

annual report 2010

EXPANDING HORIZON



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



Mission Statement

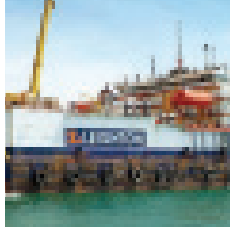
Being an established service provider of corrosion prevention to the marine, offshore oil and gas industries in Singapore and Batam, Indonesia, our main motivation factor comes from customers' satisfaction via our quality workmanship and services. We aspire to become an integrated marine service group with a major presence in South East Asia. We are motivated to meet our customers' satisfaction with our quality workmanship and services.



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Proxy Form



Corporate Profile

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

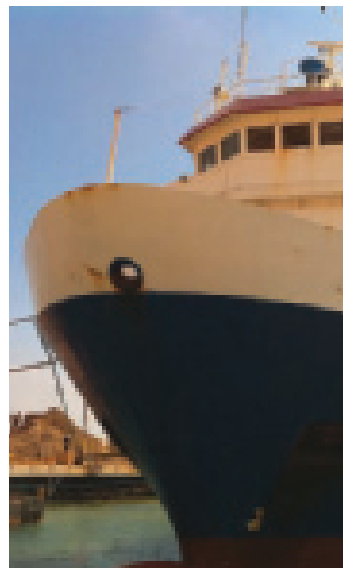
We are motivated to meet our customers’ satisfaction with our quality workmanship and services.”

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 Infrastructure Engineering and fabrication work; Corrosion Prevention services, comprising of blasting and painting works; and Supply and Distribution of hardware equipment and tools to customers in the marine, offshore oil and gas and other industries. We have also expanded our business into the environmental business in 2007 and shipping services in 2010.

Infrastructure Engineering (“IE”) and Shipyard

Established in 1994, BKM has gained an industry reputation for providing comprehensive and quality solutions to its customers’ needs. As a testament to our commitment to quality, our Infrastructure Engineering (“IE”) division has been accredited with the ISO9001:2000 certification and has received numerous letters of appreciation from shipyard operators, vessel owners, etc. BKM also provides turnkey engineering services from planning, project management to implementation involving fabrication, corrosion prevention, testing, installation and pre-commissioning of steel work modules and structures mainly for customers in the offshore oil and gas industry.

In June 2007, the Group has acquired a piece of 32.8 hectare land with 460 metres waterfront in Kabil, Batam, Indonesia. The waterfront yard, commenced operation in 4Q2008, has achieved works order of more than S\$30 million in 2009. The timely delivery of its 260 man accommodation pipe-lay barge in October 2009, this marks a significant milestone for the Group. Subsequently we have also managed to secured a contract for the construction of a crane barge and patrol boat in 2010.



Corrosion Prevention (“CP”) services

Its track record and reputation for reliability has enabled it to secure appointments as the “Resident Contractor” for vessel hull for several established shipyards in Singapore and Indonesia, Batam, such as Keppel Shipyards, Singapore Technologies Marine Ltd, Drydocks World – Singapore Pte Ltd and PT Nanindah Mutiara Shipyard and PT Graha Trisaka Shipyard in Batam.

Supply and Distribution (“SD”) of hardware equipment and tools

In addition, BKM engages in Supply and Distribution (“SD”) of over 400 types of marine hardware equipment, tools and other products under the house brand “Master”, all of which are similarly used in the marine, offshore oil and gas, construction and other industries.

Shipping and Others (“SH”)

The Group has expanded its business into the building of tugs and barges or other sea vessels includes owning and chartering of vessels.

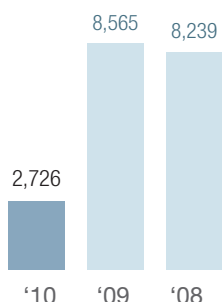
With the recent surge of oil prices, the outlook for the offshore oil and gas sector remains encouraging. With the new fabrication yard in Batam, BKM expects to ride on the wave of this marine sector with opportunities for further growth and more importantly, for enhancement of its shareholders’ value.

For others, it includes services like water & wastewater treatment and industrial waste management.

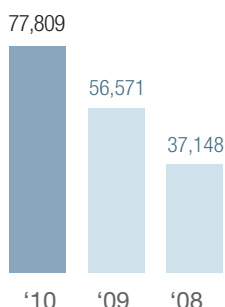


Financial Highlights

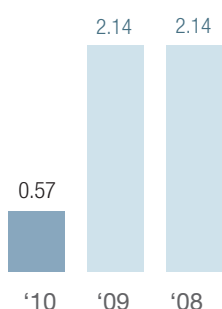
Attributable Profit
(S\$'000)



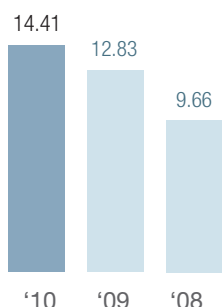
Shareholders' Equity
(S\$'000)



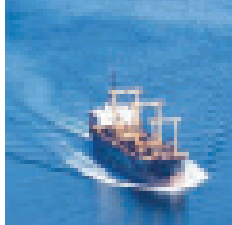
Earnings per share
- Basic (in cents)



NAV per share
(in cents)



	2010	2009	2008
OPERATING RESULTS			
Revenue	78,488,104	138,457,972	131,456,657
EBITDA	11,255,908	18,919,069	16,553,739
Pretax profit	3,803,785	11,478,502	10,866,548
Attributable profit	2,725,668	8,565,098	8,239,057
Turnover (decline)/ growth	(43.3)%	5.3%	37.4%
EBITDA (decline)/ growth	(40.5)%	14.3%	33.1%
Pretax (decline)/ growth	(66.9)%	5.6%	7.1%
Attributable profit (decline)/ growth	(68.2)%	4.0%	36.0%
EBITDA margin	14.3%	13.7%	12.6%
Pretax margin	4.8%	8.3%	8.3%
Net profit margin	3.4%	6.4%	6.4%
FINANCIAL POSITION			
Total assets	147,847,100	141,532,205	127,823,996
Total debts	37,242,240	36,527,711	42,392,785
Shareholders' equity	77,809,358	56,571,110	37,147,672
Gearing ratio	32.2%	48.9%	62.3%
PER SHARE DATA (in cents)			
Earnings per share - Basic	0.57	2.14	2.14
- Diluted	0.57	2.13	N.A
Dividends per share	0.15	0.50	0.50
NAV per share	14.41	12.83	9.66
SEGMENT RESULTS			
Revenue			
Infrastructure Engineering	16,980,165	57,034,471	39,835,732
Corrosion Prevention	43,883,463	58,278,259	64,246,612
Supply and Distribution	17,424,717	23,092,660	27,305,023
Shipping and Others	199,759	52,582	69,290
Pretax Profit / (Loss)			
Infrastructure Engineering	380,618	4,730,947	3,601,723
Corrosion Prevention	1,387,222	5,237,407	6,398,917
Supply and Distribution	2,748,142	1,986,250	2,624,231
Shipping and Others	(712,197)	(476,102)	(940,412)
Capital Expenditure			
Infrastructure Engineering	4,672,921	12,355,325	8,723,470
Corrosion Prevention	3,923,405	1,434,318	8,582,987
Supply and Distribution	57,810	7,425,963	98,215
Shipping and Others	7,602,777	-	44,371



Executive Chairman's Statement



"With a vision in expanding our business horizon, the Group has decided to move into shipping. As the Company owns a shipyard and has experience in building tugs and barges, the shipping business is a natural extension."

Chua Beng Kuang
Executive Chairman

Dear Shareholders,

The financial year ended 31 December 2010 ("FY2010") was a challenging 12 months. The economic slowdown in 2009 led to sharp reduction to our order book. To add on, we have also repositioned ourselves in the industry and realigned our resources during this period to be in line with the industry demand. These in turn caused the substantial reduction in revenue for all three core business units.

With the sharp plunge in order book, the Group's revenue dropped by 43.3% for FY2010. With lower revenue, our earnings suffered and the profit attributable to shareholders reduced by 68.2% to S\$2.73 million.

During FY2010, the Group has only secured two major contracts. The first contract of S\$6.4 million for construction of a crane barge was secured in May 2010 and the second contract of S\$19 million for a patrol boat was secured in October 2010. As the patrol boat contract was secured at the tail end of the year, its revenue would not be recognised in FY2010 but substantially in FY2011.

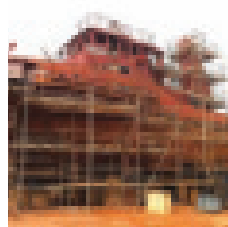
In short, the volatile conditions of FY2009, lead to a negative growth in FY2010 for our Infrastructure Engineering ("IE") division, the Corrosion Prevention ("CP") division and the Supply and Distribution ("SD") division.

Looking ahead

With a vision in expanding our business horizon, the Group has decided to move into shipping. As the Company owns a shipyard and has experience in building tugs and barges, the shipping business is a natural extension. Owning ships complement the existing business of the Company.

Strong pick-up in the shipping activities for coal transportation in Indonesia has generated strong demand for tugs and barges. Our fleet of tugs and barges will contribute a stream of new revenue to the Group in FY2011.

Going forward, we expect our order book to increase as a result of strong recovery in business sentiments in marine, offshore oil



“Going forward, we expect our order book to increase as a result of strong recovery in business sentiments in marine, offshore oil and gas activities. With a large portion of our business servicing the offshore oil and gas sector, we believe BKM will be resilient and will achieve better performance for FY2011.”

and gas activities. With a large portion of our business servicing the marine, offshore oil and gas sector, we believe BKM will be resilient and will achieve better performance for FY2011.

In Appreciation

In appreciation for the continuous support of our shareholders, the Board of Directors has recommended a first and final tax exempt one-tier dividend of 0.15 cents per ordinary share for FY2010.

I would like to take this opportunity to express our gratitude to our bankers, customers and suppliers for their unwavering support.

To our management team and staff, I would like to express my appreciation for your hard work, commitment and dedication. With your support, I am confident that BKM Group will strive to grow from strength to strength in the coming years.

Yours faithfully,

Chua Beng Kuang

Executive Chairman





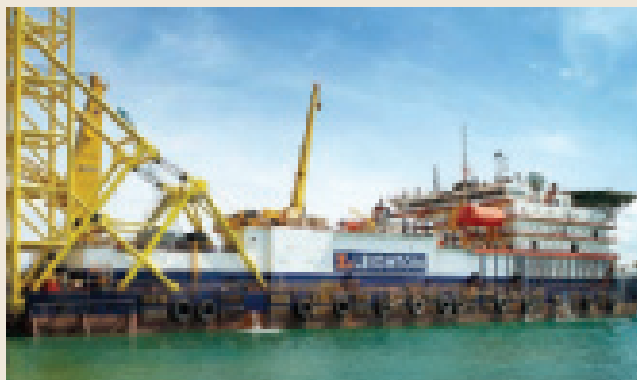
Financial and Operations Review

FY2010 was a challenging year for BKM. The Group's turnover for the 12 months ended 31 December 2010 declined by 43.3% to S\$78.49 million as compared to S\$138.46 million the same period last year. The revenue for Infrastructure Engineering Division decreased by 70.2%, Corrosion Prevention Division decreased by 24.7% and Supply and Distribution Division decreased by 24.5%. Towards the end of year FY2010, the Group extended its business into the provision of shipping services and hence Shipping and Others Division ("SH") was formed. This new set up division includes the owning of new tugs and barges or other ocean-going vessels for charter hire to third parties.

SEGMENTAL REVIEW

Infrastructure Engineering ("IE") Division

Revenue from our IE division decreased S\$40.05 million from S\$57.03 million in FY2009 to S\$16.98 million in FY2010. In the first half of FY2010, IE division faced tough operating environment and experienced stiff competition among established yards around the region. Since then IE division has repositioned itself to become a yard operator to provide a one-stop solution for the marine, offshore oil and gas industries. Higher depreciation and overheads costs were contributed by initial set up of the yard infrastructure and strengthening of its project management teams. The IE division's business improved in the second half of FY2010 as compared to the first half of FY2010. This was due to securing of contracts in May 2010 for the construction of a crane barge for core minerals from India of value approximately S\$6.4 million; and in October 2010 to construct and deliver a patrol vessel class 1-A for Pejabat Pembuat Komitmen Satuan Kerja Peningkatan Fungsi Kesatuan Penjagaan Laut dan Pantai (Indonesia's Ministry of Transport) of value approximately S\$19.0 million.



In the same year, the Kabil yard had constructed and delivered a 230ft cargo barge to facilitate our internal Shipping division. The newly build barge paired with a 1,200hp tug boat was chartered out in the fourth quarter of FY2010. As of 31 December 2010, the key work in progress were mainly for the construction of a crane barge and a patrol vessel for external customers. The IE division is building two pairs of 2,000hp tug boats and 300ft cargo barges. It has planned to convert a recently acquired used roll-on lift-off vessel into a livestock carrier for the Shipping division.

Corrosion Prevention ("CP") Division

Revenue from our CP division decreased S\$14.40 million from S\$58.28 million in FY2009 to S\$43.88 million in FY2010. This was mainly due to lesser projects undertaken by the Group from the offshore jack-up rigs projects. Since the S\$9.0 million jack up rig projects secured in April 2009, where work in progress were carried forward to FY2010, there were no new rigs contracts thereafter. The hull-side blasting and painting activities continued to provide the Group with stable and steady source of revenue in FY2010.



Supply and Distribution ("SD") Division

Revenue from SD division declined S\$5.67 million from S\$23.09 million in FY2009 to S\$17.42 million in FY2010. The SD division performed below expectation due to weak market demand for hardware in FY2010.



Shipping and Others (“SH”) Division

The SH division commenced its shipping business in the fourth quarter of FY2010 and recorded S\$0.20 million new stream of revenue for the Group. Leveraging on the Group's service offering in the provision of ship building and ship repair services, the Group has expanded and diversified its business activities into shipping in last quarter of 2010.

As at 31 December 2010, the SH division owns a pair of tug and barge which has been chartered out to an external customer. Moving forward, the SH division will be adding new fleets of sea vessels to expand its business. The SH division has also placed new orders with our fabrication yard in Batam to construct two new pairs of 2,000hp tug boats and 300ft cargo barges for coal transportation. In the pipeline for FY2011, the SH division has planned to convert a recently acquired used roll-on lift-off vessel into a livestock carrier.

OPERATING PROFITS

The Group's overall gross profit declined 30.9% to S\$20.46 million in FY2010. The decrease in gross profit was solely due to the reduction in the Group's revenue for the year. The Group's gross profit margin improved from 21.4% to 26.1%. The improvement on gross profit margin was contributed from the reduction in operating cost and various cost-cutting measures to streamline operations during the year.

The Group's net profits attributable to shareholders decreased by 68.2% from S\$8.57 million in FY2009 to S\$2.73 million in FY2010. The decrease in profit attributable to shareholders was

due to lower operating gross profits and higher administrative costs. Due to the inelasticity on the rate of reducing various fixed administrative overheads, plus the IE division currently expanding its human resources to strengthen its capabilities, the Group only managed to reduce its administrative expenses by 6.1% from S\$14.90 million in FY2009 to S\$13.98 million in FY2010.

CASH FLOW, WORKING CAPITAL, ASSETS AND LIABILITIES

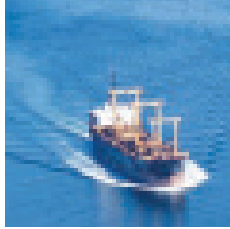
The cash and cash equivalents amounted to S\$24.07 million as at 31 December 2010, representing an increase of 24.9% as compared to S\$19.27 million as at 31 December 2009.

In addition to the improved cash holdings, the Group's gearing ratio improved from 48.9% in FY2009 to 32.2% in FY2010. The lower gearing and improved cash holdings as at 31 December 2010 was mainly contributed by the S\$18.5 million net shares proceeds raised from the issuance of new shares pursuant to a placement agreement dated 16 August 2010.

The Group's Balance Sheet remains strong with total assets of S\$147.85 million. This was mainly contributed by the increase in non-current fixed assets from S\$45.79 million as at 31 December 2009 to S\$54.92 million as at 31 December 2010. During the year, the Group invested on yard infrastructures, purchase of a heavy crane and various machineries. The SH division had added a used roll-on lift-off vessel, a tug boat and a cargo barge. As at 31 December 2010, current assets decreased S\$2.32 million from S\$88.93 million in FY2009 to S\$86.61 million in FY2010. This was mainly due to the reduction in trade receivables that were in tandem with lower sales transactions in FY2010.

The Group's total liabilities were S\$65.41 million at end of 31 December 2010 as compared to S\$81.06 million at end of 31 December 2009. The significant drop in liabilities were mainly contributed by the reduction in trade payables and accrual expenses as a result of lesser projects on hand.

In conclusion, the Group faced a difficult FY2010 with sales and profitability declined significantly by 43.3% and 68.2% respectively. However, the Group was able to keep its balance sheet in shape, attracting new shareholders to inject new capital, strengthening its equities in the Company and maintaining a positive cashflow for the year ended FY2010. As a result, shareholder's equity strengthened from S\$56.57 million as of 31 December 2009 to S\$77.81 million as of 31 December 2010.



Board of Directors

1. Mr Chua Beng Kuang

Executive Chairman

Mr Chua Beng Kuang is our Executive Chairman 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 over 30 years of experiences within the marine industry. He has led the management in pursuing our Group's mission and objectives and has been instrumental to our growth.

2. Mr Chua Meng Hua

Managing Director

Mr Chua Meng Hua is our Managing Director and is one of our founders. He oversees the overall administrative and the operational aspects of our Group and is in charge of the business development of our Group. He has over 17 years of experiences within the marine industry.

3. Mr Alan Yong

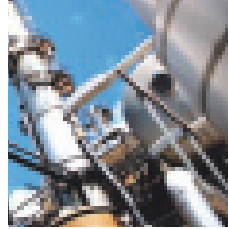
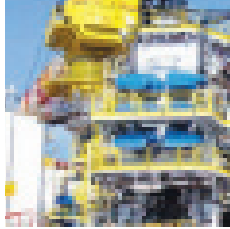
Executive Director (Corporate Finance & Business Development)

Mr Yong was appointed as our Executive Director on 14 July 2008, prior to that he has been on the Board as a non-executive Director since 30 May 2002. Mr Yong was formerly the Chief Financial Officer of Labroy Marine Limited from 1994 to October 2006. He was the Group Financial Controller of JK Yaming International Holdings Limited, Finance Manager of Kuok (Singapore) Ltd., Island Concrete group of companies and Neptune Orient Lines Ltd. with his 30 years of working experience, Mr Yong oversees the Risk Management Committee, fund raising and investment committee and actively seeking suitable acquisition joint ventures and strategic alliances to broaden the company earning base. Mr Yong 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.

4. Mr Ali Abdulla Ahmad Bin Towaih

Non-Executive Director

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



5. Dr Wong Chiang Yin

Independent Director

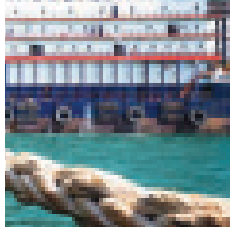
Dr Wong was appointed as our Independent Director on 30 August 2004. He is currently the President of Healthcare Services, Sasteria Pte Ltd and Executive Director of TMC Life Sciences Berhad. He was previously Executive Director of Pantai Holdings Berhad and CEO of Pantai Hospitals Division and the President of the Singapore Medical Association from 2006 to 2009. From 1998 to April 2008, he held various senior positions, including being the Chief Operating Officer of Changi General Hospital and Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He is a member of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Ulu Pandan Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001. He is the Chairman of our Audit Committee and Remuneration Committees and a member of the Nominating Committee.

6. Mr Goh Chee Wee

Independent Director

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





Executive Officers

Mr Chua Beng Yong

General Manager

The Head of Infrastructure Engineering, Mr Chua is one of the founders of the Group business. He is responsible for overseeing our Group's infrastructure engineering division, including its marketing and business development. Mr Chua has over 18 years of experiences within the marine industry.

Mr Chua Beng Hock

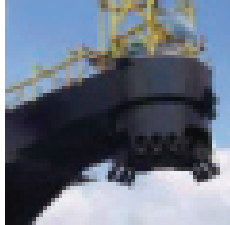
Assistant General Manager

The Head of Corrosion Prevention Division, Mr Chua is one of the founders of the Group business. He is responsible for overseeing our Group's corrosion prevention division, including its marketing and business development. Mr Chua has over 16 years of experiences within the marine industry.

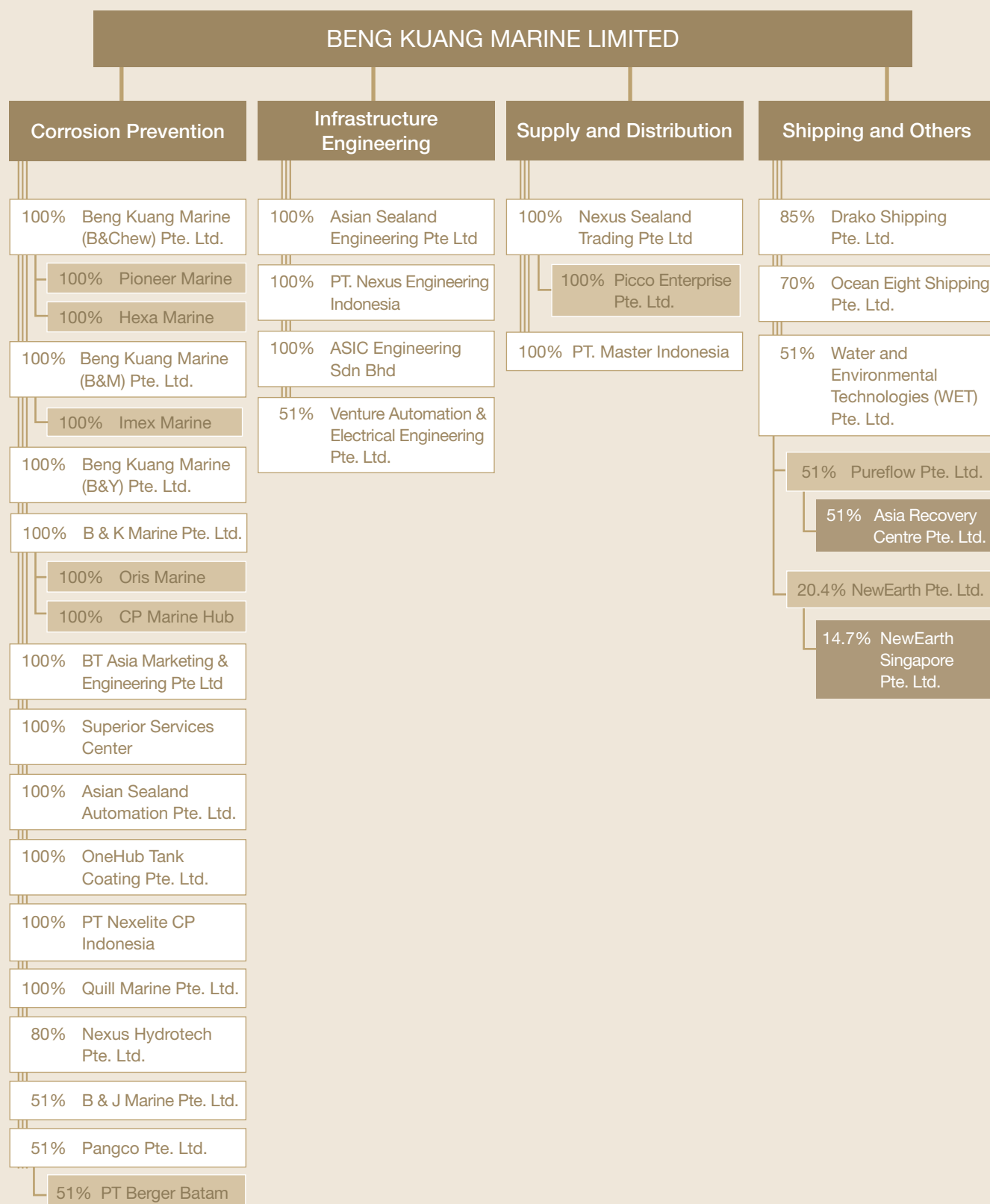
Mr Lee Wei Liang

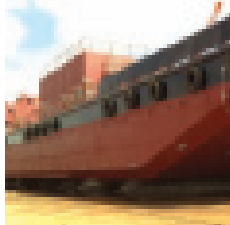
Financial Controller

Mr Lee is our Financial Controller since 2006 and is responsible for the overall Group's financing and accounting functions. He joined the Group as Finance Manager towards end of 2000 and was promoted as Financial Controller in second half of 2006. Prior to joining the Group, he worked with Bob Low and Company as an Audit Assistant to the Audit Senior from 1998 to 2000. Mr Lee obtained a Bachelor of Accountancy from Queensland University of Technology in 1999 and is currently an Associate Member of the Australian Society of Certified Practicing Accountants.



Corporate Structure





Corporate Information

BOARD OF DIRECTORS

Chua Beng Kuang, *Executive Chairman*

Chua Meng Hua, *Managing Director*

Yong Thiam Fook, *Executive Director*

Ali Abdulla Ahmad Bin Towaih, *Non-Executive Director*

Goh Chee Wee, *Independent Director*

Dr. Wong Chiang Yin, *Independent Director*

AUDIT COMMITTEE

Dr. Wong Chiang Yin, *Chairman*

Goh Chee Wee

Ali Abdulla Ahmad Bin Towaih

REMUNERATION COMMITTEE

Dr. Wong Chiang Yin, *Chairman*

Goh Chee Wee

Ali Abdulla Ahmad Bin Towaih

NOMINATING COMMITTEE

Goh Chee Wee, *Chairman*

Dr. Wong Chiang Yin

Ali Abdulla Ahmad Bin Towaih

COMPANY SECRETARIES

Wee Woon Hong

Lee Hock Heng

REGISTERED OFFICE

55 Shipyard Road, Singapore 628141

Tel: (65) 6266 0010 Fax: (65) 6264 0010

Email: bkm@bkmgroun.com.sg

Website: www.bkmgroun.com.sg

AUDITORS

Nexia TS Public Accounting Corporation

5 Shenton Way

#16-00 UIC Building

Singapore 068808

Director in charge : Chin Chee Choon

(Appointed since the financial year ended 31 December 2010)

BANKERS

United Overseas Bank Limited

BNP Paribas

The Hongkong and Shanghai Banking Corporation Limited

Australia and New Zealand Banking Group Limited

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

Standard Chartered Bank

DBS Bank Limited

RHB Bank Berhad

CIMB Bank Berhad

PT Bank Mandiri

Bank of China Limited

Hong Leong Finance Ltd

Bangkok Bank Public Company Limited

The Bank of East Asia Limited

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



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Report of Corporate Governance

For the year ended 31 December 2010

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

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

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

1. BOARD MATTERS

Principle 1: The Board’s Conduct of Its Affairs

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

The principal functions of the Board are to:

- (a) approve the Group’s key business strategies and financial objectives, including the review of annual budgets, major investments/divestments, and funding proposals;
- (b) oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (c) review Management performance; and
- (d) set the Company’s values and standards, and ensure that obligations to shareholders and others are understood and met.

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

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

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

The Board conducts regular scheduled meetings on a quarterly basis at the registered office of the Company. Where the circumstances require, ad-hoc meetings are arranged. Attendance of the Directors via telephone conference is allowed under Article 120(2) of the Company’s Articles of Association. The number of Board and Board committees meetings held and attended by each Director during FY2010 are as follows:

Report of Corporate Governance

For the year ended 31 December 2010

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Yong Thiam Fook	4	4	–	–	–	–	–	–
Sameer Y. Khan*	4	2	4	2	1	1	1	1
Goh Chee Wee	4	4	4	4	1	1	1	1
Dr Wong Chiang Yin	4	4	4	4	1	1	1	1

Note:

* resigned as Non-Executive Director on 10 January 2011

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

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

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

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

Principle 2: Board Composition and Balance

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

Executive Directors

Chua Beng Kuang	(Executive Chairman)
Chua Meng Hua	(Managing Director)
Yong Thiam Fook	(Executive Director)

Non-Executive Directors

Ali Abdulla Ahmad Bin Towaih*	(Non-Executive Director)
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Goh Chee Wee	(Independent Director)
Dr Wong Chiang Yin	(Independent Director)

Note:

* appointed on 10 January 2011



Report of Corporate Governance

For the year ended 31 December 2010

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

- (ii) The independence of each Director is reviewed annually by the NC, which adopts the Code's definition of what constitutes an independent director. The NC is of the view that the Independent Directors, namely Mr Goh Chee Wee and Dr Wong Chiang Yin, are independent.
- (iii) The NC is of the view that the Board consists of persons who, together, will provide core competencies necessary to meet the Company's objectives. It is also of the view that the current Board size of six Directors is appropriate for effective decision making, taking into account the scope and nature of the operations of the Company. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making processes.

Principle 3: Chairman and Managing Director

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

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

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

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

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

Principle 6: Access to Information

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

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

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



Report of Corporate Governance

For the year ended 31 December 2010

The Company Secretary and/or his/her representatives attend Board meetings and assists the Board in ensuring that the Company complies with the relevant requirements of the Companies Act, Chapter 50, and the provisions in the Listing Manual of the SGX-ST. The appointment and removal of the Company Secretary would be a matter for the Board as a whole to decide.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

2. BOARD COMMITTEES

Audit Committee

Principle 11: Audit Committee

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

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Sameer Y. Khan*	(Member, Non-Executive Director)
Ali Abdulla Ahmad Bin Towaih**	(Member, Non-Executive Director)

Notes:

* resigned as Non-Executive Director on 10 January 2011

** appointed as Non-Executive Director on 10 January 2011

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

- Reviewing the announcement of the quarterly and full year results before submission to the Board for approval;
- Reviewing the audit plans and reports of the external auditors and to consider the effectiveness of the actions taken by the Management on the auditors' recommendations;
- Appraising and reporting to the Board on the audits undertaken by the external auditors, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operations given by the Management to the external auditors;
- Evaluating quality of work performed by external auditors;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of external auditors, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of the SGX-ST.



Report of Corporate Governance

For the year ended 31 December 2010

Dr Wong Chiang Yin is currently the President of Healthcare Services, Sasteria Pte Ltd and Executive Director of TMC Life Sciences Berhad. He is also a member of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Ulu Pandan Division. Mr Goh Chee Wee is currently a director of several public listed companies. He was elected as a Member of Parliament (1980-2001) and served as the Minister of State for Trade and Industry, Labour and Communications (1993-1997). Mr Ali Abdulla Ahmad Bin Towaih is currently the Vice President of Business Development, Strategy and Administration of Drydocks World. He also has extensive experience working in the oil, gas and sustainable development in Energy & Environment. The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities.

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

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for reappointment as auditors of the Company at the forthcoming annual general meeting of the Company ("AGM").

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

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

Principle 12: Internal Controls

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

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

Principle 13: Internal Audit

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

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



Report of Corporate Governance

For the year ended 31 December 2010

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Sameer Y. Khan*	(Member, Non-Executive Director)
Ali Abdulla Ahmad Bin Towaih**	(Member, Non-Executive Director)

Notes:

* resigned as Non-Executive Director on 10 January 2011

** appointed as Non-Executive Director on 10 January 2011

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

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

Principle 8: Level and Mix of Remuneration

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

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

Report of Corporate Governance

For the year ended 31 December 2010

Principle 9: Disclosure on Remuneration

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2010 and 31 December 2009 are set out below:

Remuneration Band	Number of Directors	
	2010	2009
\$500,000 and above	2	2
\$250,000 to below \$500,000	0	0
Below \$250,000	4	4
Total	6	6

Details of remuneration and fees paid to directors for the financial year ended 31 December 2010 are set out below:

Name of Directors	Salary [#] (%)	Bonus (%)	Fees* (%)	Benefits (%)	Total (%)
Chua Beng Kuang	67.33	32.53	0.14	—	100
Chua Meng Hua	64.86	34.05	1.09	—	100
Yong Thiam Fook	86.40	12.20	1.40	—	100
Sameer Y. Khan [^]	—	—	100	—	100
Goh Chee Wee	—	—	100	—	100
Wong Chiang Yin	—	—	100	—	100

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

[#] Salary is inclusive of fixed allowance and CPF contributions.

[^] Resigned on 10 January 2011.

Top 5 Executive Officers	2010
\$250,000 to below \$500,000	2
Below \$250,000	3

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

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

Save as disclosed above, there is no employee who is an immediate family member of any Director, whose remuneration for FY2010 exceeds \$150,000.



Report of Corporate Governance

For the year ended 31 December 2010

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

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

Nominating Committee

Principle 4: Board Membership

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

Goh Chee Wee	(Chairman, Independent Director)
Dr Wong Chiang Yin	(Member, Independent Director)
Sameer Y. Khan*	(Member, Non-Executive Director)
Ali Abdulla Ahmad Bin Towaih**	(Member, Non-Executive Director)

Notes:

* resigned as Non-Executive Director on 10 January 2011

** appointed as Non-Executive Director on 10 January 2011

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

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

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

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

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



Report of Corporate Governance

For the year ended 31 December 2010

Principle 5: Board Performance

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

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

3. COMMUNICATION WITH SHAREHOLDERS

Principle 10: Accountability

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

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

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

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

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



Report of Corporate Governance

For the year ended 31 December 2010

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

4. DEALINGS IN SECURITIES

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

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

5. INTERESTED PERSON TRANSACTIONS

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

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

Disclosure of interested person transactions are made together with the Company's quarterly results. The AC reviewed the significant transactions entered into by the Company with its interested persons for FY2010 in accordance with its existing procedures.

Report of Corporate Governance

For the year ended 31 December 2010

A summary of the interested person transactions for FY2010 is as follows:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920).	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000).
Revenue/(Expenses)	S\$	S\$
<u>Labroy Shipbuilding & Engineering Pte Ltd</u>		
Provision of Corrosion Prevention Services		2,374,105
Provision of Infrastructure Engineering Services		133,512
Rental of Machineries		360,014
<u>PT Nanindah Mutiara Shipyard</u>		
Sale of Hardware Equipment, Tools and Other Consumables		351,344
<u>Labroy Offshore Engineering Pte Ltd</u>		
Provision of Corrosion Prevention Services		2,138,265
Provision of Infrastructure Engineering Services		(1,874,942)
<u>PT Graha Trisaka Industri</u>		
Provision of Corrosion Prevention Services		2,295,000
Provision of Infrastructure Engineering Services		2,911,302
Sale of Hardware Equipment, Tools and Other Consumables		470,528
<u>Drydocks World – Singapore Pte Ltd</u>		
Provision of Corrosion Prevention Services		2,613,409
<u>PT Drydocks World Pertama</u>		
Provision of Corrosion Prevention Services		1,314,970

6. MATERIAL CONTRACTS AND LOANS

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



Directors' report

For the financial year ended 31 December 2010

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2010 and the balance sheet of the Company as at 31 December 2010.

Directors

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

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

Arrangements to Enable Directors to Acquire Shares and Debentures

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

Directors' Interests in Shares or Debentures

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

	Holdings registered in name of director or nominee	
	At 31.12.2010	At 1.1.2010 or date of appointment if later
The Company		
(No. of ordinary shares)		
Chua Beng Kuang	36,267,500	36,267,500
Chua Meng Hua	35,319,500	35,319,500
Yong Thiam Fook	256,000	256,000
Sameer Y.Khan (Resigned on 10 January 2011)	100,000	100,000
Goh Chee Wee	–	400,000
Dr. Wong Chiang Yin	100,000	100,000

The directors' interests in the ordinary shares of the Company as at 21 January 2011 were the same as those as at 31 December 2010.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, shares option, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or date of appointment if later, or end of the financial year.



Directors' report

For the financial year ended 31 December 2010

Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share Options

Pursuant to Subscription Agreement and Call Option Agreement dated 7 September 2009, the Company had issued 38,000,000 subscription shares to various subscribers at an issue price of \$0.225 for each subscription shares.

For a consideration of \$1 payable by each subscriber, the Company granted the subscribers call options to subscribe for another 38,000,000 ordinary shares at an exercise price of \$0.25 per option share.

As at 31 December 2010, the subscribers had exercised options to subscribe for 22,000,000 ordinary shares and as at that date, there were unexercised options for 16,000,000 ordinary shares. These options are exercisable between the period from 7 September 2009 to 6 September 2012.

Audit Committee

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

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

The AC met 4 times in the financial year under review and carried out its functions in accordance with section 201B(5) of the Singapore Companies Act. It performs the following:

- Reviewing the announcement of the quarterly and full year results before submission to the Board of Directors ("Board") for approval;
- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement.
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST").

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



Directors' report

For the financial year ended 31 December 2010

Independent Auditor

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

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

21 March 2011



Statement by Directors

For the financial year ended 31 December 2010

In the opinion of the directors,

- (i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 92 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 2010 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

21 March 2011



Independent Auditor's Report To the Members of Beng Kuang Marine Limited

Report on Financial Statements

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 92, which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

The financial statements for the preceding financial year were reported by an independent auditor other than Nexia TS Public Accounting Corporation. The independent auditor's report dated 19 March 2010 issued by the predecessor independent auditor on the financial statements for the financial year ended 31 December 2009 was unqualified.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Independent Auditor's Report To the Members of Beng Kuang Marine Limited

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provision of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010, and the results, changes in equity and cash flow of the Group for financial year ended on that date.

Report on other Legal and Regulatory Requirements

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

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

Singapore
21 March 2011

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2010

	Note	2010	2009
		\$	\$
Revenue	4	78,488,104	138,457,972
Cost of sales		(58,031,337)	(108,867,392)
Gross profit		20,456,767	29,590,580
Other gains – net	7	435,935	708,946
Expenses			
– Selling and distribution		(1,491,495)	(2,156,422)
– Administrative		(13,982,988)	(14,896,930)
– Finance	8	(1,357,252)	(1,528,759)
Share of loss of associated companies		(257,182)	(238,913)
Profit before income tax		3,803,785	11,478,502
Income tax expense	9(a)	(1,118,342)	(2,645,489)
Net profit		2,685,443	8,833,013
Other comprehensive income:			
Currency translation differences arising from consolidation		20,541	(13,352)
Other comprehensive income, net of tax		20,541	(13,352)
Total comprehensive income		2,705,984	8,819,661
Profit attributable to:			
Equity holders of the Company		2,725,668	8,565,098
Non-controlling interests		(40,225)	267,915
		2,685,443	8,833,013
Total comprehensive income attributable to:			
Equity holders of the Company		2,746,209	8,551,746
Non-controlling interests		(40,225)	267,915
		2,705,984	8,819,661
Earnings per share attributable to equity holders of the Company (cents per share)			
– Basic	10	0.57	2.14
– Diluted	10	0.57	2.13

The accompanying notes form an integral part of these financial statements

Consolidated Balance Sheets

As at 31 December 2010

		Group		Company	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
ASSETS					
Current assets					
Cash and cash equivalents	11	24,066,506	19,268,544	10,163,623	5,865,041
Trade and other receivables	12	52,717,042	60,636,658	55,557,623	47,445,198
Inventories	13	9,824,366	9,020,486	–	–
		<u>86,607,914</u>	<u>88,925,688</u>	<u>65,721,246</u>	<u>53,310,239</u>
Non-current assets					
Trade and other receivables	15	–	–	–	51,382
Investment in associated companies	16	3,694,973	4,152,155	–	200,000
Investment in subsidiaries	17	–	–	12,022,085	9,392,085
Intangible assets	18	2,620,554	2,662,818	–	–
Property, plant and equipment	19	<u>54,923,659</u>	<u>45,791,544</u>	<u>1,401,198</u>	<u>1,017,199</u>
		<u>61,239,186</u>	<u>52,606,517</u>	<u>13,423,283</u>	<u>10,660,666</u>
Total assets		<u>147,847,100</u>	<u>141,532,205</u>	<u>79,144,529</u>	<u>63,970,905</u>
LIABILITIES					
Current liabilities					
Trade and other payables	20	25,975,927	40,653,758	3,118,172	8,381,396
Current income tax liabilities		1,201,534	3,016,505	–	–
Borrowings	21	<u>30,624,158</u>	<u>28,090,539</u>	<u>23,335,618</u>	<u>21,308,250</u>
		<u>57,801,619</u>	<u>71,760,802</u>	<u>26,453,790</u>	<u>29,689,646</u>
Non-current liabilities					
Borrowings	21	6,618,082	8,437,172	2,304,072	3,206,259
Deferred tax liabilities	23	<u>989,517</u>	<u>866,372</u>	<u>36,570</u>	<u>–</u>
		<u>7,607,599</u>	<u>9,303,544</u>	<u>2,340,642</u>	<u>3,206,259</u>
Total Liabilities		<u>65,409,218</u>	<u>81,064,346</u>	<u>28,794,432</u>	<u>32,895,905</u>
NET ASSETS		<u>82,437,882</u>	<u>60,467,859</u>	<u>50,350,097</u>	<u>31,075,000</u>
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	24	49,651,347	28,909,100	49,651,347	28,909,100
Currency translation reserve	25	(13,044)	(33,585)	–	–
Retained profits		<u>28,171,055</u>	<u>27,695,595</u>	<u>698,750</u>	<u>2,165,900</u>
		<u>77,809,358</u>	<u>56,571,110</u>	<u>50,350,097</u>	<u>31,075,000</u>
Non-controlling interests		<u>4,628,524</u>	<u>3,896,749</u>	<u>–</u>	<u>–</u>
Total equity		<u>82,437,882</u>	<u>60,467,859</u>	<u>50,350,097</u>	<u>31,075,000</u>

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2010

Group	Note	Attributable to equity holders of the Company			Non-controlling interests	Total equity
		Share capital	Retained profits	Currency translation reserve		
		\$	\$	\$	\$	\$
2010						
Beginning of financial year		28,909,100	27,695,595	(33,585)	3,896,749	60,467,859
Issue of new shares		21,150,000	–	–	–	21,150,000
Share issue expenses		(407,753)	–	–	–	(407,753)
Issuance of shares to non-controlling interests		–	–	–	870,000	870,000
Dividends relating to 2009 paid	26	–	(2,250,208)	–	(98,000)	(2,348,208)
Total comprehensive income for the year		–	2,725,668	20,541	(40,225)	2,705,984
End of financial year		<u>49,651,347</u>	<u>28,171,055</u>	<u>(13,044)</u>	<u>4,628,524</u>	<u>82,437,882</u>
2009						
Beginning of financial year		16,111,142	21,056,762	(20,233)	3,911,462	41,059,133
Issue of shares		11,800,000	–	–	–	11,800,000
Issue of shares under BKM Performance Share Plan		1,066,200	–	–	–	1,066,200
Share issue expenses		(68,242)	–	–	–	(68,242)
Acquisition of a subsidiary		–	–	–	(282,628)	(282,628)
Premium paid on acquisition of non-controlling interest		–	(2,712)	–	–	(2,712)
Dividends relating to 2008 paid	26	–	(1,923,553)	–	–	(1,923,553)
Total comprehensive income for the year		–	8,565,098	(13,352)	267,915	8,819,661
End of financial year		<u>28,909,100</u>	<u>27,695,595</u>	<u>(33,585)</u>	<u>3,896,749</u>	<u>60,467,859</u>

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

	Note	2010 \$	2009 \$
Cash flows from operating activities			
Net profit		2,685,443	8,833,013
<i>Adjustments for:</i>			
Income tax expense		1,118,342	2,645,489
Allowance for impairment of trade receivables		915,151	640,996
Allowance for impairment of inventories		41,774	1,046,528
Amortisation of intangible assets	18	58,375	61,294
Impairment loss on Goodwill		19,810	–
Write-back of allowance for impairment of trade receivables		(749,912)	(1,010,763)
(Gain)/loss on disposal of property, plant and equipment		(22,028)	23,056
Property, plant and equipment written off		401	53,022
Depreciation of property, plant and equipment	19	6,075,977	5,856,359
Inventories written-down		149,909	519,112
Share of losses of associated companies		257,182	238,913
Interest income		(39,481)	(5,844)
Interest expense		1,357,252	1,528,759
Issue of shares under BKM Performance Share Plan		–	1,037,080
		<u>11,868,195</u>	<u>21,467,014</u>
<i>Change in working capital, net of effects from acquisition of subsidiaries</i>			
Inventories and construction work-in-progress		(87,856)	4,874,766
Trade and other receivables		8,734,617	2,800,090
Trade and other payables		(16,087,231)	(2,467,499)
Bills payable		<u>1,511,150</u>	<u>(5,213,418)</u>
Cash flows generated from operations		<u>5,938,875</u>	<u>21,460,953</u>
Interest received		39,481	5,844
Interest paid		(1,541,140)	(1,619,054)
Income tax paid		<u>(2,810,168)</u>	<u>(2,665,128)</u>
Net cash flows generated from operating activities		<u>1,627,048</u>	<u>17,182,615</u>
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	32	(152,759)	(285,340)
Acquisition of an associated company		–	(200,000)
Acquisition of sole-proprietorship, net of cash acquired	32	(37,879)	–
Addition to property, plant and equipment		(13,549,913)	(21,215,606)
Proceeds from disposal of property, plant and equipment		<u>1,071,629</u>	<u>243,445</u>
Net cash flows used in investing activities		<u>(12,668,922)</u>	<u>(21,457,501)</u>

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2010

	Note	2010 \$	2009 \$
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		20,742,247	11,760,878
Proceeds from issuance of shares to non-controlling interests		870,000	–
Proceeds from borrowings		1,342,848	16,939,000
Repayment of borrowings		(2,658,553)	(15,199,158)
Repayment of lease liabilities		(2,127,858)	(2,301,204)
Dividends paid to equity holders of the Company		(2,250,208)	(1,923,553)
Dividends paid to a non-controlling interest		(98,000)	–
Net cash flows generated from financing activities		15,820,476	9,275,963
Net increase in cash and cash equivalents		4,778,602	5,001,077
Cash and cash equivalents			
Beginning of financial year	11	19,268,544	14,279,830
Effects of currency translation on cash and cash equivalents		19,360	(12,363)
End of financial year	11	24,066,506	19,268,544

The accompanying notes form an integral part of these financial statements



Notes to the Financial Statement

For the financial year ended 31 December 2010

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

These financial statements were authorised for issue in accordance with a resolution of the directors of Beng Kuang Marine Limited on 21 March 2011.

1 General Information

Beng Kuang Marine Limited (the “Company”) is a limited liability company, which is incorporated in the Republic of Singapore and publicly traded on the Singapore Exchange. The address of its registered office is 55 Shipyard Road, Singapore 628141 which is also its principal place of business.

The principal activities of the Company are provision of corrosion prevention services relating to repairing of ships, tankers and other ocean-going vessels and investment holding. The principal activities of subsidiaries are shown in Note 17 to the financial statements.

Related parties refer to Drydocks World-Southeast Asia Pte. Limited and its subsidiaries and other entities in which the Company’s and its subsidiaries’ shareholders or directors exercise significant influence over their financial and operating policy decisions.

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2010

On 1 January 2010, the group adopted the new or amended FRS and interpretations to FRS (INT FRS”) that are mandatory for application from the date. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Group’s and Company accounting policies and had no material effect on the amounts reported for the current or prior financial years except as disclosed as below:–



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

- (a) FRS 27 (revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009)

The revisions to FRS 27 principally change the accounting for transaction with non-controlling interests. Please refer to Note 2.2(b) for the revised accounting policy on changes in ownership interest in the current financial year.

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements. There were no transactions with non-controlling interests in the current financial year. Accordingly, these changes do not have any impact on the financial statements for the current financial year.

- (b) Amendment to FRS 7 Cash Flow Statements (effective for annual periods beginning on or after 1 January 2010)

Under the amendment, only expenditures that result in recognised assets in the balance sheet can be classified as investing activities in the statement of cash flows. Previously, such expenditures could be classified as investing activities in the statement of cash flows.

- (c) FRS 103 (revised) Business Combinations (effective for annual periods beginning on or after 1 July 2009)

Please refer to Note 2.2(a)(ii) for the revised accounting policy on business combinations which the Group has applied for its acquisition of Quill Marine Pte. Ltd. and a sole-proprietorship of B & K Marine Pte. Ltd. (Note 32).

As the changes have been implemented prospectively, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(a) Subsidiaries (cont'd)

(i) Consolidation (cont'd)

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

(ii) Acquisition of business

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

(iii) Disposals of subsidiaries or businesses

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

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

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(b) Transaction with non-controlling interests

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

(c) Associated companies

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

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

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

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

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

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (Cont'd)

2.3 Property, plant and equipment (cont'd)

(a) Measurement

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

(b) Depreciation

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

	<u>Useful lives</u>
Motor vehicles	10 years
Computers	3 years
Office equipment	10 years
Furniture and fittings	10 years
Forklifts	10 years
Machinery, tools and equipment	2 – 15 years
Air-conditioners	5 years
Yard development	30 years
Leasehold improvement and renovation	3 – 10 years
Leasehold building	over the lease period of 20 to 50 years
Leasehold land	over the lease period of 30 years
Vessels	15 years

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

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

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date.

(c) Subsequent expenditure

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

(d) Disposal

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.4 Intangible assets

(a) Goodwill on acquisition

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

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

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

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

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

(b) Intellectual property rights

Intellectual property rights acquired in business combinations are measured initially at valuation. Intellectual property rights not yet available for use are tested for impairment annually or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash generating unit level. The Company's existing intellectual property rights have a finite useful life and are amortised over the period of 8 years on a straight-line basis.

2.5 Cash and cash equivalents

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

2.6 Investments in subsidiaries and associated companies

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (Cont'd)

2.7 Impairment of non-financial assets

Intangible assets

Property, plant and equipment

Investment in subsidiaries and associated companies

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

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

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

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

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

2.8 Financial assets

(a) Classification

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

(b) Recognition and derecognition

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

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

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.8 Financial assets (cont'd)

(c) Initial measurement

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

(d) Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial assets, held-to-maturity are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise.

Interest and dividend income on financial assets, available-for-sale are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences.

(e) Impairment

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

(i) Loans and receivables

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

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

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.9 Construction contracts

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

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

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

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

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

2.10 Inventories

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

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

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

2.11 Trade and other payables

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.12 Government grants

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

2.13 Provisions

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

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

2.14 Income taxes

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

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

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

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.15 Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation

2.16 Borrowings

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

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

2.17 Borrowing costs

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

2.18 Revenue recognition

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

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

(a) Revenue

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.18 Revenue recognitions (Cont'd)

(a) Revenue (Cont'd)

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

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.

(b) Rental income

Rental income arising from machinery is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) Chartering income

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

Dividend income is recognised when right to receive payment is established.

2.19 Employee compensation

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

(a) Defined contribution plan

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

(b) Performance Share Plan

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.19 Employee compensation (cont'd)

(c) Employment leave entitlement

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

2.20 Share capital

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

2.21 Currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Translation of Group entities' financial statements

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

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting currency translation differences are recognised in the currency translation reserve.



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.22 Fair value estimation

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

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

2.23 Segment reporting

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

2.24 Lease

(a) When the Group is the lessee:

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

(i) Lessee – Finance leases

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

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

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

(ii) Lessee – Operating leases

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

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

2 Summary of significant accounting policies (cont'd)

2.24 Lease (cont'd)

(b) When the Group is the lessor:

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

(ii) Lessor – Operating leases

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

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

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

2.25 Dividends to Company's shareholders

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

3 Critical accounting estimates, assumptions and judgements

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

3.1 Critical accounting estimates and assumptions

(a) Estimated useful lives and residual values of property, plant and equipment

The Group reviews the appropriateness of the estimated useful lives and residual values of property, plant and equipment at each balance sheet date. Changes in the expected level of usage and technological advancements could impact the economic useful lives and residual values of these assets. Where there is a material change in the estimated useful lives and residual values of property, plant and equipment, such a change will impact the future depreciation charges in the financial period in which the change arise.

(b) Estimated impairment of non-financial assets

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

The recoverable amounts of these assets and where applicable, cash-generating units, have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 18).



Notes to the Financial Statement

For the financial year ended 31 December 2010

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

3.1 Critical accounting estimates and assumptions (Cont'd)

(c) Impairment of loans and receivables

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

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

(d) Uncertain tax position

The Group has operations in numerous jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised liabilities for expected tax issues based on estimates of whether the tax liabilities would crystallise. 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 provision in the period in which such determination is made. The carrying amount of the Group's tax payables and deferred tax liabilities at 31 December 2010 was \$1,201,534 (2009:\$3,016,505) and \$989,517 (2009:\$866,372) respectively.

(e) Construction contracts

The Group recognised 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 contract costs incurred. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and historical settlements with the customers.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from Management's estimates, the Group's profit will decrease/increase by \$866,637 and \$709,066 respectively.

Notes to the Financial Statement

For the financial year ended 31 December 2010

4 Revenue

	Group	
	2010	2009
	\$	\$
Infrastructure engineering services	16,980,165	57,034,471
Corrosion prevention services	43,883,463	58,278,259
Supply and distribution of products	17,424,717	23,092,660
Shipping and others	199,759	52,582
	<u>78,488,104</u>	<u>138,457,972</u>

5 Expenses by nature

	Note	Group	
		2010	2009
		\$	\$
Purchases		24,760,591	53,595,134
Subcontractor fees		11,266,650	35,488,886
Amortisation of intangible assets		58,375	61,294
Depreciation of property, plant and equipment		6,075,977	5,856,358
Allowance for impairment of trade and other receivables		915,151	640,996
Allowance for impairment of obsolete inventories		41,774	1,046,527
Impairment loss on goodwill	18	19,810	—
Total amortisation, depreciation and impairment		7,111,087	7,605,175
Write-back of allowance for impairment of trade receivables		(749,913)	(1,010,763)
Inventories written down		149,909	519,112
Employee compensation	6	19,240,603	20,366,581
Rental and repair		4,047,615	2,748,948
Maintenance of equipment and machinery		709,552	503,557
Transport and travelling		1,177,495	1,332,845
Staff accommodation		1,496,196	1,440,309
Office related expenses		720,445	934,774
Others		3,575,590	2,396,186
Total cost of sales, selling and distribution and administrative expenses		<u>73,505,820</u>	<u>125,920,744</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

6 Employee compensation

	Group	
	2010	2009
	\$	\$
Wages and salaries	16,547,617	16,768,421
Employer's contribution to defined contribution plans including Central Provident Fund	900,480	831,580
Other short-term benefits	1,792,506	1,700,380
Share based payments	–	1,066,200
	<u>19,240,603</u>	<u>20,366,581</u>

7 Other gains – net

	Group	
	2010	2009
	\$	\$
Interest income	39,481	5,844
Gain/(loss) on disposal of property, plant and equipment	22,028	(23,056)
Write off of property, plant and equipment	(401)	(53,022)
Currency translation loss – net	(122,106)	(166,600)
Government grants	156,717	456,403
Other income	340,216	489,377
	<u>435,935</u>	<u>708,946</u>

8 Finance expenses

	Group	
	2010	2009
	\$	\$
Interest expenses		
– Bank borrowings	1,136,146	1,223,316
– Bank overdrafts	16,688	56,042
– Finance lease liabilities	162,899	191,713
– Bills payable	41,519	57,688
	<u>1,357,252</u>	<u>1,528,759</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

9 Income tax expense

	Group	
	2010	2009
	\$	\$
Tax expense attributable to profit is made up of		
Current income tax		
– Singapore	98,870	1,599,335
– Foreign	944,630	1,004,398
	1,043,500	2,603,733
Deferred income tax	105,096	15,651
– (Over)/under provision in prior financial year	(30,254)	26,105
	1,118,342	2,645,489

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$1,812,906 (2009:\$1,578,000) and \$20,432 (2009:\$38,000) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act.

The potential deferred tax assets as at 31 December 2010 arising from these unutilised tax losses have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.14.

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

	Group	
	2010	2009
	\$	\$
Profit before taxation	3,803,785	11,478,502
Tax at the applicable tax rate of 17% (2009:17%)	646,644	1,951,435
Effects of		
– expenses not deductible for tax purposes	212,557	396,171
– income not subject to tax	(25,397)	(77,588)
– reduction in tax rate	–	(35,905)
– tax exemption and rebates	(96,837)	(270,358)
– different tax rate in foreign jurisdictions	274,592	468,136
– utilisation of previously unrecognised tax losses	–	(1,201)
– deferred tax assets not recognised	52,817	87,599
– (over)/under provision of current tax in respect of prior years	(49,965)	118,738
– (over)/under provision of deferred tax in respect of prior years	(30,254)	26,105
– share of loss of associated companies	43,721	40,615
– others	90,464	(58,258)
Tax charge	1,118,342	2,645,489

Notes to the Financial Statement

For the financial year ended 31 December 2010

10 Earnings per share

a) Basic earnings per share

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

	Group	
	2010	2009
	\$	\$
Profit attributable to ordinary equity holders of the Company	2,725,668	8,565,098
	Number of shares	
	2010	2009
Weighted average number of ordinary shares for basic earnings per share	481,332,036	399,633,976
	2010	2009
Basic earning per share (cents per share)	0.57	2.14

b) Diluted earning per shares

Diluted earnings per share amounts are calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares. The Company only has one category of dilutive potential ordinary shares – share options.

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

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

	Group	
	2010	2009
	\$	\$
Net profit attributable to ordinary equity holders of the Company	2,725,668	8,565,098

Notes to the Financial Statement

For the financial year ended 31 December 2010

10 Earnings per share (Cont'd)

b) Diluted earning per shares (Cont'd)

	Number of shares	
	2010	2009
Weighted average number of ordinary shares for basic earnings per share	481,332,036	399,633,976
Adjustment for – Share option	–	1,570,000
	<u>481,332,036</u>	<u>401,203,976</u>
	2010	2009
Diluted earnings per shares (cents per share)	<u>0.57</u>	<u>2.13</u>

11 Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash at bank and on hand	12,733,275	18,286,496	2,159,771	5,865,041
Short-term bank deposits	<u>11,333,231</u>	<u>982,048</u>	<u>8,003,852</u>	<u>–</u>
	<u>24,066,506</u>	<u>19,268,544</u>	<u>10,163,623</u>	<u>5,865,041</u>

Acquisition of businesses

Please refer to Note 32 for the effects of acquisition of subsidiaries on the cash flows of the Group.

Notes to the Financial Statement

For the financial year ended 31 December 2010

12 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade receivables				
– Subsidiaries	–	–	4,189,063	3,701,676
– Related parties	17,967,120	22,422,904	4,372,764	6,479,685
– Non-related parties	19,755,133	21,909,487	–	–
	37,722,253	44,332,391	8,561,827	10,181,361
Less: Allowance for impairment of receivables – Non-related parties	(787,182)	(826,281)	–	–
Trade receivables – net	36,935,071	43,506,110	8,561,827	10,181,361
Construction contracts				
– Due from customers (Note 14)	13,286,971	12,761,241	2,364,973	3,094,641
– Retentions (Note 14)	191,655	1,230,032	–	–
	13,478,626	13,991,273	2,364,973	3,094,641
Other receivables				
– Associated companies	2,424	81,697	218	68,000
– Subsidiaries	–	–	44,232,449	33,630,568
– Related parties	36	17,209	–	17,209
– Non-related parties	1,071,059	1,592,877	398,156	452,521
	1,073,519	1,691,783	44,630,823	34,168,298
Deposits	969,296	447,760	–	–
Prepayments	260,530	999,732	–	898
	52,717,042	60,636,658	55,557,623	47,445,198

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

- An amount due from certain subsidiaries of \$5,990,302 (2009: \$11,544,120) which bear floating rate of interest at 1.04% to 4.87% (2009: 0.78% to 3.36%) per annum and is repayable on demand.
- An amount due from certain subsidiaries of \$3,183,819 (2009: \$1,777,032) which bear floating rate of interest at 5.00% to 6.80% (2009: 5.00% to 6.80%) per annum and is repayable on demand.

Notes to the Financial Statement

For the financial year ended 31 December 2010

13 Inventories

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Raw materials	1,802,226	718,820	–	–
Trading goods	8,022,140	8,301,666	–	–
	<u>9,824,366</u>	<u>9,020,486</u>	<u>–</u>	<u>–</u>

The cost of inventories recognised as an expense and included in “Cost of sales” amounts to \$19,745,370 (2009: \$31,721,984)

14 Construction contracts

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	49,447,232	78,521,242	9,681,383	19,140,547
Less: Progress billings	<u>(40,889,142)</u>	<u>(69,278,031)</u>	<u>(7,316,410)</u>	<u>(16,860,906)</u>
	<u>8,558,090</u>	<u>9,243,211</u>	<u>2,364,973</u>	<u>2,279,641</u>
Presented as:–				
Due from customers on construction contracts (Note 12)	13,286,971	12,761,241	2,364,973	3,094,641
Due to customers on construction contracts (Note 20)	<u>(4,728,881)</u>	<u>(3,518,030)</u>	<u>–</u>	<u>(815,000)</u>
	<u>8,558,090</u>	<u>9,243,211</u>	<u>2,364,973</u>	<u>2,279,641</u>
Retentions on construction contracts (Note 12)	<u>191,655</u>	<u>1,230,032</u>	<u>–</u>	<u>–</u>
	<u>191,655</u>	<u>1,230,032</u>	<u>–</u>	<u>–</u>

15 Trade receivables – Non-current

	Company	
	2010	2009
	\$	\$
Trade receivables – Subsidiaries	<u>–</u>	<u>51,382</u>

Trade amount due from subsidiaries is unsecured, bear interest rate of Nil% (2009: 6.80%) per annum and is not expected to be repaid within the next 12 months.

Notes to the Financial Statement

For the financial year ended 31 December 2010

16 Investment in associated companies

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Equity investments at cost				
Beginning of financial year	4,152,155	4,616,573	200,000	–
Acquisition of an associated company	–	200,000	–	200,000
Transferred to equity interest in a subsidiary	(200,000)	–	(200,000)	–
Share of losses	(257,182)	(664,418)	–	–
End of financial year	<u>3,694,973</u>	<u>4,152,155</u>	<u>–</u>	<u>200,000</u>

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

	Group	
	2010	2009
	\$	\$
– Assets	9,678,352	11,024,125
– Liabilities	(102,976)	(150,209)
– Revenue	–	28,602
– Net loss	<u>684,855</u>	<u>588,901</u>

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2010	2009
			%	%
Held by Water and Environmental Technologies (WET) Pte. Ltd.				
NewEarth Pte. Ltd. ⁽¹⁾	Solid waste management	Singapore	20.4	20.4
NewEarth Singapore Pte. Ltd. ⁽¹⁾	Solid waste management	Singapore	14.7	14.7

⁽¹⁾ Audited by KPMG LLP Singapore

Notes to the Financial Statement

For the financial year ended 31 December 2010

17 Investment in subsidiaries

	Company	
	2010	2009
	\$	\$
Equity investments at cost		
Beginning of financial year	9,392,085	8,980,971
Transferred from equity interest in an associated company	200,000	–
Additions	2,430,000	411,114
End of financial year	<u>12,022,085</u>	<u>9,392,085</u>

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2010	2009	2010	2009
			%	%	\$	\$
Significant subsidiaries held by Company						
Nexus Sealand Trading Pte Ltd ⁽¹⁾	Supply and distribution of products	Singapore	100	100	2	2
Asian Sealand Engineering Pte Ltd ⁽¹⁾	Provision of infrastructure engineering services	Singapore	100	100	1,800,000	1,800,000
PT Nexus Engineering Indonesia ⁽⁵⁾	Provision of infrastructure engineering services	Indonesia	100 ⁽³⁾	100 ⁽³⁾	388,233	388,233
PT Master Indonesia ⁽²⁾	Supply and distribution of products	Indonesia	100 ⁽⁴⁾	100 ⁽⁴⁾	177,000	177,000
B & J Marine Pte. Ltd. ⁽¹⁾	Provision of hydro-jetting and tank cleaning services	Singapore	51	51	51,000	51,000
B & K Marine Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000

Notes to the Financial Statement

For the financial year ended 31 December 2010

17 Investment in subsidiaries (Cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2010	2009	2010	2009
			%	%	\$	\$
Significant subsidiaries held by Company						
Beng Kuang Marine (B&Chew) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&M) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Beng Kuang Marine (B&Y) Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000
Nexus Hydrotech Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services (utilising hydro-jetting machines)	Singapore	80	80	80,000	80,000
ASIC Engineering Sdn Bhd ⁽³⁾	Provision of infrastructure engineering services	Malaysia	100	100	43,479	43,479
Venture Automation & Electrical Engineering Pte. Ltd. ⁽¹⁾	Provision of industrial and marine automation works	Singapore	51	51	102,000	102,000
Pangco Pte. Ltd. ⁽¹⁾	Provision of corrosion prevention services	Singapore	51	51	51	51

Notes to the Financial Statement

For the financial year ended 31 December 2010

17 Investment in subsidiaries (Cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2010	2009	2010	2009
			%	%	\$	\$
Significant subsidiaries held by Company						
Water and Environmental Technologies (WET) Pte. Ltd. ⁽¹⁾	Provision of research and development, and solution for waste management	Singapore	51	51	5,711,465	5,711,465
Asian Sealand Automation Pte. Ltd. ⁽¹⁾	Provision of automated engineering services	Singapore	100	100	258,855	258,855
PT Nexelite CP Indonesia ⁽²⁾	Provision of corrosion prevention services	Indonesia	100 ⁽⁴⁾	100 ⁽⁴⁾	280,000	280,000
Drako Shipping Pte. Ltd. ^{(1)(a)}	Provision of freight transport services	Singapore	85	100	510,000	100,000
Quill Marine Pte. Ltd. ⁽¹⁾⁽⁷⁾	Rental and sales of wet blasting machines and related business	Singapore	100	50	400,000	–
Ocean Eight Shipping Pte Ltd ^{(1)(b)}	Provision of freight transport services	Singapore	70	–	1,820,000	–
					12,022,085	9,392,085

Notes to the Financial Statement

For the financial year ended 31 December 2010

17 Investment in subsidiaries (Cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2010	2009
<u>Held by Nexus Sealand Trading Pte Ltd</u>				
BT Asia Marketing & Engineering Pte Ltd ⁽¹⁾	Trading of copper slag and waste management	Singapore	100	100
Picco Enterprise Pte. Ltd. ⁽¹⁾	Supply and distribution of products	Singapore	100	100
Onehub Tank Coating Pte. Ltd. ⁽¹⁾	Provision for internal tank coating services	Singapore	100	100
<u>Held by Water and Environmental Technologies (WET) Pte. Ltd.</u>				
Pureflow Pte. Ltd. ⁽¹⁾	Provision of water and waste water treatment, recycling, consultancy and management services	Singapore	51	51
Asia Recovery Centre Pte. Ltd. ⁽¹⁾	Provision of water, waste treatment and oilfield chemical	Singapore	51 ⁽⁶⁾	51 ⁽⁶⁾
<u>Held by Pangco Pte Ltd</u>				
PT Berger Batam ⁽²⁾	Provision of corrosion prevention services	Indonesia	51 ⁽⁴⁾	51 ⁽⁴⁾

⁽¹⁾ Audited by Nexia TS Public Accounting Corporation.

⁽²⁾ Audited by Nexia TS Public Accounting Corporation for consolidation purpose.

⁽³⁾ Audited by Ernst & Young Malaysia.

⁽⁴⁾ 1% of the shareholding is held in trust for the Group by an employee of the Group.

⁽⁵⁾ Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia.

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

⁽⁷⁾ An associated company in previous financial year.

Notes to the Financial Statement

For the financial year ended 31 December 2010

17 Investment in subsidiaries (Cont'd)

- (a) On 17 August 2010, the Subsidiary increased its issued and paid up capital from \$100,000 to \$600,000. The Company subscribed 410,000 ordinary shares issued by the Subsidiary for a consideration of \$410,000. Subsequently, the Company holds 85% of equity interest in the Subsidiary.
- (b) On 19 May 2010, the Company incorporated the Subsidiary with an initial issued and paid up capital \$2. On 26 July 2010, the Subsidiary increased its issued and paid up capital to \$20,000. The Company subscribed 9,998 ordinary shares issued by the Subsidiary for a consideration of \$9,998. Subsequently, the Company holds 50% of the equity interest in the Subsidiary. On 22 December 2010, the Subsidiary further increased its issued and paid up capital to \$2,600,000. The Company subscribed 1,810,000 ordinary shares issued by the Subsidiary for a consideration of \$1,810,000. Subsequently, the Company holds 70% of the equity interest in the Subsidiary.

18 Intangible assets

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

Group 2009	Goodwill	Intellectual property rights	Total
	\$	\$	\$
Cost:			
Beginning and end of financial year	2,268,787	467,000	2,735,787
Accumulated amortisation:			
Beginning of financial year	–	11,675	11,675
Amortisation charge	–	61,294	61,294
End of financial year	–	72,969	72,969
Net book value	2,268,787	394,031	2,662,818



Notes to the Financial Statement

For the financial year ended 31 December 2010

18 Intangible assets (Cont'd)

a) Intellectual property rights

The Group holds two patent applications, namely Nano-Structured Photocatalytic Oxidation Process and Rotating Flow Membrane. Patents are amortised 8 years from the date of commercialisation and have a remaining amortisation period of 5 years (2009: 6 years). As at 31 December 2010, the carrying amounts of these patents were \$335,656 (2009: \$394,031).

b) Impairment testing of goodwill

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

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

- Forecasted completion of plant in FY2011 and commencement of operating and sales activities in fourth quarter of FY2011;
- Budgeted sales of approximately \$800,000 in FY2011. Sales is forecasted to increase to approximately \$7,600,000 in FY2012 and by 14% in FY2013, 7% in FY2014 and 3% in FY2015;
- Costs of sales of approximately \$500,000 in FY2011. Cost of sales is forecasted to increase to approximately \$4,000,000 in FY2012 and by 10% in FY2013 and thereafter 3% annually to FY2015;
- Capital expenditure of approximately \$15,800,000 in FY2011; and
- Long term growth rates of 3% and weighted average costs of capital of approximately 9%.

Notes to the Financial Statement

For the financial year ended 31 December 2010

19 Property, plant and equipment

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

Notes to the Financial Statement

For the financial year ended 31 December 2010

19 Property, plant and equipment (cont'd)

Group 2009		Leasehold improvement and renovation										Yard development		Construction in progress	Total
		Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold building	Leasehold land	Leasehold development	Yard development	Construction in progress		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost															
Beginning of financial year	3,200,530	1,252,069	607,965	127,573	1,785,844	26,796,824	110,020	2,868,447	1,013,965	1,836,367	5,396,674	864,854	45,861,132		
Reclassification	-	3,345	(31,166)	46,809	303,450	(320,138)	(2,300)	(3,321)	-	-	(1,842,140)	1,845,461	-		
Addition	150,196	429,331	52,445	9,520	292,940	3,724,445	11,761	459,414	7,410,600	-	376,396	8,298,558	21,215,606		
Disposal/write off	(326,867)	(4,126)	(5,632)	-	(169,122)	(547,703)	(1,428)	-	-	-	-	-	(1,054,878)		
Net exchange difference	(960)	-	(484)	(29)	-	(529)	(84)	(86)	-	-	-	-	(2,172)		
End of financial year	3,022,899	1,680,619	623,128	183,873	2,213,112	29,652,899	117,969	3,324,454	8,424,565	1,836,367	3,930,930	11,008,873	66,019,688		
Accumulated Depreciation															
Beginning of financial year	1,322,148	634,640	521,636	106,607	502,440	9,320,283	107,969	2,168,769	423,832	-	-	-	15,108,324		
Reclassification	10,815	6,752	(24,443)	45,453	43,314	(72,712)	(7,071)	(2,108)	-	-	-	-	-		
Depreciation charge	290,137	317,219	62,220	17,016	348,618	4,206,183	4,647	326,367	107,956	-	175,986	-	5,856,359		
Disposal/write off	(200,300)	(1,776)	(888)	(612)	(85,820)	(444,635)	(1,324)	-	-	-	-	-	(735,355)		
Net exchange difference	(229)	-	(344)	(31)	-	(491)	(48)	(41)	-	-	-	-	(1,184)		
End of financial year	1,422,571	956,835	558,181	168,433	808,552	13,008,638	104,173	2,492,987	531,788	-	175,986	-	20,228,144		
Net book value															
End of financial year	1,600,328	723,784	64,947	15,440	1,404,560	16,644,261	13,796	831,467	7,892,777	1,836,367	3,754,944	11,008,873	45,791,544		

Notes to the Financial Statement

For the financial year ended 31 December 2010

19 Property, plant and equipment (cont'd)

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

Notes to the Financial Statement

For the financial year ended 31 December 2010

19 Property, plant and equipment (cont'd)

Company 2009	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-condi- tioners	Leasehold improvement and renovation	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost									
Beginning of financial year	930,128	723,071	60,808	64,424	131,530	1,230,578	28,090	128,845	3,297,474
Addition	-	123,205	7,937	-	-	-	9,740	64,860	205,742
Disposal/write off	(35,000)	-	-	-	-	-	-	-	(35,000)
End of financial year	895,128	846,276	68,745	64,424	131,530	1,230,578	37,830	193,705	3,468,216
Accumulated Depreciation									
Beginning of financial year	326,845	341,187	54,277	60,658	86,876	1,198,100	28,090	64,156	2,160,189
Depreciation charge	78,067	196,871	4,360	1,576	5,253	24,610	-	15,091	325,828
Disposal/write off	(35,000)	-	-	-	-	-	-	-	(35,000)
End of financial year	369,912	538,058	58,637	62,234	92,129	1,222,710	28,090	79,247	2,451,017
Net book value									
End of financial year	525,216	308,218	10,108	2,190	39,401	7,868	9,740	114,458	1,017,199

Notes to the Financial Statement

For the financial year ended 31 December 2010

19 Property, plant and equipment (cont'd)

a) Assets held under finance lease

The carrying amount of motor vehicles, forklifts and machinery, tools and equipment held under finance lease amounting to \$1,126,142 (2009: \$536,803), \$254,497 (2009: \$171,000) and \$5,549,902 (2009: \$6,345,269) respectively.

For the purpose of the consolidated statement of cash flows during the financial year, the Group acquired fixed assets with an aggregate cost of \$16,256,913 (2009: \$21,215,606) of which \$2,707,000 (2009: Nil) were acquired under finance leases and cash payments of \$13,549,913 (2009: \$21,215,606).

b) Assets pledged as security

The Group's leasehold building with carrying amount of \$7,163,262 (2009: \$7,319,475) is mortgaged to secure the Group's bank borrowings (Note 21).

20 Trade and other payables

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade payables				
– Subsidiaries	–	–	211,384	3,667,391
– Related parties	27,334	1,853,463	181,283	305,842
– Non-related parties	11,536,234	19,710,962	56,678	88,020
	11,563,568	21,564,425	449,345	4,061,253
Construction contracts				
– Due to customers (Note 14)	4,728,881	3,518,030	–	815,000
Other payables				
– Subsidiaries	–	–	445,751	385,959
– Related parties	–	289,465	–	–
– Non-related parties	2,230,589	1,742,852	775,932	652,441
	2,230,589	2,032,317	1,221,683	1,038,400
Other accruals for operating expenses	7,452,889	13,538,986	1,447,144	2,466,743
	<u>25,975,927</u>	<u>40,653,758</u>	<u>3,118,172</u>	<u>8,381,396</u>

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

Notes to the Financial Statement

For the financial year ended 31 December 2010

21 Borrowings

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
<i>Current</i>				
Bank borrowings	26,774,513	25,491,722	22,584,411	21,258,254
Bills payable	2,467,064	955,914	553,959	–
Finance lease liabilities (Note 22)	1,382,581	1,642,903	197,248	49,996
	<u>30,624,158</u>	<u>28,090,539</u>	<u>23,335,618</u>	<u>21,308,250</u>
<i>Non-current</i>				
Bank borrowings	4,961,335	7,619,889	1,875,000	3,125,000
Finance lease liabilities (Note 22)	1,656,747	817,283	429,072	81,259
	<u>6,618,082</u>	<u>8,437,172</u>	<u>2,304,072</u>	<u>3,206,259</u>
Total borrowings	<u>37,242,240</u>	<u>36,527,711</u>	<u>25,639,690</u>	<u>24,514,509</u>

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

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
6 months or less	28,566,936	25,913,218	22,606,428	20,650,462
6 – 12 months	2,057,222	2,177,321	729,189	657,789
1 – 5 years	6,618,082	8,423,704	2,304,073	3,206,259
Over 5 years	–	13,468	–	–
	<u>37,242,240</u>	<u>36,527,711</u>	<u>25,639,690</u>	<u>24,514,510</u>

a) Security granted

Total borrowings included secured liabilities \$6,250,409 (2009: \$6,576,882) and \$626,320 (2009: \$131,256) for the Group and the Company respectively. Bank borrowings of the Group are secured over a leasehold building. Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries (Note 22), as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

Notes to the Financial Statement

For the financial year ended 31 December 2010

21 Borrowings (Cont'd)

b) Fair value of non-current borrowings

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Bank borrowings	5,045,421	7,571,515	1,880,819	3,104,187
Finance lease liabilities	1,755,300	873,390	429,072	86,555

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

	Group		Company	
	2010	2009	2010	2009
	%	%	%	%
Bank borrowings	5.5	6.0	5.5	6.0
Finance lease liabilities	2.08 – 3.50	3.20 – 3.50	3.5	3.5

22 Finance lease liabilities

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

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Minimum lease payment due				
– Not later than one year	1,500,333	1,778,292	212,964	54,756
– Between one and five years	1,811,110	876,749	461,607	88,995
– Later than five years	–	15,613	–	–
	3,311,443	2,670,654	674,571	143,751
Less: Future finance charges	(272,115)	(210,468)	(48,251)	(12,496)
Present value of finance lease liabilities	3,039,328	2,460,186	626,320	131,255

Notes to the Financial Statement

For the financial year ended 31 December 2010

22 Finance lease liabilities (Cont'd)

The present value of finance lease liabilities are analysed as follow:-

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Not later than one year (Note 21)	1,382,581	1,642,903	197,248	49,996
Later than one year (Note 21)				
– Between one and five years	1,656,747	803,815	429,072	81,259
– Later than five years	–	13,468	–	–
	<u>1,656,747</u>	<u>817,283</u>	<u>429,072</u>	<u>81,259</u>
Total	<u>3,039,328</u>	<u>2,460,186</u>	<u>626,320</u>	<u>131,256</u>

23 Deferred tax liabilities

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Deferred income tax liabilities				
– To be settled after one year	<u>989,517</u>	<u>866,372</u>	<u>36,570</u>	<u>–</u>

The movement in deferred tax account is as follow:-

Group	Accelerated tax depreciation	Provision	Tax losses	Other	Total
	\$	\$	\$	\$	\$
2010					
Beginning of financial year	964,439	(25,202)	(72,865)	–	866,372
Currency translation differences	18,049	–	–	–	18,049
Charged/(credited) to					
– profit or loss	10,325	(20,293)	115,064	–	105,096
End of financial year	<u>992,813</u>	<u>(45,495)</u>	<u>42,199</u>	<u>–</u>	<u>989,517</u>
2009					
Beginning of financial year	967,295	(113,812)	–	(28,100)	825,383
Currency translation differences	25,338	–	–	–	25,338
Charged/(credited) to					
– profit or loss	(28,194)	88,610	(72,865)	28,100	15,651
End of financial year	<u>964,439</u>	<u>(25,202)</u>	<u>(72,865)</u>	<u>–</u>	<u>866,372</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

23 Deferred tax liabilities (Cont'd)

Company	Accelerated tax depreciation	Provision	Tax losses	Other	Total
	\$	\$	\$	\$	\$
2010					
Beginning of financial year	89,407	(16,542)	(72,865)	–	–
Charged/(credited) to – profit or loss	(27,247)	(3,398)	67,215	–	36,570
End of financial year	62,160	(19,940)	(5,650)	–	36,570
2009					
Beginning of financial year	97,600	(14,500)	–	–	83,100
Charged/(credited) to – profit or loss	(8,193)	(2,042)	(72,865)	–	(83,100)
End of financial year	89,407	(16,542)	(72,865)	–	–

24 Share capital

	Group and Company			
	2010		2009	
	No. of shares	\$	No. of shares	\$
Beginning of the financial year	441,041,625	28,909,100	384,710,625	16,111,142
Shares issued	99,000,000	21,150,000	51,000,000	11,800,000
Shares issued under BKM				
Performance Share Plan	–	–	5,331,000	1,066,200
Share issue expenses	–	(407,753)	–	(68,242)
End of financial year	540,041,625	49,651,347	441,041,625	28,909,100

The holders of ordinary shares are entitled to receive dividend as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

On 7 September 2009, the Company entered into a subscription agreement with subscribers for the issuance of 38,000,000 ordinary shares at an issued price of \$0.225 per share. For a consideration of \$1 payable by each subscriber, the Company further granted the subscribers call options to subscribe for another 38,000,000 ordinary shares at an exercise price of \$0.25 per option share. On 22 January 2010, 9,000,000 option shares were exercised by the subscribers at an exercise of \$0.25 per option share. As at 31 December 2010, the subscribers had exercised options for 22,000,000 ordinary shares and as at that date, there were unexercised options for 16,000,000 ordinary shares.

During the financial year, the Company issued 99,000,000 new ordinary shares arising from:

- (i) Issuance of 9,000,000 ordinary shares to subscribers of the call options as described above at an exercise price of \$0.25 per ordinary share. The newly issued ordinary shares rank pari passu in all respects with the previously issued shares.
- (ii) Issuance of 90,000,000 ordinary shares at \$0.21 per ordinary share pursuant to a Placement Agreement dated 16 August 2010. The newly issued ordinary shares rank pari passu in all respects with the previously issued shares.

Notes to the Financial Statement

For the financial year ended 31 December 2010

25 Currency translation reserve

	Group	
	2010	2009
	\$	\$
Beginning of financial year	(33,585)	(20,233)
Net currency translation difference of financial statement of foreign subsidiaries	20,541	(13,352)
End of financial year	(13,044)	(33,585)

Currency translation reserve is non-distributable.

26 Dividends

	Group and Company	
	2010	2009
	\$	\$
<i>Ordinary dividends paid</i>		
Final dividends paid in respect of the previous financial year of 0.50 cents (2009:0.50 cents) per share	2,250,208	1,923,553

At the Annual General Meeting on 19 April 2011, a final dividend of 0.15 cents per share amounting to total of \$810,062 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial years ending 31 December 2011.

27 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to \$4,524,568 (2009:\$5,914,957). The fair values of the corporate guarantees have not been recognised in the financial statements in the Company as the amounts involved are not material to the Company and has no significant impact on the consolidated financial statements of the Group.

Notes to the Financial Statement

For the financial year ended 31 December 2010

28 Commitments

a) Capital commitments

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

	Group	
	2010	2009
	\$	\$
Property, plant and equipment	2,885,567	322,625

b) Operating lease commitments

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

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

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Not later than one year	191,384	147,003	480,000	480,000
Between one and five years	573,044	588,011	960,000	1,440,000
Later than five years	–	98,002	–	–
	764,428	833,016	1,440,000	1,920,000

29 Financial risk management

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

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

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

a) Market risk

(i) Currency risk

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

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

	SGD	USD	IDR	Other	Total
At 31 December 2010					
Financial assets					
Cash and cash equivalents	16,385,284	612,556	5,025,837	2,042,829	24,066,506
Trade and other receivables	50,494,631	1,967,543	249,039	5,829	52,717,042
	<u>66,879,915</u>	<u>2,580,099</u>	<u>5,274,876</u>	<u>2,048,658</u>	<u>76,783,548</u>
Financial liabilities					
Borrowings	(34,593,892)	(2,618,526)	–	(29,822)	(37,242,240)
Trade and other payables	(24,278,092)	(166,640)	(1,268,572)	(262,623)	(25,975,927)
	<u>(58,871,984)</u>	<u>(2,785,166)</u>	<u>(1,268,572)</u>	<u>(292,445)</u>	<u>(63,218,167)</u>
Net financial assets/(liabilities)	8,007,931	(205,067)	4,006,304	1,756,213	13,565,381
Add: Net non-financial assets	69,884,854	–	(1,052,507)	40,155	68,872,502
Net assets	<u>77,892,785</u>	<u>(205,067)</u>	<u>2,953,797</u>	<u>1,796,368</u>	<u>82,437,883</u>
Currency profile including non-financial assets and liabilities	<u>77,892,785</u>	<u>(205,067)</u>	<u>2,953,797</u>	<u>1,796,368</u>	<u>82,437,883</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	<u>–</u>	<u>–</u>	<u>(23,672,119)</u>	<u>670,048</u>	<u>(23,002,072)</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

	SGD	USD	IDR	Other	Total
At 31 December 2009					
Financial assets					
Cash and cash equivalents	14,807,513	2,044,449	577,570	1,839,012	19,268,544
Trade and other receivables	57,039,918	1,827,458	48,707	1,720,575	60,636,658
	<u>71,847,431</u>	<u>3,871,907</u>	<u>626,277</u>	<u>3,559,587</u>	<u>79,905,202</u>
Financial liabilities					
Borrowings	(33,678,694)	(2,812,223)	–	(36,794)	(36,527,711)
Trade and other payables	(37,475,531)	(1,735,935)	(1,050,595)	(391,697)	(40,653,758)
	<u>(71,154,225)</u>	<u>(4,548,158)</u>	<u>(1,050,595)</u>	<u>(428,491)</u>	<u>(77,181,469)</u>
Net financial assets/(liabilities)	693,205	(676,250)	(424,318)	3,131,096	2,723,733
Add: Net non-financial assets	59,239,362	–	(1,428,161)	(67,075)	57,744,126
Net assets	<u>59,932,567</u>	<u>(676,250)</u>	<u>(1,852,479)</u>	<u>3,064,021</u>	<u>60,467,859</u>
Currency profile including non-financial assets and liabilities	<u>59,932,567</u>	<u>(676,250)</u>	<u>(1,852,479)</u>	<u>3,064,021</u>	<u>60,467,859</u>
Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities functional currencies	<u>–</u>	<u>–</u>	<u>(18,840,665)</u>	<u>1,065,147</u>	<u>(17,775,519)</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

a) Market risk (Cont'd)

(i) Currency risk (Cont'd)

If the IDR and USD change against the SGD by 7% (2009: 5%) and 7% (2009: 3%) respectively with all other variable including tax rate being held constant, the effect arising from the net financial liability/asset position will be as follow:

	2010 Profit after tax	2009 Profit after tax
	\$	\$
IDR against SGD		
– Strengthened	39	(3)
– Weakened	(39)	3
USD against SGD		
– Strengthened	(17,647)	(25,585)
– Weakened	17,647	25,585

(ii) Interest rate risk

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

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

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

a) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

	Within 1 year	Within 2 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
Group				
2010				
Fixed rate				
Finance lease	1,375,377	1,663,951	–	3,039,328
Long-term loans	1,752,716	2,691,336	–	4,444,052
Floating rate				
Fixed deposits	11,333,231	–	–	11,333,231
Short-term bank loans	24,080,717	–	–	24,080,717
Long-term loan	941,081	2,270,000	–	3,211,081
Bills payable to banks	2,467,063	–	–	2,467,063
2009				
Fixed rate				
Finance lease	1,642,903	803,815	13,468	2,460,186
Long-term loans	1,743,163	4,437,889	–	6,181,052
Floating rate				
Fixed deposits	982,048	–	–	982,048
Short-term bank loans	22,813,863	–	–	22,813,863
Long-term loan	934,696	3,182,000	–	4,116,696
Bills payable to banks	955,914	–	–	955,914
Company				
2010				
Fixed rate				
Finance lease	626,320	–	–	626,320
Long-term loan	1,255,565	1,875,000	–	3,130,565
Floating rate				
Fixed deposits	8,003,852	–	–	8,003,852
Short-term bank loans	21,328,845	–	–	21,328,845
Bills payable to banks	553,959	–	–	553,959
2009				
Fixed rate				
Finance lease	49,996	81,259	–	131,255
Long-term loan	1,257,791	3,125,000	–	4,382,791
Floating rate				
Short-term bank loans	20,000,463	–	–	20,000,463

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

a) Market risk (Cont'd)

(ii) Interest rate risk (Cont'd)

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

	Group		Company	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	\$	\$	\$	\$
2010				
<i>Floating rate instruments</i>				
Singapore Dollar	(234,772)	234,772	(170,095)	170,095
United States Dollar	(26,185)	26,185	–	–
Malaysian Ringgit	12,148	(12,148)	–	–
Indonesia Rupiah	20,112	(20,112)	–	–
2009				
<i>Floating rate instruments</i>				
Singapore Dollar	(248,698)	248,698	(200,005)	200,005
United States Dollar	(28,134)	28,134	–	–
Malaysian Ringgit	7,788	(7,788)	–	–

b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group has a credit policy in place and the exposure to credit risk is monitored on an on-going basis through the application of credit approvals, credit limits and debt monitoring procedures. Where appropriate, the Company and its subsidiaries obtain guarantee from the customer or arrange netting agreements. For customer of lower credit standing, the Group would usually enforce to transact in cash terms, advance payments and letters of credit.

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

	Group	
	2010	2009
	\$	\$
<u>By geographical areas</u>		
Singapore	22,833,092	26,672,341
Indonesia	14,096,149	15,116,550
Malaysia	5,830	1,717,219
	<u>36,935,071</u>	<u>43,506,110</u>
<u>By types of customers</u>		
Non-related parties	19,009,525	21,083,206
Related parties	17,925,546	22,422,904
	<u>36,935,071</u>	<u>43,506,110</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

b) Credit risk (Cont'd)

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

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

The Group's and Company's trade receivables not past due include receivable amounting to \$28,074,322 (2009: \$25,545,895) and \$4,372,765 (2009: \$6,085,104) respectively that would have been past due or impaired if the terms were not re-negotiated during the financial year.

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

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

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

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Past due				
– Less than 30 days	3,474,664	4,537,473	–	197,290
– 30 to 60 days	2,637,511	11,907,576	–	4,984,690
– 61 to 90 days	1,642,321	3,030,041	–	269,031
– More than 91 days	20,319,826	6,070,805	4,372,765	634,093
	<u>28,074,322</u>	<u>25,545,895</u>	<u>4,372,765</u>	<u>6,085,104</u>

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

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Trade debtors – nominal value	6,602,834	11,210,901	–	–
Less: Estimated rebates/discount	(1,619,706)	(3,260,816)	–	–
Less: Allowance for impairment	<u>(787,182)</u>	<u>(826,281)</u>	<u>–</u>	<u>–</u>
	<u>4,195,946</u>	<u>7,123,804</u>	<u>–</u>	<u>–</u>
Beginning of financial year	826,281	2,207,071	–	–
Allowance made	915,151	514,934	–	–
Allowance utilised	(204,337)	(884,961)	–	–
Allowance write-back	<u>(749,913)</u>	<u>(1,010,763)</u>	<u>–</u>	<u>–</u>
End of the year	<u>787,182</u>	<u>826,281</u>	<u>–</u>	<u>–</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

c) Liquidity risk

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

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by the Group management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also managed sufficient funding through short-term bank loans and overdraft facilities.

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

	Less than 1 year	Between 1 to 5 years	Over 5 years
	\$	\$	\$
Group			
As 31 December 2010			
Trade and other payables	25,975,927	–	–
Borrowings	30,624,158	6,772,445	–
As 31 December 2009			
Trade and other payables	40,653,758	–	–
Borrowings	28,090,539	8,496,638	15,613
Company			
As 31 December 2010			
Trade and other payables	3,118,172	–	–
Borrowings	23,335,618	2,336,607	–
As 31 December 2009			
Trade and other payables	8,381,396	–	–
Borrowings	21,308,250	3,213,995	–

Notes to the Financial Statement

For the financial year ended 31 December 2010

29 Financial risk management (Cont'd)

d) Capital risk

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

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

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

	Group		Company	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net debt	39,151,661	57,912,925	18,594,239	27,030,864
Total equity	82,437,882	60,467,859	50,350,097	31,075,000
Total capital	<u>121,589,543</u>	<u>118,380,784</u>	<u>68,944,336</u>	<u>58,105,864</u>
Gearing ratio	<u>32%</u>	<u>49%</u>	<u>27%</u>	<u>47%</u>

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2009 and 2010.

Notes to the Financial Statement

For the financial year ended 31 December 2010

30 Related party transaction

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

a) Sale and purchase of goods and services

	Group	
	2010	2009
	\$	\$
Sale of goods and/or services to		
– Associated companies	12,000	13,971
– Other related parties	13,258,345	44,956,176
	<u>13,270,345</u>	<u>44,970,147</u>
Purchase of material and/or services from		
– Other related parties	<u>146,359</u>	<u>1,525,096</u>
Purchase of property, plant and equipment from other related parties	<u>–</u>	<u>7,200,000</u>

Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Outstanding balances at 31 December 2010, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 20 respectively.

b) Key management personnel compensation

Key management personnel compensation is as follows:–

	Group	
	2010	2009
	\$	\$
Wages and salaries	3,311,717	3,920,716
Employer's contribution to defined contribution plans, including Central Provident Fund	142,881	124,318
Share based payments	<u>–</u>	<u>588,060</u>
	<u>3,454,598</u>	<u>4,633,094</u>
Directors of the Company	1,568,894	2,312,252
Executive officers of the Group	<u>1,885,704</u>	<u>2,320,842</u>
	<u>3,454,598</u>	<u>4,633,094</u>



Notes to the Financial Statement

For the financial year ended 31 December 2010

31 Segment information

Business segments

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

- (a) Infrastructure Engineering
- (b) Corrosion Prevention
- (c) Supply and Distribution
- (d) Shipping and Others

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

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

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

31 Segment information (Cont'd)

Year ended 31 December 2010

Sales to external customers
Inter-segment sales
Total sales

Results:

Segment result
Interest expense
Interest income
Share of results of associated companies
Profit before taxation
Taxation
Profit after taxation
Profit attributable to non-controlling interests

Profit after taxation includes:

– Depreciation
– Amortisation

Other information Segments assets

Segment assets includes:–

Investment in associated companies
Additions to: Property, plant and equipment

Segment liabilities

Infrastructure Engineering	Corrosion Prevention	Supply and Distribution	Shipping and Others	Total
\$	\$	\$	\$	\$
16,980,165	43,883,463	17,424,717	199,759	78,488,104
4,936,779	1,531,279	4,588,883	5,000	11,061,941
21,916,944	45,414,741	22,013,600	204,759	89,550,045
484,533	2,191,452	3,141,125	(438,372)	5,378,738
(127,388)	(836,031)	(393,833)	—	(1,357,252)
23,473	15,041	850	117	39,481
—	(16,760)	—	(273,942)	(257,182)
380,618	1,387,222	2,748,142	(712,197)	3,803,785
				(1,118,342)
				2,685,443
				40,225
				2,725,668
1,889,213	3,801,974	286,670	98,120	6,075,977
—	—	—	58,375	58,375
44,594,696	66,165,086	21,751,296	13,051,124	145,562,202
—	—	—	3,694,973	3,694,973
4,672,921	3,923,405	57,810	7,602,777	16,256,913
16,886,214	10,066,052	9,641,069	2,032,077	38,625,412

Notes to the Financial Statement

For the financial year ended 31 December 2010

31 Segment information (Cont'd)

Year ended 31 December 2009

Sales to external customers
Inter-segment sales
Total sales

Results:

Segment result
Interest expense
Interest income
Share of results of associated companies
Profit before taxation
Taxation
Profit after taxation
Profit attributed to non-controlling interests

Profit after taxation includes:

– Depreciation
– Amortisation

Other information Segments assets

Segment assets includes:–

Investment in associated companies
Additions to: Property, plant and equipment

Segment liabilities

Infrastructure Engineering	Corrosion Prevention	Supply and Distribution	Shipping and Others	Total
\$	\$	\$	\$	\$
57,034,471	58,278,259	23,092,660	52,582	138,457,972
2,343,449	2,568,205	7,116,753	–	12,028,407
59,377,920	60,846,464	30,209,413	52,582	150,486,379
4,860,967	6,245,152	2,388,667	(254,456)	13,240,330
(131,341)	(994,597)	(402,821)	–	(1,528,759)
1,321	3,612	404	507	5,844
–	(16,760)	–	(222,153)	(238,913)
4,730,947	5,237,407	1,986,250	(476,102)	11,478,502
				(2,645,489)
				8,833,013
				(267,915)
				8,565,098
1,824,447	3,771,968	236,936	23,007	5,856,358
–	–	–	61,294	61,294
47,217,857	62,987,659	24,314,070	4,743,832	139,263,418
–	183,240	–	3,968,915	4,152,155
12,355,325	1,433,318	7,425,963	–	21,215,606
23,279,384	15,831,729	13,613,080	74,026	52,798,219

Notes to the Financial Statement

For the financial year ended 31 December 2010

31 Segment information (Cont'd)

(a) Reconciliations

(i) Segment assets

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

Segment assets are reconciles to total assets as follows:

	2010	2009
	\$	\$
Segments assets for reportable segments	145,562,202	139,263,418
Unallocated:		
Goodwill	2,284,898	2,268,787
	<u>147,847,100</u>	<u>141,532,205</u>

(ii) Segment liabilities

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

Segment assets are reconciles to total liabilities as follows:

	2010	2009
	\$	\$
Segments liabilities for reportable segments	38,625,412	52,798,219
Unallocated:		
Current income tax liabilities	1,201,534	3,016,505
Deferred tax liabilities	989,517	866,372
Borrowings	24,592,755	24,383,250
	<u>65,409,218</u>	<u>81,064,346</u>

Notes to the Financial Statement

For the financial year ended 31 December 2010

31 Segment information (Cont'd)

(b) Geographical information

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

	Revenue		Non-current assets	
	2010	2009	2010	2009
	\$	\$	\$	\$
Singapore	43,460,192	99,564,827	31,259,690	23,237,145
Indonesia	27,662,626	33,079,022	26,248,218	25,163,416
Others	7,365,286	5,814,123	36,305	53,801
	<u>78,488,104</u>	<u>138,457,972</u>	<u>57,544,213</u>	<u>48,454,362</u>

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

(c) Information about major customers

Revenues from a major customer amounted to \$18,520,931 (2009: \$41,122,124), arising from sales by all the segments.

Revenues from another major customer amounted to \$Nil (2009:\$22,207,301), arising from sales by the infrastructure engineering segment.

Notes to the Financial Statement

For the financial year ended 31 December 2010

32 Business Combination

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

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

(a) Purchase consideration

	\$
Cash paid, representing consolidation transferred for the businesses	250,000
Less: Cash and cash equivalents in business acquired	(59,362)
Cash outflow on acquisition	190,638

(b) Identifiable assets acquired and liabilities assumed

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

(c) Goodwill

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

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

(d) Revenue and profit contribution

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



Notes to the Financial Statement

For the financial year ended 31 December 2010

33 Events occurring after balance sheet date

On 21 February 2011 and 4 March 2011, a subsidiary of the Company, Asian Sealand Engineering Pte Ltd, secured contracts to construct 2 submersible, transport, launch barge amounting to USD31,250,000 and USD21,000,000 respectively. These contracts are expected to have material impact on the earnings per share for the financial year ending 31 December 2011.

34 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2011 or later periods and which the Group has not early adopted:

- Amendments to FRS 24 – Related party disclosures (effective for annual periods beginning on or after 1 January 2011)
- Amendments to FRS 32 Financial instruments: Presentation – classification of rights issues (effective for annual periods beginning on or after 1 February 2010)
- Amendments to INT FRS 114 – Prepayments of a minimum funding requirement (effective for annual periods commencing on or after 1 January 2011)
- INT FRS 119 Extinguishing financial liabilities with equity instruments (effective for annual periods commencing on or after 1 July 2010)

The management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in the future period will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption, except for the amendment to FRS 24 – Related party disclosure.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. However, the revised definition of a related party will also mean that some entities will have more related parties and will be required to make additional disclosure.

Management is currently considering the revised definition to determine whether any additional disclosure will be required and has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment on the related party disclosures.



Use of Proceeds from Placement of New Shares

Pursuant to the Subscription and Call Option Agreement dated 7 September 2009 with Mr Tan Chin Hock, Mr Ang Poon Beng, Mr Lee Wee Soon, Mr Goh Yew Gee, Mr Aw Yong Wee and Mr Low Chui Heng (the “Subscribers”), the Subscribers subscribed 38,000,000 new shares in the Company at an issue price of \$0.225. The Subscribers were granted a call option to subscribe for another 38,000,000 new shares in the Company at an exercise price of \$0.25 per share. This call option is exercisable at the sole discretion of the Subscribers within the period of 3 years from the date of the Call Option Agreement. As at 31 December 2010, 22,000,000 Call Option shares have been exercised.

Gross Proceeds from

38 million new ordinary shares at S\$0.225 per share	8,550,000
22 million new ordinary shares at S\$0.25 per share	5,500,000
	<hr/>
	14,050,000
Less: Expenses	(45,000)
	<hr/>
Net proceeds	14,005,000
	<hr/>

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

Use of Proceeds

(i) Repay bank borrowings	7,800,000
(ii) Capital expenditures for new yard	3,205,000
(iii) General working capital	3,000,000
	<hr/>
Total	14,005,000
	<hr/>

Pursuant to the Placement Agreement dated 16 August 2010 between the Company and DMG & Partners Securities Pte Ltd (“DMG”), the Company has allotted and issued 90,000,000 placement shares at an issue price of S\$0.21 for each placement share to the subscribers procured by DMG.

As announced on 24 December 2010 and 1 March 2011, the total net proceeds of S\$18,500,000 were fully utilised as follows:

Use of Proceeds

(i) Capital expenditures for yard development/vessel	10,000,000
(ii) General working capital	8,500,000
	<hr/>
Total	18,500,000
	<hr/>

Shareholding Statistics

As at 11 March 2011

Issued and fully paid	: S\$50,127,342.00
Number of shares	: 540,041,625
Number of Treasury Shares held	: Nil
Class of shares	: Ordinary shares
Voting rights	: 1 vote per ordinary share

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 11 March 2011, 50.29% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	2	0.08	1,000	0.00
1,000 – 10,000	579	22.64	4,373,000	0.81
10,001 – 1,000,000	1,942	75.95	138,131,000	25.58
1,000,001 and above	34	1.33	397,536,625	73.61
	2,557	100.00	540,041,625	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Labroy Marine Pte Ltd	145,712,625	26.98
2	Chua Beng Kuang	36,267,500	6.72
3	Chua Meng Hua	35,319,500	6.54
4	Chua Beng Yong	25,319,500	4.69
5	Chua Beng Hock	25,319,500	4.69
6	Kim Eng Securities Pte Ltd	18,153,000	3.36
7	OCBC Securities Pte Ltd	17,678,000	3.27
8	CIMB Securities (S) Pte Ltd	14,471,000	2.68
9	Phillip Securities Pte Ltd	14,060,000	2.60
10	Ng Chee Keong	12,155,000	2.25
11	UOB Kay Hian Pte Ltd	8,430,000	1.56
12	Hong Leong Finance Nominees Pte Ltd	3,762,000	0.70
13	Chang Thiam Hui	3,700,000	0.69
14	UOB Nominees (Pte) Ltd	3,688,000	0.68
15	DBS Nominees (Pte) Ltd	3,458,000	0.64
16	Tay Yew Chong	3,354,000	0.62
17	DBS Vickers Securities (S) Pte Ltd	2,425,000	0.45
18	Nge Yock Hua	2,000,000	0.37
19	Chuah Lam Siang	1,800,000	0.33
20	OCBC Nominees Singapore Pte Ltd	1,788,000	0.33
		378,860,625	70.15



Shareholding Statistics

As at 11 March 2011

SUBSTANTIAL SHAREHOLDERS

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

Note:

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



Notice of Annual General Meeting

Registration No. 199400196M
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the “Company”) will be held at 55 Shipyard Road, Singapore 628141 on Tuesday, 19 April 2011 at 11.00 a.m., for the purpose of transacting the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts for the financial period ended 31 December 2010 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a one-tier tax exempt first and final dividend of 0.15 cents per ordinary share for the financial year ended 31 December 2010. **(Resolution 2)**
3. To re-elect Mr Goh Chee Wee as a Director retiring pursuant to Article 107 of the Company’s Articles of Association [See Explanatory Note 1] **(Resolution 3)**
4. To re-elect Dr Wong Chiang Yin as a Director pursuant to Article 107 of the Company’s Articles of Association. [See Explanatory Note 2] **(Resolution 4)**
5. To re-elect Mr Ali Abdulla Ahmad Bin Towaih as a Director pursuant to Article 117 of the Company’s Articles of Association. [See Explanatory Note 3] **(Resolution 5)**
6. To approve the payment of Directors’ fees of S\$98,000 (2009: S\$96,000) for the financial year ended 31 December 2010. **(Resolution 6)**
7. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS

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

Authority to allot and issue shares up to 50 per centum (50%) of issued share capital **(Resolution 8)**

“That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting (“AGM”) of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier.” [See Explanatory Note 4]



Notice of Annual General Meeting

Registration No. 199400196M
(Incorporated in the Republic of Singapore)

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

Authority to grant awards and to allot and issue shares under BKM Performance Share Plan
(Resolution 9)

“That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of Beng Kuang Performance Share Plan (“BKM PSP”), and, pursuant to Section 161 of the Act, to allot and issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of the awards under BKM PSP, provided always that the aggregate number of Shares to be allotted and issued pursuant to BKM PSP, when aggregated together with Shares to be allotted and issued pursuant to any other existing employee share schemes of the Company shall not exceed 15% of the total number of issued Shares excluding treasury shares from time to time.”
[See Explanatory Note 5]

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

Renewal of Shareholders’ Mandate for Interested Person Transactions
(Resolution 10)

“That:

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions set out in the addendum to this Annual Report dated 2 April 2011 (the “Addendum”) with any party who is of the class of interested persons described in Addendum provided that such transactions are on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions (the “Shareholders’ Mandate”);
- (b) the Shareholders’ Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company, and
- (c) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders’ Mandate and/or this Resolution.” [See Explanatory Note 6]

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

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

Singapore
2 April 2011



Notice of Annual General Meeting

Registration No. 199400196M
(Incorporated in the Republic of Singapore)

Notes:

- (i) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two proxies to attend and vote instead of him.
- (ii) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.
- (iii) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
- (iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.

Explanatory Notes:

- 1. Mr Goh Chee Wee will, upon re-election as a Director of the Company, remain as the member of Audit Committee, Remuneration Committee and Chairman of the Nominating Committee of the Company. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- 2. Dr Wong Chiang Yin will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee. He will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- 3. Mr Ali Abdulla Ahmad Bin Towaih will, upon re-election as a Director of the Company, remain as the member of Audit Committee, Nominating Committee and Remuneration Committee of the Company.
- 4. The proposed Ordinary Resolution 8, 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.
- 5. The proposed Ordinary Resolution 9, if passed, will empower the Directors to offer and grant awards under BKM PSP (as from time to time amended, modified or supplemented), which was approved at the extraordinary general meeting of the Company on 27 April 2009, and to allot and issue Shares in the capital of the Company, pursuant to the vesting of the awards under BKM PSP provided that the aggregate number of Shares to be issued under BKM PSP, when aggregated with Shares to be issued under any other existing share schemes of the Company, does not exceed 15% of the total number of issued Shares excluding treasury shares of the Company for the time being.
- 6. The proposed Ordinary Resolution 10, if passed, will authorise the interested person transactions as described in the Addendum and recurring in the year and will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to do all acts necessary to give effect to the Shareholders' Mandate. The rationale for and categories of interested person transactions pursuant to the Shareholders' Mandate are set out in greater detail in the Addendum accompanying this Notice.



ADDENDUM DATED 2 APRIL 2011

This Addendum is circulated to Shareholders of Beng Kuang Marine Limited (the “Company”) together with the Company’s Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Shareholders’ Mandate for Interested Person Transactions to be tabled at the Annual General Meeting to be held on 19 April 2011 at 11:00 a.m. at 55 Shipyard Road, Singapore 628141. The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

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

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



BENG KUANG MARINE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400196M)

ADDENDUM

in relation to

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



DEFINITIONS

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

“Act”	:	The Companies Act (Chapter 50) of Singapore
“AGM”	:	The annual general meeting of the Company
“Board” or “Directors”	:	The directors of the Company as at the date of this Addendum
“CDP”	:	The Central Depository (Pte) Limited of Singapore
“Company”	:	Beng Kuang Marine Limited
“Controlling Shareholder”	:	A person who has an interest in the Shares of an aggregate of not less than 15% of the total votes attached to all the Shares, or in fact exercises control over the Company
“DDW LLC”	:	Drydocks World LLC
“DWS”	:	Drydocks World – Singapore Pte. Ltd.
“Executive Director”	:	The executive Directors of the Company as at the date of this Addendum, unless otherwise stated
“Executive Officers”	:	The executive officers of the Group as at the date of this Addendum, unless otherwise stated
“Group”	:	The Company and its subsidiaries
“Hwah Hong”	:	Hwah Hong Transportation Pte. Ltd.
“Interested Person”	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
“Interested Person Transaction”	:	Transactions proposed to be entered into between the Group and any interested person
“LMPL”	:	Labroy Marine Pte. Ltd.
“Latest Practicable Date”	:	20 March 2011, being the latest practicable date prior to the printing of this Addendum
“Listing Manual”	:	The listing manual of the SGX-ST
“NTA”	:	Net tangible assets
“Securities Account”	:	Securities account maintained by a Depositor with CDP



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

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

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

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

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



BENG KUANG MARINE LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration Number: 199400196M)

Directors

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

Registered Office

55 Shipyard Road
Singapore 628141

2 April 2011

To: The Shareholders of Beng Kuang Marine Limited

Dear Sir/Madam

1. INTRODUCTION

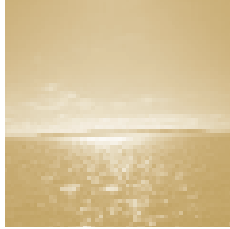
At the last AGM held on 23 April 2010, Shareholders had approved the renewal of the Group's existing general mandate, which will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual ("Shareholders' Mandate"). The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate at the forthcoming AGM which is scheduled to be held on 19 April 2011.

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 approved and renewed by the Shareholders during the last AGM, will continue to be in force until the forthcoming AGM. 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 Addendum.



2. SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Persons

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

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

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

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

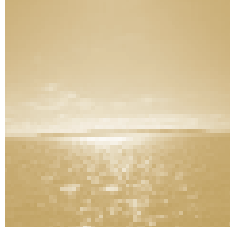
Transactions with the DDW LLC Group, Hwah Hong or any other Interested Person of the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Mandate.

2.2 Categories of Interested Persons Transactions

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

- (a) the provision of corrosion prevention services and infrastructure engineering services to the DDW LLC Group;
- (b) the engagement of services and sub-contract work from the DDW LLC Group to fulfill the contractual commitments relating to the infrastructure engineering projects including but not limited to pipe fabrication services and steel welding services, and the purchase of items necessary from the DDW LLC Group to carry out such work including, but not limited to, steel materials, angle bars and electrodes;
- (c) the supply of hardware equipment and tools (such as electrode holders, welding cables, wire brushes) and other consumables (such as electrodes and gloves) to the DDW LLC Group;
- (d) the engagement of sea transportation services from the DDW LLC Group for the projects and products; and
- (e) the engagement of lorry and crane services from Hwah Hong.

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



2.3 Rationale for and Benefits of the Shareholders' Mandate

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

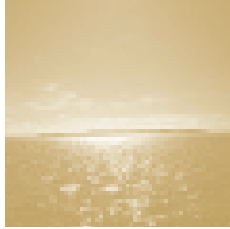
The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce and/or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by the Group into Mandate Transactions. This will substantially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

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

2.4 Review Procedures for Mandate Transactions

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

- (i) All Mandate Transactions of which are S\$100,000 and above in value shall not be entered into unless the terms are determined as follows:
 - (a) In relation to the sale of products to the DDW LLC Group, the selling price or fee shall not be more favourable to the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;
 - (b) In relation to the supply of services to the DDW LLC Group, the fee shall not be more favourable to the DDW LLC Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors as mentioned in (a) above and additional factors such as the type of facilities available and material requirements; and
 - (c) In relation to the purchase of items and the engagement of services from the DDW LLC Group and/or Hwah Hong, the Group shall obtain two other quotations from non-Interested Persons for comparison. The purchase price or fee shall not be less favourable to the Group than the most competitive price or fee of the other quotations from non-Interested Persons. In determining the most competitive price or fee, non-price factors such as quality, delivery time, credit terms granted and track record will be taken into account.



- (ii) In the event that it is not possible for external quotations to be obtained (for instance, if there is no unrelated third party who is able to provide the same products or perform the same function) or there are no relevant successful sales of products or services to unrelated third party customers for the comparison, the Group will adopt the following procedures to determine whether the prices or fees offered by or to the DDW LLC Group and/or Hwah Hong are in accordance with the industry norms, at arm's length basis and on normal commercial terms:-
 - (a) For purchases of products and/or engagement of services from the DDW LLC Group and/or Hwah Hong, the purchase price must be no less favourable to the Group than that charged by the DDW LLC Group and/or Hwah Hong to their other unrelated customers after taking into consideration other non-price factors such as quality, delivery time, track record, and credit terms granted. We will obtain from the DDW LLC Group, Hwah Hong and elsewhere, the necessary evidence to satisfy ourselves that the basis set out herein have been adhered to in the purchases from them. We will also consider the cost and benefits of such transactions to the Group; and
 - (b) For sale of products and services to the DDW LLC Group, the price charged by the Group shall be determined in accordance with the Group's usual business practices and consistent with the Group's profit margin to be obtained by the Group for the same or substantially the same products and services after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship, type of working facilities and equipment available, scope of supply of materials and potential for future repeat business.
- (iii) In addition, the following review and approval procedures will be implemented by the Group:-
 - (a) Any Mandate Transaction which equals or exceeds more than S\$100,000 but less than or equal to 3% of the Group's latest audited NTA in value will be reviewed and approved by either a Director, the Financial Controller or an Executive Officer of the Group (each of whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction; and
 - (b) Any Mandate Transaction which exceeds 3% of the Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.
- (iv) The Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):-
 - (a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on at least a quarterly basis; and
 - (b) The Company will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into).

- (v) The Audit Committee will review the Interested Person Transactions on 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. The Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.
- (vi) In the event that the Financial Controller, Executive Officer, Director or a member of the Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. The Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.
- (vii) The Audit Committee shall review from time to time the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis and on normal commercial terms and are not prejudicial to the Company and the minority Shareholders. Further, if during these periodic reviews by the Audit Committee, the Audit Committee is of the view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the Company and the minority Shareholders, the Company will (pursuant to the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures.

2.5 Audit Committee's Statements

- (a) The Independent Directors from the Audit Committee have reviewed the terms of the Shareholders' Mandate and are satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Independent Directors from the Audit Committee confirm that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 23 April 2010.
- (b) If, during the periodic reviews by the Audit Committee, the Independent Directors from the Audit Committee are of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.



3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

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

Note:

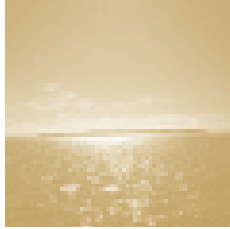
⁽¹⁾ Dubai World Holdings Limited, Drydocks World LLC, Dry Docks & Maritime World LLC, and Drydocks World – Southeast Asia Pte. Limited are deemed to have an interest in 145,712,625 shares held by Labroy Marine Pte. Ltd.

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

4. APPROVALS AND RESOLUTIONS

Shareholders' approval for the proposed renewal of the Shareholders' Mandate is sought at the AGM. The resolution relating to the proposed renewal of the Shareholders' Mandate is contained in the Notice of AGM as Ordinary Resolution 10.

As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Addendum together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 10 at the AGM to be held on 19 April 2011.



5. DIRECTORS' RECOMMENDATION

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Yong Thiam Fook, Mr Goh Chee Wee and Dr Wong Chiang Yin (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Addendum, the Independent Directors recommend that Shareholders vote in favour of Ordinary Resolution 10, being the resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the preparation of this Addendum) collectively and individually accept responsibility for the accuracy of the information contained in this Addendum and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief, the facts stated and opinions expressed in this Addendum are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Addendum misleading in any material respect.

7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2009 and 31 December 2010 are available for inspection at the registered office of the Company at during normal business hours from the date of the Addendum up to the date of AGM.

Yours faithfully
For and on behalf of the Board of Directors

Chua Beng Kuang
Executive Chairman



Annexure

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

Scope

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

Definitions

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

An “associate” means:–

- (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual) means:–
 - (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more
- (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or it's a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

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

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

General Requirements

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



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

Immediate announcement of a transaction is required where:

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

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

General Mandate

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

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

PROXY FORM

ANNUAL GENERAL MEETING

Important:

1. For investors who have used their CPF monies to buy the Shares, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, _____ (Name) NRIC/Passport No.* _____ of
_____ (Address)
being a shareholder/shareholders of **BENG KUANG MARINE LIMITED** (the "Company") hereby appoint:

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

and/or*

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

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the Annual General Meeting (the "**AGM**") of the Company to be held at 55 Shipyard Road, Singapore 628141 on Tuesday, 19 April 2011 at 11.00 a.m., and at any adjournment thereof.

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

No.	Resolutions	For	Against
1.	Adoption of Directors' Report and Audited Accounts for the financial year ended 31 December 2010		
2.	Payment of proposed first and final dividend		
3.	Re-election of Mr Goh Chee Wee as a Director		
4.	Re-election of Dr Wong Chiang Yin as a Director		
5.	Re-election of Mr Ali Abdulla Ahmad Bin Towaih as a Director		
6.	Approval of Directors' Fees for the financial year ended 31 December 2010		
7.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
8.	Authority to allot and issue of shares		
9.	Authority to grant awards and to allot and issue shares under BKM PSP		
10.	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Delete accordingly

Dated this _____ day of _____ 2011.

Total Number of Shares held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company.
3. The instrument appointing the a proxy or proxies must be deposited at the Company's registered office at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for the meeting.
4. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register 48 hours before the time appointed for holding the meeting, as certified by the Depository to the Company.

(Company Reg. No: 199400196M)



Beng Kuang Marine Limited

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