member of the Audit Committee and will be considered non-independent for the purposes of Rule 704(8) of Listing Manual of the Singapore Exchange Securities Trading Limited.

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

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

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Beng Kuang Marine Limited (the "Company") will be closed on 5 May 2006 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited at 138 Robinson Road, The Corporate Office, #17-00 Singapore 068906 up to 5.00 p.m. on 4 May 2006 will be registered to determine shareholders' entitlements to such dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 4 May 2006 will be entitled to the proposed dividend.

Payment of the dividend, if approved by shareholders at the Twelfth Annual General Meeting to be held on 26 April 2006, will be made on 17 May 2006.

BY ORDER OF THE BOARD

Wee Mae Ann
Company Secretary
10 April 2006

Appendix

10 April 2006

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 26 April 2006 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
"Company"	:	Beng Kuang Marine Limited
"Group"	:	The Company and its subsidiaries
"Labroy"	:	Labroy Marine Limited
"Labroy Group"	:	Labroy and its subsidiaries
"Act"	:	The Companies Act (Chapter 50) of Singapore
"Board" or "Directors"	:	The directors of our Company as at the date of this Appendix
"Controlling Shareholder"	:	A person who has an interest in our Shares of an aggregate of not less than 15% of the total votes attached to all our Shares, or in fact exercises control over our Company
"*Executive Director*"	:	The executive Directors of our Company as at the date of this Appendix, unless otherwise stated, and "Non-Executive Director" refers to our non-executive Director
"*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*"	:	13 March 2006, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"		The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX SESDAQ"	:	Stock Exchange of Singapore Dealing and Automated Quotation System
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of our Company
"Shareholders"	:	Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
"Substantial Shareholder"	:	A person who owns directly or indirectly 5% or more of the total share capital in our Company or in a company, as the case may be
"S$" or "$" and "cents"	:	Singapore dollars and cents, respectively
"%" or "per cent."	:	Per centum or percentage

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

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

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

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

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

BENG KUANG MARINE LIMITED

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

1. Introduction

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the Group's existing general mandate, renewed by the Shareholders during the last AGM held on 28 April 2005, which will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual ("Shareholders' Mandate").

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

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

The current Shareholders' Mandate, which was renewed by the Shareholders during the last AGM held on 28 April 2005, will continue to be in force until the forthcoming AGM, which is to be held on 26 April 2006. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

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

2. Shareholders' Mandate For Interested Person Transactions

2.1 Categories of Interested Persons

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

(a) The Labroy Group; and

(b) Hwah Hong Transportation Pte. Ltd. ("Hwah Hong")[(1)].

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

Note (1):-

The current Shareholders' Mandate, approved by Shareholders at the last AGM held on 28 April 2005, applies to transactions with Hwah Hong Lorry Crane Service, a company of which Mr Chua Beng Hock and Mr Hoe Kian Hwah were owners. However, Hwah Hong was incorporated on 3 January 2006 to take over the business, assets and liabilities of Hwah Hong Lorry Crane Service. The partnership was subsequently terminated on 30 March 2006.

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 director and shareholder of Hwah Hong. The other director and shareholder of Hwah Hong is Mr Hoe Kian Hwah

2.2 Categories of Interested Persons Transactions

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

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

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

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

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

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

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

2.3 Rationale for and Benefits of the Shareholders' Mandate

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

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

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

2.4 Review Procedures for Mandate Transactions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Audit Committee's Statements

(a) The Audit Committee (currently comprising 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 28 April 2005.

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

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

3. Directors' And Substantial Shareholders' Interests

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

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Tan Boy Tee(2)	100,000	0.09	48,570,875	41.78
Chua Beng Kuang(1)	11,882,500	10.22	—	—
Chua Meng Hua(1)	11,666,500	10.04	—	—
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 58.60% 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.

4. Directors Recommendations

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

5. Annual General Meeting

The AGM, notice of which is set out in the Annual Report 2005 of the Company, will be held on 26 April 2006 at 11.00a.m. at 55 Shipyard Road, Singapore 628141 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

6. Action to be taken by shareholders

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his or her behalf, he or she should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with instructions printed thereon as soon as possible and, in any event, so as to reach the Company at 55 Shipyard Road, Singapore 628141 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him or her from attending and voting at the AGM if he or she so wishes. As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Appendix together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 8 at the AGM to be held on 26 April 2006.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2004 and 31 December 2005 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 persons of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual review.

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

Twelfth 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 Twelfth Annual General Meeting ("AGM") of the Company, to be held on Wednesday, 26 April 2006 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
1	Adoption of Directors' Report and Audited Accounts		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Chua Beng Kuang as a Director		
4	Re-election of Mr Yong Thiam Fook as a Director		
5	Approval of proposed Directors' Fees of S$92,000		
6	Re-appointment of Messrs Ernst & Young as Auditors		
7	Authority to issue and allot shares pursuant to Section 161 of the Companies Act, Cap. 50		
8	Approval for renewal of Shareholders' Mandate for Interested Person Transactions		

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

Dated this ______ day of ________________, 2006.

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.

Beng Kuang Marine Limited
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