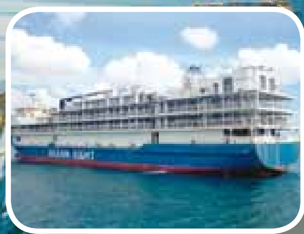
Beng Kuang Marine Limited

Company Reg. No: 199400196M

Infrastructure Engineering

Corrosion Prevention

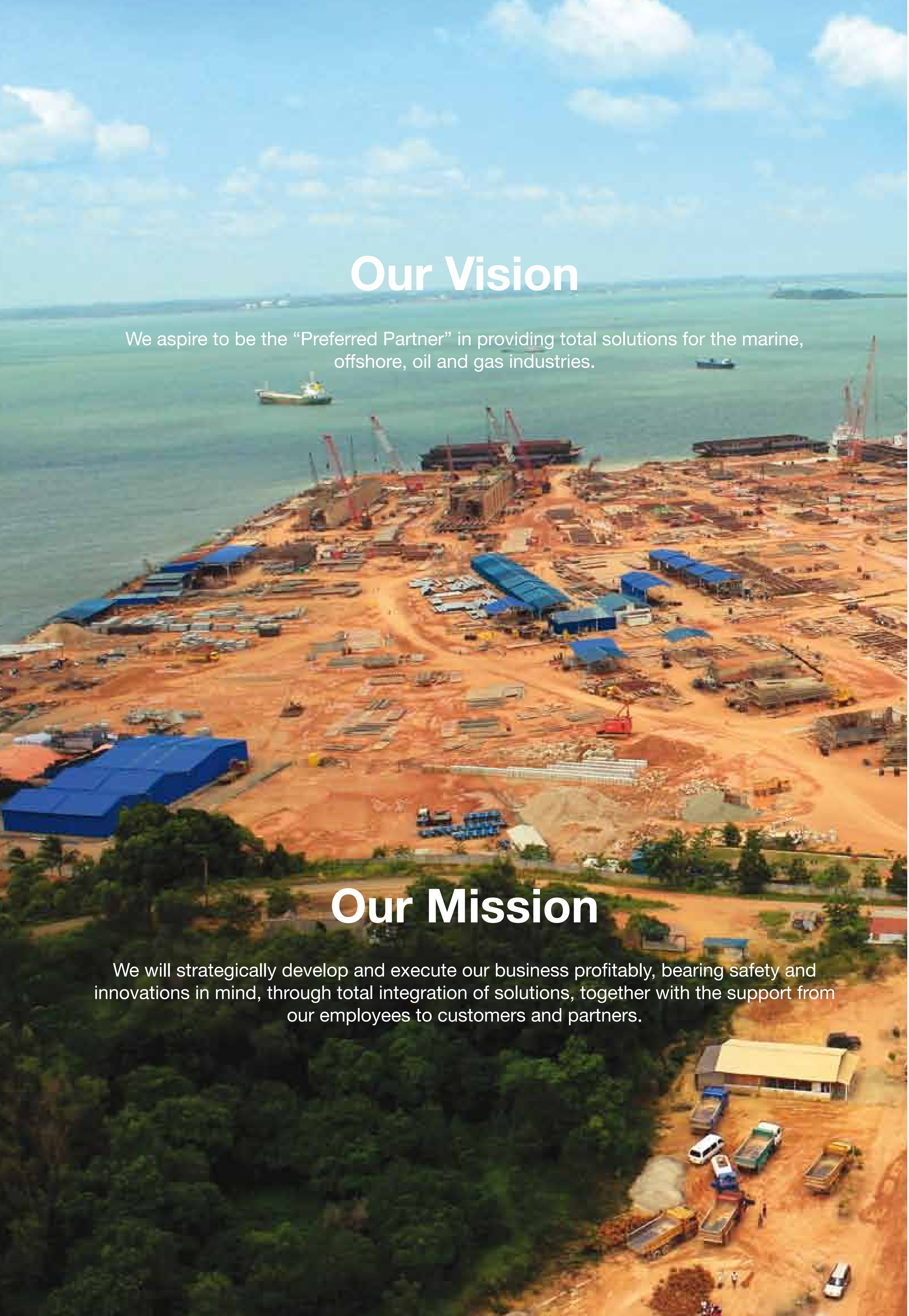
Supply & Distribution



Shipping

focusing strategy reinforcing strength

Annual Report 2012

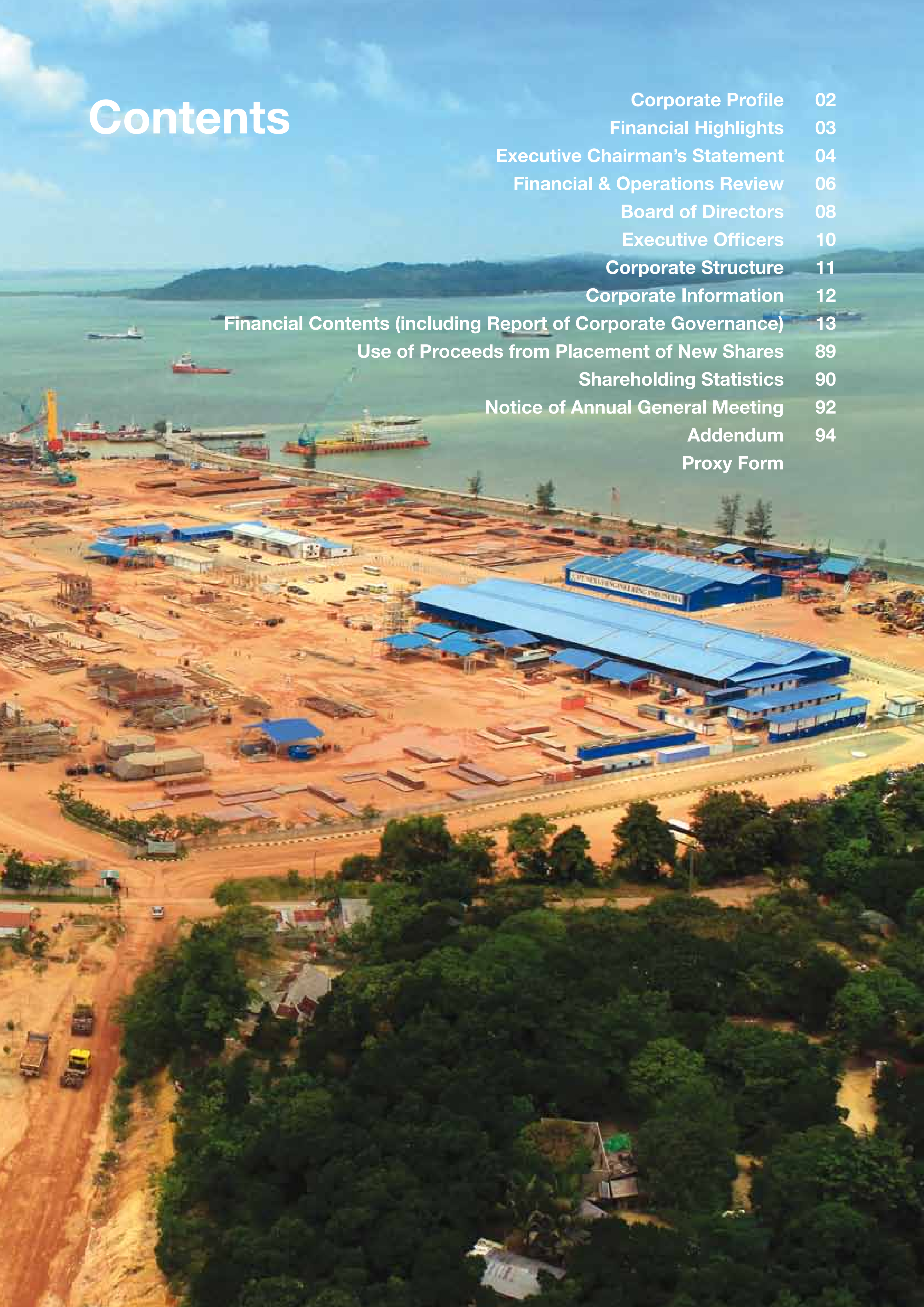


Our Vision

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

Our Mission

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



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Corporate Profile

Growing Strategically

Beng Kuang Marine Limited (together with its subsidiaries called Beng Kuang Group) was founded in 1994 and has been listed on Singapore Exchange since 15 October 2004.

Over the years, Beng Kuang Group has been striving to be the "Preferred Partner" in providing total solutions for the offshore, oil and gas and marine industries.

As a testament to our commitment to quality, health and safety, many of our subsidiaries have been accredited with the ISO and OHSAS certifications. Likewise, we have also received numerous letters of appreciation from customers on our work quality.

Beng Kuang Group leverages its resources and talents to strategically grow its key businesses in Infrastructure Engineering, Corrosion Prevention, Supply & Distribution and Shipping.

Infrastructure Engineering

- Shipbuilding & Conversion
- Offshore Constructions
- Turnkey Projects

Corrosion Prevention

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

Supply & Distribution

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

Shipping & Others

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

Infrastructure Engineering Division ("IE Division")

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

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

In 2007, we acquired a 32.8-hectare land with 460 metres of waterfront in Kabil, Batam, Indonesia. The yard commenced its operation in 4Q2008 and the timely delivery of its maiden project, a 260-man accommodation pipe-lay barge, in October 2009, marked a significant milestone for us. It has since successfully constructed and delivered a number of vessels and fabricated steel structures.

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

Corrosion Prevention Division ("CP Division")

Our impressive record and reputation for reliability have enabled us to secure appointments such as "Resident Contractor" to provide corrosion prevention services in several established shipyards in Singapore and Batam, Indonesia. Our customers include Keppel Group of companies, Singapore Technologies Group of companies and DDW - PaxOcean Group of companies.

Supply and Distribution Division ("SD Division")

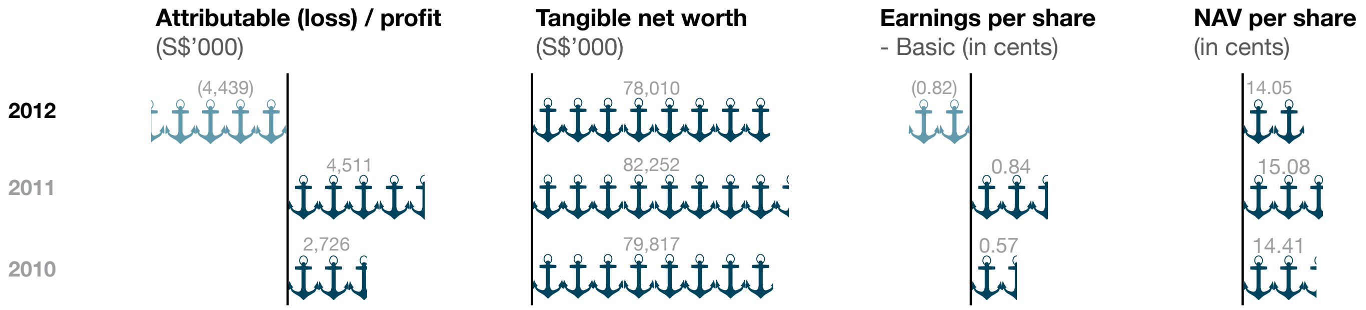
SD division carries over 400 types of products (marine hardware equipment, tools and other products) under our house brands like MASTER, PROMASTER and SPLASH, all of which are commonly used in the marine, offshore oil and gas, construction and other industries.

Shipping Division ("SH Division")

In 2010, we expanded our business into the owning and chartering of livestock carriers, tugs and barges. Subsequently, we started providing ship management services.

In year 2011, we commenced operation of our first livestock carrier 'Barkly Pearl" and the second livestock carrier is expected to commence trading in the second half of 2013. In addition, the Group operates 6 sets of tugs and barges in Indonesia.

Financial Highlights



	2012	2011	2010
OPERATING RESULTS			
Turnover	94,571,038	145,432,939	78,488,104
EBITDA	10,070,469	13,589,922	11,255,908
Pretax (loss) / profit	(5,362,523)	4,734,881	3,803,785
Attributable (loss) / profit	**(4,438,550)**	**4,511,257**	**2,725,668**
Turnover (decline) / growth	-35.0%	85.3%	-43.3%
EBITDA (decline) / growth	-25.9%	20.5%	-40.4%
Pretax (decline) / growth	-213.3%	24.5%	-66.9%
Attributable profit (decline) / growth	-198.4%	65.5%	-68.2%
EBITDA margin	10.6%	9.3%	14.4%
Pretax margin	-5.7%	3.3%	4.8%
Net (loss) / profit margin	-5.9%	2.5%	3.4%
FINANCIAL POSITION			
Total assets	188,493,101	234,944,560	147,847,100
Total liabilities	110,418,880	150,082,640	65,409,218
Net debt	59,562,760	63,858,173	13,175,734
Tangible net worth	**78,010,384**	**82,252,015**	**79,817,328**
Net gearing ratio	76.4%	77.6%	16.5%
PER SHARE DATA (IN CENTS)			
Earnings per share - Basic	**(0.82)**	**0.84**	**0.57**
- Diluted	(0.82)	0.84	0.57
Dividends	-	0.20	0.15
NAV per share	**14.05**	**15.08**	**14.41**
SEGMENT RESULTS			
Turnover			
Infrastructure Engineering	41,304,855	99,190,734	16,980,165
Corrosion Prevention	30,468,271	29,254,981	43,883,463
Supply & Distribution	15,053,965	15,677,054	17,424,717
Shipping	7,743,947	1,310,170	175,969
Others	-	-	23,790
Profit / (Loss) from operating segment			
Infrastructure Engineering	(4,186,904)	5,873,766	380,618
Corrosion Prevention	6,507,493	2,060,038	5,629,795
Supply & Distribution	261,450	2,266,524	2,748,142
Shipping	987,488	1,789	(235,858)
Others	(4,696,403)	(792,196)	(476,339)
Capital expenditure			
Infrastructure Engineering	7,233,703	20,663,208	4,672,921
Corrosion Prevention	753,354	770,446	3,923,406
Supply & Distribution	71,344	-	57,810
Shipping	10,733,315	28,889,032	7,602,777
Others	-	-	-

Executive Chairman's Statement

"On a Group basis, we will actively implement measures to improve our cost and operational efficiencies to return to profitability and continue to actively explore new business opportunities."

Chua Beng Kuang
Executive Chairman

Dear Shareholders,

The global shipping industry, in particular the container, dry bulk and oil tanker segments, remained depressed in 2012 with continued overcapacity and low freight rates. This caused a slowdown of orders for new vessels from these shipping segments. Hence, to deal with excess yard capacity, most shipyards turned to the offshore oil & gas sectors that we primarily rely on for new vessel jobs. This intensified competition for a much reduced shipbuilding market.

Against this back drop, 2012 has been a difficult year for the Group as revenue dropped sharply by 35% from S$145.4 million in FY2011 to S$94.6 million in FY2012. Consequently, the Group incurred a loss of S$4.4 million compared to a profit of S$4.5 million in 2011. The loss was attributable to the substantial drop in revenue in our Infrastructure Engineering (IE) division which was the division most adversely affected by the weak shipping market and stiff competition in the shipbuilding industry. In addition, the Group made impairment charges of approximately S$4.2 million during FY2012 on its investments in associated companies and the related goodwill. The Group's entire interests in these companies, dealing in the solid waste recycling business were subsequently sold on 5th March 2013.

In view of the loss suffered by the Group, the Directors have decided not to declare any dividend for FY2012.

Moving Ahead

Although the IE division remained the largest contributor to the Group with revenue of S$41.3 million in FY2012 compared to S$99.2 million in FY2011, it has not been successful in securing sizeable contracts for its shipyard operations in Batam arising from the intense competition for new vessel building orders. Looking forward, we expect the outlook to remain challenging in FY2013 in view of the continued intense competition for new vessel orders. In response, the division has already started to rationalise and streamline its shipyard resources and operating processes in a bid to enhance its competitiveness. In addition, our IE division will continue to strengthen its marketing efforts to secure major contracts to improve its earnings.

Revenues from our Corrosion Prevention ("CP") and Supply & Distribution ("SD") divisions of S$30.5 million and S$15.1 million respectively in 2012 were comparable to the previous year. We will continue our effort to grow the revenues of these divisions in the current year. Barring any unforeseen circumstances, we are optimistic that our CP and SD division will continue to contribute positively to the earnings of the Group in FY2013.

Our relatively new Shipping division ("SH") has performed well in FY2012. It achieved revenue of S$7.7 million in 2012 compared S$1.3 million in 2011. The increased revenue was due mainly to the full year operation of its first livestock carrier "Barkly Pearl" and its additional five sets of tugs and barges. With our second livestock carrier expected to start operating in the second half of 2013, we are cautiously optimistic that this will improve the earnings of our SH division.

On a Group basis, we will actively implement measures to improve our cost and operational efficiencies to return to profitability and continue to actively explore new business opportunities.

In Appreciation

I would like to welcome Mr Cheong Hock Wee and his alternate Director, Mr Lee Yaw Loong to the Board and I am confident that they will add significantly to Board's strength and resources. On this note, I would like to place on record our thanks and appreciation to Mr Ali Abdulla Ahmad Bin Towaih for his valuable contributions as a Director for the past 2 years.

Last but not the least, I would like to take this opportunity to express our heartfelt gratitude to our bankers, customers, suppliers and partners whose tremendous support have been invaluable; and to our management team and staff for showing much dedication and commitment to the Group.

Yours faithfully,

Chua Beng Kuang
Executive Chairman

Financial and Operations Review

FY2012 was a challenging year for the Group in which revenue fell by 35.0% or S$50.8 million from S$145.4 million in FY2011 to S$94.6 million in FY2012. Our Infrastructure Engineering ("IE") division accounted for the bulk of this drop in revenue. Arising from the weak shipbuilding market conditions, our IE division faced difficulties in securing any major new vessel construction contract that would enable our Batam shipyard to operate optimally. During the year, we also made impairment provisions amounting to S$4.2 million on our investments and related goodwill in the solid waste recycling business arising from deterioration in the financial outlook of these investments. Consequently, the Group registered a net loss of S$4.4 million attributable to shareholders for FY2012.

SEGMENTAL REVIEW

Infrastructure Engineering ("IE") Division

Revenue recognition for our IE division decreased significantly by S$57.9 million from S$99.2 million in FY2011 to S$41.3 million in FY2012. This was due to lesser construction activities as most of the works were substantially completed in the previous year and the division's inability to secure significant shipbuilding contract to replenish its depleted order book. Consequently, our IE division incurred an operating loss of S$4.2 million during FY2012 compared to a profit of S$5.9 million in FY2011.

Notwithstanding the lower order secure rate, our IE division invested approximately S$6.2 million during FY2012 to upgrade its Batam shipyard's fabrication workshop facilities and in purchasing machineries to enhance the yard's operational capabilities as it intensified efforts to market and secure new jobs.

Corrosion Prevention ("CP") Division

Our CP division registered marginal increase in revenue of S$1.2 million from S$29.3 million in FY2011 to S$30.5 million in FY2012. This was mainly due to the stable nature of revenue generated from the hull-side vessel corrosion prevention services awarded by major shipyards in Singapore. During FY2012, our CP division was able to execute most of its projects efficiently with minimal operational complications. This contributed to a significant improvement in operating profit of S$6.5 million during FY2012 compared to S$2.1 million achieved in FY2011.

Supply & Distribution ("SD") Division

Revenue for our SD division remained fairly constant at S$15.05 million for FY2012 as compared to S$15.7 million in FY2011. This was mainly due to stable third party demand for our hardware products and consumables. However, operating profit for FY2012 was lower at S$0.3 million compared to S$2.2 million recorded for FY2011. Some of the main factors causing this drop in operating profit were a decline in hardware sales to our IE division due to a slowdown in its activities; an increase in doubtful trade debt provisions of approximately S$0.5 million; and higher administrative expenses of about S$0.7 million incurred during FY2012 due to an increase in payroll costs which arose mainly from a one-time review of its payroll and recruitment policies as the division retained quality staff and renewed its workforce.

Shipping ("SH") Division

Revenue for our SH division increased significantly by S$6.4 million to S$7.7 million for FY2012 as compared to S$1.3 million in FY2011. This was largely due to charter income derived from the additional five sets of new tug boats and cargo barges in FY2012 as compared to only one set of tug and barge operating in FY2011. In addition, our first livestock carrier, m.v. Barkly Pearl, reported her first year of charter income in FY2012. She commenced her maiden voyage in December 2011. As a result of the improved revenue position, our SH division reported a higher operating profit of S$1.0 million for FY2012 compared to S$1,800 for FY2011.

OPERATING PROFITS

The Group reported net loss attributable to shareholders of S$4.4 million for FY2012 as compared to earnings of S$4.5 million in FY2011. The loss attributable to shareholders was mainly due to the substantial drop in Group's revenue, in particular our IE division, and the impairment charges provided on the Group's investment in its associated companies and the related goodwill in 3Q2012.

The tax expense of approximately S$0.3 million arises mainly due to disallowable tax deduction on impairment losses related to the Group's investment in associate companies, as well as Group relief on tax losses that were not transferable to certain subsidiaries.

CASH FLOW STATEMENT

Notwithstanding the loss incurred during the year, the Group generated substantially higher net operating cash of S$19.7 million for FY2012 as compared to S$5.8 million for FY2011. The strong net operating cash inflow for FY2012 was mainly due to collections from several shipbuilding projects completed during the year.

Net cash outflow from investing activities for FY2012 was S$17.2 million. The net outflow was mainly due to fixed asset investment of S$18.6 million being made during the year. Of which, a significant portion amounting to approximately S$9.3 million relates to the purchase cost of a secondhand vessel, m.v. Diamentina, and the cost incurred to date for her conversion into our second livestock carrier. The balance amounting to approximately S$9.3 million was incurred mainly to upgrade our Batam shipyard's fabrication workshop facilities and various machineries to improve operational efficiency. The proceeds from disposal of fixed assets of approximately S$1.5 million relate mainly to sale of old equipment and motor vehicles.

The net cash outflow from financing activities of S$0.3 million arose mainly due to repayment of finance lease liabilities of S$2.4 million, FY2011 dividends of S$1.1 million paid to the Company's equity holders during the year, and interest payment of S$0.3 million which exceeded the net proceeds from bank borrowings of approximately S$3.5 million.

As a result of the above, the Group registered a net increase in cash and cash equivalents of approximately S$2.2 million for the year ended FY2012.

ASSETS AND LIABILITIES

The Group registered total assets of S$188.5 million as at 31 December 2012.

The Group's current assets declined from S$131.1 million as at 31 December 2011 to S$88.0 million as at 31 December 2012. The decline was mainly due to lower trade receivables arising from payments received from customers for the completion and delivery of various vessels constructed by our IE division during FY2012. This decline was partially offset by an increase in "assets held-for-sale" of S$7.9 million which relates mainly to the net book value of the Group's property at 38 Tuas View Square which is a subject of the potential sale and leaseback transaction announced by the Group on 18 January 2013.

Non-current assets decreased by S$3.3 million from S$103.8 million as at 31 December 2011 to S$100.5 million as at 31 December 2012. The decrease was mainly due to the allowance for impairment of approximately S$4.2 million for the Group's investment in associated companies and the related goodwill during 3Q2012.

Total liabilities for the Group were S$110.4 million as at the end of FY2012 as compared to S$150.0 million as at 31 December 2011. The fall was mainly due to the Group reducing its trade payables and the repayment of its project financing loans upon the successful delivery of vessels to customers during FY2012.

The Group registered net current liabilities of S$3.1 million as at 31 December 2012. In the meantime, the Group is working on a potential sale and leaseback transaction as one of the ways to improve its short-term working capital position.

Board of Directors

Mr. Chua Beng Kuang
Executive Chairman

Mr. Chua Beng Kuang is our Executive Chairman and one of our founders. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has over 30 years of experience within the marine industry. He leads management in pursuing the Group's mission and objectives and has been instrumental to our growth.

Mr. Chua Meng Hua
Managing Director and Chief Executive Officer

Mr. Chua Meng Hua is our Managing Director and one of our founders. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has over 20 years of experience within the marine industry.

Mr. Alan Yong Thiam Fook
Executive Director

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

Mr. Yong was 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. 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.

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

Dr. Wong Chiang Yin 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 the Chief Operating Officer of Changi General Hospital and Singapore General Hospital, Director of the Projects Office of the Singapore Health Services and Assistant Director in the Ministry of Health. He is the Chairman of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Cashew Division. He holds a Master of Medicine (Public Health) from the National University of Singapore in 1999 and a Master in Business Administration (Finance) from the University of Leicester in 2001.

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

Mr. Goh Chee Wee was appointed as our Independent Director on 30 August 2004. He is currently a director of several public listed companies. Mr. Goh was formerly a Member of Parliament and Minister of State for Trade and Industry, Labour and Communications. He was the Group Managing Director and Chief Executive Officer of Comfort Group Ltd until 2003. Mr. Goh holds a Bachelor of Science (First Class Honours) degree and a Diploma in Business Administration from the then University of Singapore and a Master of Science (Engineering) degree from the University of Wisconsin, USA.

Mr. Cheong Hock Wee
Non-Independent and Non-Executive Director
Member, Audit Committee
Member, Remuneration Committee
Member, Nominating Committee

Mr. Cheong Hock Wee was appointed as our Non-Independent and Non-Executive Director on 10 December 2012. He is currently Chief Operating Officer of the DDW-PaxOcean Asia Group. He has extensive experience in the shipbuilding and marine industry having worked for more than 25 years in this industry. He has held senior position in Pan-United Corporation Group of Companies, Singapore Star Shipping Pte Ltd, Jaya Shipbuilding and Engineering Ltd., ASL Marine Holdings Limited and of ST Engineering Ltd.

Mr. Cheong obtained his Bachelor's Degree in Naval Architecture from University of Hamburg, Germany in 1982 and a Master of Science Degree in Industrial Engineering from National University of Singapore in 1991. He attended the Program for Management Development at Harvard Business School in Boston in 1993.

Mr. Lee Yaw Loong
Alternate Director to Mr. Cheong Hock Wee

Mr. Lee Yaw Loong was appointed as Alternate Director to Mr. Cheong Hock Wee on 22 February 2013. He is currently General Manager, Fertilizer Department of NewQuest (Trading) Pte Ltd, a subsidiary of Kuok (Singapore) Ltd. He has held various senior positions in Coopers & Lybrand (now known as PriceWaterhouseCoopers), Pacific Carriers Ltd and Kuok (Singapore) Pte Ltd from 1995 till present.

Mr. Lee obtained his Bachelor's of Economics (Honours) in Accounting and Computer Science from Monash University, Clayton, Australia in 1991 and is currently a member of Australian Society of Certified Practising Accountant (ASCPA).

Executive Officers

Mr. Chua Beng Yong
Chief Operating Officer

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

He is currently overseeing our Group's business divisions, particularly in the IE division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 20 years of experience in the marine, offshore, oil and gas industries. He is leading the IE division in pursing the Group's mission and objectives and has been pivotal in the growth of the IE division.

Mr. Chua Beng Hock
Deputy Chief Operating Officer

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

He is currently overseeing our Group's business divisions, particularly in the CP division, including developing and steering plans, directions in the marketing, business development and operations aspects. He has over 18 years of experience in the corrosion prevention business in the marine, offshore, oil and gas industries. He is leading the CP division in pursing the Group's mission and objectives and has been pivotal in the market expansion in CP division.

Mr. William Lee
Chief Financial Officer

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

Corporate Structure

BENG KUANG MARINE LIMITED

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

100% Asian Sealand Engineering Pte Ltd

100% PT. Nexus Engineering Indonesia

100% ASIC Engineering Sdn Bhd

51% Venture Automation & Electrical Engineering Pte. Ltd.

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

100% Beng Kuang Marine (B&Chew) Pte. Ltd.

100% Beng Kuang Marine (B&M) Pte. Ltd.

100% Beng Kuang Marine (B&Y) Pte. Ltd.

100% B&K Marine Pte. Ltd.

100% B&J Marine Pte. Ltd.

100% BT Asia Marketing & Engineering Pte Ltd

100% OneHub Tank Coating Pte. Ltd.

100% PT. Nexelite CP Indonesia

100% Asian Sealand Automation Pte. Ltd.

80% Nexus Hydrotech Pte. Ltd.

51% Pangco Pte. Ltd.
- **51%** PT. Berger Batam

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

100% Nexus Sealand Trading Pte Ltd
- **100%** Picco Enterprise Pte. Ltd.

100% PT. Master Indonesia

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

100% Quill Marine Pte Ltd
- **85%** Drako Shipping Pte. Ltd.
  - **85%** PT. Marina Shipping
- **70%** Ocean Eight Shipping Pte. Ltd.
  - **70%** Ocean Eight Pte Ltd

51% Water & Environmental Technologies (WET) Pte. Ltd.
- **51%** Pureflow Pte. Ltd.
- **51%** Asia Recovery Centre Pte. Ltd.

GROUP CORPORATE SERVICES
// Corporate Finance & Special Project // Corporate Administration
// Corporate Management // Corporate Development
// Quality, Health, Safety & Environment

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

Corporate Information

BOARD OF DIRECTORS

Mr. Chua Beng Kuang, *Executive Chairman*
Mr. Chua Meng Hua, *Managing Director*
Mr. Yong Thiam Fook, *Executive Director*
Mr. Cheong Hock Wee, *Non-Executive Director*
Mr. Goh Chee Wee, *Independent Director*
Dr. Wong Chiang Yin, *Independent Director*
Mr. Lee Yaw Loong, *Alternate Director to Mr. Cheong Hock Wee*

AUDIT COMMITTEE

Dr. Wong Chiang Yin, *Chairman*
Mr. Goh Chee Wee
Mr. Cheong Hock Wee

REMUNERATION COMMITTEE

Dr. Wong Chiang Yin, *Chairman*
Mr. Goh Chee Wee
Mr. Cheong Hock Wee

NOMINATING COMMITTEE

Mr. Goh Chee Wee, *Chairman*
Dr. Wong Chiang Yin
Mr. Cheong Hock Wee

COMPANY SECRETARIES

Ms. Wee Woon Hong
Mr. Lee Hock Heng

REGISTERED OFFICE

55 Shipyard Road, Singapore 628141
Tel: (65) 6266 0010   Fax: (65) 6264 0010
Email: bkm@bkmgroup.com.sg
Website: www.bkmgroup.com.sg

AUDITORS

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

Partner-In-Charge: Mr. Chin Chee Choon
(Appointed since Financial Year Ended 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
Standard Chartered Bank
DBS Bank Limited
RHB Bank Berhad
CIMB Bank Berhad
PT Bank Mandiri
Bank of China Limited
Hong Leong Finance Ltd

REGISTRAR AND THE SHARE TRANSFER OFFICE

M & C Services Private Limited
112 Robinson Road,
#05-01, Singapore 068902
Tel: (65) 6228 0530   Fax: (65) 6225 1452

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Report of Corporate Governance

For the financial year ended 31 December 2012

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 2005 (the "Code") which continues to apply to the Company's annual report for financial year ended 31 December 2012.

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 FY2012 are as follows:-

Report of Corporate Governance

For the financial year ended 31 December 2012

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	4	2	1	-	1	-
Chua Meng Hua	4	4	4	4	1	1	1	1
Yong Thiam Fook	4	4	4	4	1	1	1	1
Ali Abdulla Ahmad Bin Towaih*	4	2	4	1	1	1	1	1
Cheong Hock Wee*	-	-	-	-	-	-	-	-
Goh Chee Wee	4	4	4	4	1	1	1	1
Dr Wong Chiang Yin	4	4	4	4	1	1	1	1

* *Ali Abdulla Ahmad Bin Towaih resigned from his office as a non-executive director of the Company with effect from 10 December 2012. Cheong Hock Wee was appointed as a non-executive director of the Company with effect from 10 December 2012.*

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
Cheong Hock Wee (Non-Independent and Non-Executive Director)
Goh Chee Wee (Independent Director)
Dr Wong Chiang Yin (Independent Director)

Alternate Director
Lee Yaw Loong (alternate to Cheong Hock Wee)

Report of Corporate Governance

For the financial year ended 31 December 2012

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

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

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

Principle 3: Chairman and Managing Director

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

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

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

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

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

Principle 6: Access to Information

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

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

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

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

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

Report of Corporate Governance

For the financial year ended 31 December 2012

2. BOARD COMMITTEES

Audit Committee

Principle 11: Audit Committee

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

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

* *Ali Abdulla Ahmad Bin Towaih resigned from his office as a non-executive director of the Company with effect from 10 December 2012 and accordingly, he ceased to be a member of the AC on 10 December 2012. Cheong Hock Wee was appointed as a non-executive director of the Company with effect from 10 December 2012 and a member of the AC on 10 December 2012.*

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

- Reviewing the audit plans and reports of the independent auditor and considering the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2012 and other announcements to shareholders and the SGX-ST before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the Consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

Dr Wong Chiang Yin is currently the President of Healthcare Services, Sasteria Pte Ltd and Executive Director of TMC Life Sciences Berhad. He is the Chairman of the Citizen's Consultative Committee of the Holland-Bukit Timah Group Representation Constituency, Cashew Division. Mr Goh Chee Wee is currently a director of several public listed companies. He was elected as a Member of Parliament (1980-2001) and served as the Minister of State for Trade and Industry, Labour and Communications (1993-1997). Mr Cheong Hock Wee is currently Chief Operating Officer of the DDW-PaxOcean Asia Group and has held senior positions in the marine and shipping industries. Mr Cheong's Alternate Director, Mr Lee Yaw Loong is a senior executive with Kuok (Singapore) Limited and a current member of Australian Society of Certified Practising Accountant (ASCPA). The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities.

Report of Corporate Governance

For the financial year ended 31 December 2012

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 independent auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the independent auditor and it has accordingly recommended to the Board that Nexia TS Public Accounting Corporation be nominated for reappointment as independent auditor of the Company at the forthcoming annual general meeting of the Company ("AGM").

The aggregate amount of fees paid or payable to the independent auditor of the Company, broken down into audit and non-audit services during FY2012 are as follows:-

Audit fees	:	S$208,359
Non-audit fees	:	S$38,018

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

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 independent auditor, 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 independent auditor.

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.

Based on the internal controls established and maintained by the Group, work performed by the internal auditor and independent auditor, and reviews performed by management, various Board committees and the Board, the Board, with concurrence of the AC, is of the view that, the system of internal controls maintained by the Group provides reasonable assurance of the adequacy of the internal controls in addressing the financial, operational and compliance risks of the Group. The Board and the AC noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process with a view to improve the Group's internal control systems.

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 financial year ended 31 December 2012

Remuneration Committee

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises the following three members:-

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

* *Ali Abdulla Ahmad Bin Towaih resigned from his office as a non-executive director of the Company with effect from 10 December 2012 and accordingly, he ceased to be a member of the RC on 10 December 2012. Cheong Hock Wee was appointed as a non-executive director of the Company with effect from 10 December 2012 and a member of the RC on 10 December 2012.*

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

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

Principle 8: Level and Mix of Remuneration

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

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

Principle 9: Disclosure on Remuneration

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2012 and 31 December 2011 are set out below:

	Numbers of Directors	
Remuneration Band	**2012**	**2011**
$500,000 and above	0	2
$250,000 to below $500,000	2	0
Below $250,000	4	4
Total	6	6

Report of Corporate Governance

For the financial year ended 31 December 2012

Details of remuneration and fees paid to directors for the financial year ended 31 December 2012 are set out below:

Name of Directors	Salary# (%)	Bonus (%)	Fees* (%)	Benefits (%)	Total (%)
Chua Beng Kuang	92.27	7.52	0.21	-	100
Chua Meng Hua	90.69	7.40	1.91	-	100
Yong Thiam Fook	91.76	7.35	0.89	-	100
Goh Chee Wee	-	-	100.00	-	100
Dr Wong Chiang Yin	-	-	100.00	-	100
Ali Abdulla Ahmad Bin Towaih^	-	-	100.00	-	100
Cheong Hock Wee^	-	-	100.00	-	100

* *These fees are subject to approval of the shareholders at the forthcoming AGM.*
\# *Salary is inclusive of fixed allowance and CPF contributions.*
^ *Ali Abdulla Ahmad Bin Towaih resigned from his office as a non-executive director of the Company with effect from 10 December 2012. Cheong Hock Wee was appointed as a non-executive director of the Company with effect from 10 December 2012.*

Top 5 Executives Officers	2012
$250,000 to below $500,000	2
Below $250,000	3

The top five Executive Officers of the Group, are Mr Chua Beng Yong (Chief Operating Officer, Head of Infrastructure Engineering Division), Mr Chua Beng Hock (Deputy Chief Operating Officer, Head of Corrosion Prevention Division), Mr Phoon Kim Sin (Director, Corporate Finance & Special Projects), Mr Lee Wei Liang (Chief Financial Officer) and Mr Tan Say Tian (General Manager, Infrastructure Engineering Division, Operation & Production)

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 FY2012 exceeds $150,000.

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

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

Nominating Committee

Principle 4: Board Membership

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

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

* *Ali Abdulla Ahmad Bin Towaih resigned from his office as a non-executive director of the Company with effect from 10 December 2012 and accordingly, he ceased to be a member of the NC on 10 December 2012. Cheong Hock Wee was appointed as a non-executive director of the Company with effect from 10 December 2012 and a member of the NC on 10 December 2012.*

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;

Report of Corporate Governance

For the financial year ended 31 December 2012

- To decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;

- To decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company (in a case where the Director has multiple board representations);

- To ensure that Directors submit themselves for re-nomination and re-election at regular intervals and at least once in every three years; and

- To determine, on an annual basis, whether a Director is independent.

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

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

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

Principle 5: Board Performance

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

Each member of the NC shall abstain from voting on any resolution 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 financial year ended 31 December 2012

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 FY2012 in accordance with its existing procedures.

A summary of the interested person transactions for FY2012 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$**
PT. Nanindah Mutiara Shipyard		
Procurement of Materials and Consumables		(207,018)
Provision of Corrosion Prevention Services		653,515
PT. Graha Trisaka Industri		
Provision of Corrosion Prevention Services		(1,551,026)
Provision of Infrastructure Engineering Services		(7,029)
DDW-PaxOcean Shipyard Pte Ltd (formerly known as Drydocks World –Singapore Pte Ltd)		
Provision of Corrosion Prevention Services		1,877,693
Transportation Charges		(3,273)
PT. Drydocks World Pertama		
Provision of Corrosion Prevention Services		836,932
Provision of Infrastructure Engineering Services		(93,229)

6. MATERIAL CONTRACTS AND LOANS

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

Directors' Report

For the financial year ended 31 December 2012

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2012 and the balance sheet of the Company as at 31 December 2012.

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
Cheong Hock Wee (Appointed on 10 December 2012)
Lee Yaw Loong (Appointed on 22 February 2013 as alternate director to Cheong Hock Wee)

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options" on page 24 of this report.

Directors' Interests in Shares or Debentures

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

	Holdings registered in name of director or nominee	
	At 31.12.2012	At 1.1.2012 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
Dr Wong Chiang Yin	100,000	100,000

The directors' interests in the ordinary shares of the Company as at 21 January 2013 were the same as those as at 31 December 2012.

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.

Directors' Report

For the financial year ended 31 December 2012

Share Options

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

This Option to subscribe for new shares expired on 6 September 2012 ("Option Expiry Date").

As at Option Expiry Date, the Option to subscribe for remaining 16,000,000 new ordinary shares was not exercised and as such has expired.

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

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

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

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

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

Audit Committee

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

Dr Wong Chiang Yin	(Chairman, Independent Director)
Goh Chee Wee	(Member, Independent Director)
Cheong Hock Chee	(Member, Non-independent and Non-executive Director)

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

- Reviewing the audit plans and reports of the independent auditor and considering the effectiveness of the actions taken by management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2012 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audit conducted 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 control;
- Reviewing the assistance and co-operation given by management to the independent auditor;
- Evaluating quality of work performed by the independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits conducted by the independent auditor;

Directors' Report

For the financial year ended 31 December 2012

Audit Committee (cont'd)

- Considering and making recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

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

Independent Auditor

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

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

18 March 2013

Statement by Directors

For the financial year ended 31 December 2012

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 29 to 88 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 2012 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

18 March 2013

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") set out on pages 29 to 88, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2012, the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independent Auditor's Report

to the Members of Beng Kuang Marine Limited (cont'd)

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 2012, and of the results, changes in equity and cash flows of the Group for financial year ended on that date.

Report on Other Legal and Regulatory Requirements

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

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

Singapore

18 March 2013

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2012

	Note	2012 $	2011 $
Revenue	4	94,571,038	145,432,939
Cost of sales		(74,881,746)	(118,773,259)
Gross profit		19,689,292	26,659,680
Other losses – net	7	(3,689,697)	(18,707)
Expenses			
- Selling and distribution		(1,842,920)	(1,885,084)
- Administrative		(16,853,322)	(17,248,189)
- Finance	8	(2,558,522)	(2,139,088)
Share of losses of associated companies	16	(107,354)	(633,731)
(Loss)/profit before income tax		(5,362,523)	4,734,881
Income tax expense	9	(249,615)	(1,056,112)
Net (loss)/profit		(5,612,138)	3,678,769
Other comprehensive income, net of tax			
Currency translation differences arising from consolidation		(95,478)	(88,251)
Total comprehensive (loss)/income		(5,707,616)	3,590,518
(Loss)/profit attributable to:			
Equity holders of the Company		(4,438,550)	4,511,257
Non-controlling interests		(1,173,588)	(832,488)
		(5,612,138)	3,678,769
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(4,521,690)	4,452,688
Non-controlling interests		(1,185,926)	(862,170)
		(5,707,616)	3,590,518
(Loss)/earnings per share attributable to equity holders of the Company (cents per share)			
- Basic	10	(0.82)	0.84
- Diluted	10	(0.82)	0.84

The accompanying notes form an integral part of these financial statements

Balance Sheets

As at 31 December 2012

	Note	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
ASSETS					
Current assets					
Cash and cash equivalents	11	15,076,945	13,860,398	2,798,687	925,026
Trade and other receivables	12	50,257,060	105,182,104	66,973,925	66,662,270
Inventories	13	14,824,138	12,077,199	-	-
		80,158,143	131,119,701	69,772,612	67,587,296
Assets held-for-sale	14	7,853,588	-	-	-
		88,011,731	131,119,701	69,772,612	67,587,296
Non-current assets					
Investments in associated companies	16	-	3,061,242	-	-
Investments in subsidiaries	17	-	-	4,515,468	12,058,933
Intangible assets	18	63,837	2,609,905	-	-
Property, plant and equipment	19	100,417,533	98,153,712	1,375,037	1,404,544
		100,481,370	103,824,859	5,890,505	13,463,477
Total assets		188,493,101	234,944,560	75,663,117	81,050,773
LIABILITIES					
Current liabilities					
Trade and other payables	20	34,267,407	69,692,614	4,163,656	6,450,914
Current income tax liabilities		833,865	1,678,010	-	-
Borrowings	22	55,963,202	59,783,410	18,086,312	22,661,414
		91,064,474	131,154,034	22,249,968	29,112,328
Non-current liabilities					
Borrowings	22	18,676,503	17,935,161	270,041	1,003,800
Deferred income tax liabilities	24	677,903	993,445	16,370	19,450
		19,354,406	18,928,606	286,411	1,023,250
Total liabilities		110,418,880	150,082,640	22,536,379	30,135,578
NET ASSETS		78,074,221	84,861,920	53,126,738	50,915,195
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	49,651,347	49,651,347	49,651,347	49,651,347
Currency translation reserve	26	(154,753)	(71,613)	-	-
Retained profits	27	26,353,617	31,872,250	3,475,391	1,263,848
		75,850,211	81,451,984	53,126,738	50,915,195
Non-controlling interests		2,224,010	3,409,936	-	-
Total equity		78,074,221	84,861,920	53,126,738	50,915,195

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2012

	Note	← Attributable to equity holders of the Company			→		
		Share capital	Retained profits	Currency translation reserve	Total	Non-controlling interests	Total equity
		$	$	$	$	$	$
2012							
Beginning of financial year		49,651,347	31,872,250	(71,613)	81,451,984	3,409,936	84,861,920
Dividends relating to 2011 paid	28	-	(1,080,083)	-	(1,080,083)	-	(1,080,083)
Total comprehensive loss for the financial year		-	(4,438,550)	(83,140)	(4,521,690)	(1,185,926)	(5,707,616)
End of financial year		49,651,347	26,353,617	(154,753)	75,850,211	2,224,010	78,074,221
2011							
Beginning of financial year		49,651,347	28,171,055	(13,044)	77,809,358	4,628,524	82,437,882
Acquisition of non-controlling interests		-	-	-	-	(36,848)	(36,848)
Dividends paid to non-controlling interests		-	-	-	-	(319,570)	(319,570)
Dividends relating to 2010 paid	28	-	(810,062)	-	(810,062)	-	(810,062)
Total comprehensive income/(loss) for the financial year		-	4,511,257	(58,569)	4,452,688	(862,170)	3,590,518
End of financial year		49,651,347	31,872,250	(71,613)	81,451,984	3,409,936	84,861,920

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Net (loss)/profit		(5,612,138)	3,678,769
Adjustments for:			
Income tax expense	9	249,615	1,056,112
Allowance for impairment of trade receivables	5	1,055,078	690,813
Write down of inventories	5	95,446	31,233
Inventories written off	5	21,352	119,844
Amortisation of intangible assets	18	43,781	58,375
Impairment loss of goodwill	18	2,268,787	16,111
Impairment loss of intellectual property rights	18	233,500	-
Impairment loss of investments in associated companies	16	1,966,118	-
Write-back of allowance for impairment of trade receivables	5	(318,355)	(434,818)
Gain on disposal of property, plant and equipment	7	(211,932)	(400,559)
Property, plant and equipment written off	7	1,651	30,001
Depreciation of property, plant and equipment	19	8,381,840	6,674,365
Gain on disposal of a business unit	7	(10,000)	-
Share of losses of associated companies	16	107,354	633,731
Interest income	7	(19,557)	(32,899)
Interest expense	8	2,558,522	2,139,088
Unrealised currency translation losses/(gains)		207,965	(64,587)
		11,019,027	14,195,579
Change in working capital, net of effects from acquisition and disposal of subsidiaries			
Inventories and construction work-in-progress		48,334,739	(60,529,793)
Trade and other receivables		1,728,716	2,270,900
Trade and other payables		(34,164,076)	46,850,613
Bills payable		(3,664,217)	5,413,884
Cash flows generated from operations		23,254,189	8,201,183
Interest received		19,557	32,899
Interest paid		(2,203,359)	(1,848,373)
Income tax paid		(1,409,303)	(575,708)
Net cash flows generated from operating activities		19,661,084	5,810,001
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	34	-	(63,837)
Acquisition of non-controlling interests' share in a subsidiary	17	-	(36,848)
Additions to property, plant and equipment	19(a)	(18,603,716)	(43,485,932)
Proceeds from disposal of property, plant and equipment		1,446,019	758,167
Proceed from disposal of a business unit	11	10,000	-
Interest paid		(30,207)	(104,872)
Net cash flows used in investing activities		(17,177,904)	(42,933,322)

The accompanying notes form an integral part of these financial statements

Consolidated Statement of Cash Flows

For the financial year ended 31 December 2012

	Note	2012 $	2011 $
Cash flows from financing activities			
Proceeds from borrowings		35,216,882	38,907,282
Repayment of borrowings		(31,752,293)	(8,958,283)
Repayment of finance lease liabilities		(2,364,812)	(2,292,840)
Interest paid		(326,236)	(316,456)
Dividends paid to equity holders of the Company	28	(1,080,083)	(810,062)
Dividends paid to non-controlling interests		-	(319,570)
Net cash flows (used in)/generated from financing activities		(306,542)	26,210,071
Net increase/(decrease) in cash and cash equivalents		2,176,638	(10,913,250)
Cash and cash equivalents			
Beginning of financial year		13,160,253	24,066,506
Effects of currency translation on cash and cash equivalents		(259,946)	6,997
End of financial year	11	15,076,945	13,160,253

The accompanying notes form an integral part of these financial statements

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 18 March 2013.

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 of the financial statements.

Related parties mentioned in these notes refer to the following:

a) DDW-PaxOcean Asia Pte. Ltd. (formally known as Drydocks World-Southeast Asia Pte. Limited) and its subsidiaries ("DDW-PaxOcean Group") in which the Company is an associate of the DDW-PaxOcean Group; and

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

2 Summary of significant accounting policies

2.1 Basis of preparation

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

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

Interpretations and amendments to published standards effective in 2012

On 1 January 2012, 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 the new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and of the Company and had no material effect on the amounts reported for the current or prior financial years.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

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

(ii) Acquisition

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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(a) Subsidiaries (cont'd)

(iii) Disposals

When a change in the Group 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 equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

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

(b) Transaction with non-controlling interests

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

(c) Associated companies

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

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

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

2.2 Group accounting (cont'd)

(c) Associated companies (cont'd)

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

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

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

2.3 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.17) directly attributable to the acquisition or constructions of property, plant and equipment.

(b) Depreciation

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

	Useful lives
Motor vehicles	8 – 10 years
Computers	3 years
Office equipment	8 – 10 years
Furniture and fittings	8 – 10 years
Forklifts	8 – 10 years
Machinery, tools and equipment	2 – 15 years
Air-conditioners	5 years
Yard development	20 – 30 years
Leasehold improvement and renovation	3 – 10 years
Leasehold building	over the lease period of 20 to 30 years
Leasehold land	over the lease period of 30 years
Vessels	15 – 20 years

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.3 Property, plant and equipment (cont'd)

(b) Depreciation (cont'd)

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation method of property, plant and equipment are reviewed and adjusted as appropriate, at each balance sheet date. The effect of any revision is recognised in profit or loss when changes arise.

(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 within "Other losses - net".

2.4 Intangible assets

(a) Goodwill on acquisition

Goodwill on acquisitions of subsidiaries and business 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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.5 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet.

2.6 Investments in subsidiaries and associated companies

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

2.7 Impairment of non-financial assets

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

Intangible assets, property, plant and equipment and investments 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 cash-generating unit ("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.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.8 Financial assets (cont'd)

(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.

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

(c) Measurement

Loans and receivables are initially recognised at fair value plus transaction costs and are subsequently carried at amortised cost using the effective interest method.

(d) 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.

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

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

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

2.9 Construction contracts

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.9 Construction contracts (cont'd)

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

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

2.10 Inventories

Inventories relate to trading goods and materials to be used in the rendering of services. Inventories are carried 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 of completion and applicable variable selling expenses.

Provision is made to write down any deteriorated, damaged, obsolete and slow-moving inventories to net realisable value, where necessary.

2.11 Trade and other payables

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

2.12 Government grants

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

2.13 Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is more likely than not 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 obligation. When discounting is used, the increase in the provision due to the passage of time is recognised as finance expense. Changes in the estimated timing or amount of the expenditure are recognised in profit or loss when the changes arise.

The Group recognises the estimated liability to repair products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs.

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.14 Income taxes

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

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

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 profit or loss.

2.15 Financial guarantees

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

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

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

Intra-group transactions are eliminated on consolidation.

2.16 Borrowings

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.17 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

2.18 Revenue recognition

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

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

(a) Corrosion prevention and infrastructure engineering services

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

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

(b) Supply and distribution of products

Supply and distribution revenue is recognised net of goods and services tax and discounts when goods have been delivered and accepted by the customers. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(c) Chartering income

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

(d) Interest income

Interest income is recognised using the effective interest method.

2.19 Employee compensation

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

(a) Defined contribution plan

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.19 Employee compensation (cont'd)

(b) 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.

(c) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefit falling due more than 12 months after balance sheets are discounted to present value.

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 Dollars, which is the functional currency of the Company.

(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.

Foreign exchange gains and losses that relate to borrowings are presented in profit or loss within "Finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in profit or loss within "Other losses – net".

(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 other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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.

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.

(b) When the Group is the lessor:

The Group leases equipment and vessels under operating leases to non-related parties.

Lessor – Operating leases

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

2 Summary of significant accounting policies (cont'd)

2.25 Dividends to Company's shareholders

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

2.26 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Upon classification as held for sale, the asset is not depreciated and is measured at the lower of carrying amount and fair value less costs to sell.

3 Critical accounting estimates, assumptions and judgements

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

3.1 Critical accounting estimates and assumptions

(a) Estimated impairment of non-financial assets

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. Intangible assets, property plant and equipment and investments 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 higher of fair value less cost to sell and value-in-use calculations. The calculations of value-in-use require the use of estimates [Note 18(b) and Note 19(c)]. The carrying amounts of non-financial assets are disclosed in Notes 16 to 19.

An impairment charge of $2,268,787 arose in the environment and resource CGU in the financial year ended 31 December 2012, which reduced the carrying amount of goodwill allocated to the environment and resource CGU from $2,268,787 to nil. Impairment charges of $1,966,118 and $5,213,465 were also recognised for investments in associated companies and subsidiaries respectively in the financial year ended 31 December 2012. These impairments were made following a decision to dispose the Group's investments in the associated companies held by the impaired subsidiary.

(b) Impairment of loans and receivables

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

Where there is objective evidence of impairment, management makes judgements as to whether an impairment loss should be recorded as an expense. In determining this, management uses estimates based on historical loss experience for assets with similar risk characteristics. The methodology and assumptions used are reviewed regularly to reduce any differences between the estimated loss and actual loss experience. The carrying amounts of trade and other receivables at the balance sheet date are disclosed in Note 12.

If the values of financial assets that is past due but not impaired as at 31 December 2012 increase/decrease by 10%, the Group's and Company's allowance for impairment will increase/decrease by $2,491,232 and nil respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2012

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

3.1 Critical accounting estimates and assumptions (cont'd)

(c) Construction contracts

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

Significant judgement is required in determining the stage of completion, the extent of the contract costs incurred, the estimated total contract revenue and contract costs, as well as the recoverability of the contract costs incurred. Total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making the judgement, the Group relies on past experience and historical settlements with the customers. The carrying amount of construction contracts is disclosed in Note 15.

If the revenue on uncompleted contracts at the balance sheet date increases/decreases by 10% from management's estimates, the Group's revenue will increase/decrease by $4,452,625 and $4,751,299 respectively.

If the contract costs of uncompleted contracts to be incurred increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by $369,946 and $225,801 respectively.

(d) Uncertain tax positions

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred income tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The carrying amounts of the Group and the Company's current income tax liabilities and deferred income tax at 31 December 2012 were $833,865 and nil (2011: $1,678,010 and nil) and $677,903 and $16,370 (2011: $993,445 and $19,450) respectively.

4 Revenue

	Group	
	2012	2011
	$	$
Infrastructure engineering services	41,304,856	99,190,734
Corrosion prevention services	30,468,271	29,254,981
Supply and distribution of products	15,053,964	15,677,054
Chartering income	7,743,947	1,310,170
	94,571,038	145,432,939

Notes to the Financial Statements

For the financial year ended 31 December 2012

5 Expenses by nature

	Group	
	2012	2011
	$	$
Purchases of inventories and construction materials	40,806,165	83,078,061
Subcontractors' fees	5,551,054	6,400,137
Amortisation of intangible assets (Note 18)	43,781	58,375
Depreciation of property, plant and equipment (Note 19)	8,381,840	6,674,365
Write-back of allowance for impairment of trade receivables [Note 31(b)(ii)]	(318,355)	(434,818)
Inventories written off	21,352	119,844
Write down of inventories	95,446	31,233
Allowance for impairment of trade receivables [Note 31(b)(ii)]	1,055,078	690,813
Total amortisation, depreciation and impairment	9,279,142	7,139,812
Fees on audit services paid/payable to:		
- Auditor of the Company	208,359	179,600
- Other auditor	19,992	28,740
Total fees on audit services	228,351	208,340
Fees on non-audit services paid/payable to:		
- Auditor of the Company	38,018	43,900
- Other auditor	6,946	7,189
Total fees on non-audit services	44,964	51,089
Employee compensation (Note 6)	21,952,908	22,102,094
Utilities	1,429,611	1,655,545
Rental and repair of equipment and machinery	3,831,918	2,454,746
Maintenance of equipment and machinery	1,884,492	1,290,205
Transport and travelling	1,482,111	1,189,560
Office related expenses	913,480	832,517
Insurance	1,388,197	1,198,726
Foreign worker levies	1,362,908	1,045,072
Shipping related expenses	1,504,901	212,947
Other expenses	4,781,522	6,643,771
Changes in inventories	(2,863,736)	2,403,910
Total cost of sales, selling and distribution and administrative expenses	93,577,988	137,906,532

Notes to the Financial Statements

For the financial year ended 31 December 2012

6 Employee compensation

	Group 2012 $	Group 2011 $
Wages and salaries	20,130,232	20,145,504
Employer's contribution to defined contribution plans including Central Provident Fund	975,852	1,122,683
Other short-term benefits	846,824	833,907
	21,952,909	22,102,094

7 Other losses – net

	Group 2012 $	Group 2011 $
Interest income	19,557	32,899
Gain on disposal of property, plant and equipment	211,932	400,559
Property, plant and equipment written off	(1,651)	(30,001)
Impairment loss of goodwill (Note 18)	(2,268,787)	(16,111)
Impairment loss of investments in associated companies (Note 16)	(1,966,118)	-
Impairment loss of intellectual property rights (Note 18)	(233,500)	-
Currency translation gains/(losses), net	40,387	(760,672)
Government grants	53,040	30,528
Sales of scrap	445,443	324,091
Gain on disposal of a business unit (Note 11)	10,000	-
	(3,689,697)	(18,707)

8 Finance expenses

	Group 2012 $	Group 2011 $
Interest expense		
- Bank borrowings	1,893,400	1,074,245
- Bank overdrafts	90,740	50,011
- Finance lease liabilities	238,237	217,569
- Bills payable	366,352	902,135
	2,588,729	2,243,960
Less: Amount capitalised in property, plant and equipment	(30,207)	(104,872)
Finance expenses recognised in profit or loss	2,558,522	2,139,088

Borrowing costs on construction of a vessel were capitalised at a rate of 3.32% (2011: 2.5%).

Notes to the Financial Statements

For the financial year ended 31 December 2012

9 Income tax expense

	Group 2012 $	Group 2011 $
Tax expense / (credit) attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax - Singapore	177,535	552,606
- Foreign	884,595	828,339
	1,062,130	1,380,945
Deferred income tax (Note 24)	(311,289)	51,809
	750,841	1,432,754
- Over provision in prior financial years		
Current income tax	(496,973)	(328,761)
Deferred income tax (Note 24)	(4,253)	(47,881)
	(501,226)	(376,642)
	249,615	1,056,112

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

	Group 2012 $	Group 2011 $
(Loss)/profit before income tax	(5,362,523)	4,734,881
Share of loss of associated companies, net of tax	107,354	633,731
(Loss)/profit before income tax and share of losses of associated companies	(5,255,169)	5,368,612
Tax at the applicable tax rate of 17% (2011: 17%)	(893,379)	912,664
Effects of:		
- expenses not deductible for tax purposes	1,619,732	319,886
- income not subject to tax	(112,362)	(5,470)
- tax incentives	(1,920)	(112,422)
- different tax rates in other countries	(30,281)	227,589
- deferred tax assets not recognised	160,432	90,439
- others	8,619	68
Tax charge	750,841	1,432,754

Notes to the Financial Statements

For the financial year ended 31 December 2012

10 (Loss)/earnings per share

	Group	
	2012	**2011**
(Loss)/profit attributable to equity holders of the Company ($)	(4,438,550)	4,511,257
Weighted average number of ordinary shares for basic earnings per share	540,041,625	540,041,625
Basic (loss)/earnings per share (cents per share)	(0.82)	0.84
Diluted (loss)/earnings per share (cents per share)	(0.82)	0.84

a) Basic earnings per share

Basic earnings per ordinary share amounts are calculated by dividing net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

b) Diluted earnings per shares

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and weighted average number of ordinary shares outstanding are adjusted for the effects of all diluted potential ordinary shares.

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

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

The option to subscribe the remaining 16,000,000 new ordinary shares of the Company has expired on the Option Expiry Date pursuant to the Call Option Agreement dated 7 September 2009. Accordingly, there is no impact on the Group's earnings per share. There was also no impact on the Group's earnings per share for 2011 as the exercise of share options would have anti-dilutive effect.

11 Cash and cash equivalents

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Cash at bank and on hand	15,076,945	13,860,398	2,798,687	925,026

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

	Group	
	2012	**2011**
	$	**$**
Cash and bank balances (as above)	15,076,945	13,860,398
Less: Bank overdrafts (Note 22)	-	(700,145)
Cash and cash equivalents per consolidated statement of cash flows	15,076,945	13,160,253

Notes to the Financial Statements

For the financial year ended 31 December 2012

11 Cash and cash equivalents (cont'd)

Disposal of a business unit

On 15 June 2012, B & K Marine Pte Ltd disposed of its entire interest in a business unit for a cash consideration of $10,000. The effects of the disposal on the cash flows of the Group were:-

	Group 2012 $
Trade and other receivables	217,768
Trade and other payables	(217,768)
Net assets derecognised and disposed of	-
Gain on disposal (Note 7)	10,000
Cash proceeds from disposal	10,000
Less: Cash and cash equivalents in business unit disposed of	-
Net cash inflow on disposal	10,000

Acquisition of businesses

Please refer to Note 34 for the effect of acquisition of subsidiaries on the cash flows of the Group.

12 Trade and other receivables

	Group		Company	
	2012 $	2011 $	2012 $	2011 $
Trade receivables				
- Subsidiaries	-	-	3,599,535	6,983,931
- Related parties	711,099	9,380,065	-	28,501
- Non-related parties	33,042,942	25,286,880	6,750	15,300
	33,754,041	34,666,945	3,606,285	7,027,732
Less: Allowance for impairment of trade receivables-non-related parties [Note 31 (b)(ii)]	(1,775,230)	(1,043,177)	-	-
Trade receivables – net	31,978,811	33,623,768	3,606,285	7,027,732
Construction contracts				
- Due from customers (Note 15)	15,819,322	68,278,929	358,295	229,887
- Retentions (Note 15)	157,602	23,279	-	-
	15,976,924	68,302,208	358,295	229,887
Non-trade receivables				
- Associated companies	-	1,800	-	-
- Subsidiaries	-	-	62,564,858	58,950,758
- Related parties	-	17,023	-	-
- Non-related parties	1,410,539	1,985,655	-	452,093
	1,410,539	2,004,478	62,564,858	59,402,851
Deposits	416,739	695,828	-	-
Prepayments	474,047	555,822	444,487	1,800
	50,257,060	105,182,104	66,973,925	66,662,270

Notes to the Financial Statements

For the financial year ended 31 December 2012

12 Trade and other receivables (cont'd)

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

i) An amount of $1,632,067 (2011: $6,871,903) due from a subsidiary which bears fixed interest amount of $120,000 (2011: $120,000) per annum and is receivable on demand.

ii) Amounts of $2,256,885 (2011: $19,225,246) due from certain subsidiaries which bear fixed interest rate from the range of 3.22% to 5.00% (2011: 3.22% to 5.00%) per annum and are receivable on demand.

13 Inventories

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Construction materials	5,324,382	4,683,518	-	-
Trading goods	6,809,881	7,393,681	-	-
Vessel in construction	2,689,875	-	-	-
	14,824,138	12,077,199	-	-

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to $17,857,763 (2011: $77,373,043) and $15,185,803 (2011: $16,787,650) respectively.

14 Assets held-for-sale

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Beginning of the financial year	-	-	-	-
Reclassified from property, plant and equipment (Note 19)	6,865,818	-	-	-
Reclassified from investments in associated companies (Note 16)	987,770	-	-	-
End of financial year	7,853,588	-	-	-

(a) On 19 December 2012, a wholly-owned subsidiary of the Company, Picco Enterprise Pte. Ltd. accepted a non-binding letter of interest issued by a prospective purchaser for the proposed sale and leaseback of a leasehold property of the Group which is located at 38 Tuas View Square, Singapore 637770 for a proposed cash consideration of $14.5 million.

(b) During the Extraordinary General Meeting held on 6 December 2012, the shareholders of Water and Environmental Technologies (WET) Pte. Ltd. ("WET"), a 51% subsidiary of the Company, approved the proposed disposal of its entire equity interests in associated companies for cash consideration of approximately $987,770.

Subsequently on 5 March 2013, WET entered into a sale and purchase agreement with a non-related party for the above proposed disposal.

As the proposed disposal of the above assets is expected to be completed within the next 12 months from the balance sheet date, these assets are classified as "Assets held-for-sale" as at 31 December 2012.

Notes to the Financial Statements

For the financial year ended 31 December 2012

15 Construction contracts

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	108,800,179	118,036,651	358,295	229,887
Less: Progress billings	(93,314,682)	(51,352,678)	-	-
	15,485,497	66,683,973	358,295	229,887
Presented as:-				
Due from customers on construction contracts (Note 12)	15,819,322	68,278,929	358,295	229,887
Due to customers on construction contracts (Note 20)	(338,825)	(1,594,956)	-	-
	15,485,497	66,683,973	358,295	229,887
Retentions on construction contracts (Note 12)	157,602	23,279	-	-

16 Investments in associated companies

	Group 2012 $	Group 2011 $	Company 2012 $	Company 2011 $
Beginning of financial year	3,061,242	3,694,973	-	-
Impairment charge (Note 7)	(1,966,118)	-	-	-
Share of losses	(107,354)	(633,731)	-	-
Reclassified to assets held-for-sale (Note 14)	(987,770)	-	-	-
End of financial year	-	3,061,242	-	-

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

	Group 2012 $	Group 2011 $
- Assets	11,807,045	13,140,827
- Liabilities	(6,669,473)	(280,642)
- Revenue	-	-
- Net loss	(3,186,745)	(1,584,327)

Notes to the Financial Statements

For the financial year ended 31 December 2012

16 Investments in associated companies (cont'd)

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2012 %	Equity holding 2011 %
Held by Water and Environmental Technologies (WET) Pte. Ltd.				
NewEarth Pte. Ltd.[(1)]	Solid waste management	Singapore	40	40
Held by NewEarth Pte. Ltd.				
NewEarth Singapore Pte. Ltd.[(1)]	Solid waste management	Singapore	46.5	46.5

(1) Audited by KPMG LLP Singapore

17 Investments in subsidiaries

	Company 2012 $	Company 2011 $
Equity investments at cost		
Beginning of financial year	12,058,933	12,022,085
Acquisition of non-controlling interests' share in a subsidiary	-	36,848
Impairment charge	(5,213,465)	-
Disposal of subsidiaries	(2,330,000)	-
End of financial year	4,515,468	12,058,933

Impairment charge on investments in subsidiaries

The impairment charge of $5,213,465 was made to write down the carrying value of investment in a subsidiary, WET, as a result of decision to dispose of a business unit of WET.

Disposal of subsidiaries

On 28 January 2012, the Company disposed 510,000 and 1,832,000 ordinary shares of Drako Shipping Pte. Ltd. and Ocean Eight Shipping Pte. Ltd. respectively, to another subsidiary, Quill Marine Pte Ltd ("Quill Marine").

As Quill Marine is a wholly-owned subsidiary of the Company, there is no change in the effective interest of the subsidiaries disposed by the Company, accordingly there was no impact on the cash flows of the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2012

17 Investments in subsidiaries (cont'd)

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	
			2012	2011	2012	2011
			%	%	$	$
Significant subsidiaries held by Company						
Nexus Sealand Trading Pte Ltd (1)	Supply and distribution of hardware equipment, tools and other products	Singapore	100	100	2	2
Asian Sealand Engineering Pte Ltd (1)	Provision of infrastructure engineering services	Singapore	100	100	1,800,000	1,800,000
PT. Nexus Engineering Indonesia (2)	Provision of infrastructure engineering services	Indonesia	100(5)	100(5)	388,233	388,233
PT. Master Indonesia (4)	Supply and distribution of hardware equipment, tools and other products	Indonesia	100(5)	100(5)	177,000	177,000
B & J Marine Pte. Ltd. (1)	Provision of hydro-jetting and tank cleaning services	Singapore	100	100	87,848	87,848
B & K Marine Pte. Ltd. (1)	Provision of corrosion prevention services	Singapore	100	100	100,000	100,000

Notes to the Financial Statements

For the financial year ended 31 December 2012

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2012	2011	2012	2011
			%	%	$	$
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 Statements

For the financial year ended 31 December 2012

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2012 %	Equity holding 2011 %	Cost of investment 2012 $	Cost of investment 2011 $
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	498,000	5,711,465
Asian Sealand Automation Pte. Ltd. (1)	Provision of automated engineering services	Singapore	100	100	258,855	258,855
PT. Nexelite CP Indonesia (4)	Provision of corrosion prevention services	Indonesia	100(5)	100(5)	280,000	280,000
Drako Shipping Pte. Ltd. (1)	Provision of freight transport services	Singapore	-	85	-	510,000
Quill Marine Pte. Ltd. (1)	Investment holding company and Provision of freight transport services	Singapore	100	100	400,000	400,000
Ocean Eight Shipping Pte. Ltd. (1)	Provision of freight transport services	Singapore	-	70	-	1,820,000
					4,515,468	12,058,933

Notes to the Financial Statements

For the financial year ended 31 December 2012

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2012 %	Equity holding 2011 %
Held by Nexus Sealand Trading Pte Ltd				
BT Asia Marketing & Engineering Pte Ltd [(1)]	Trading of copper slag and waste management	Singapore	100	100
Picco Enterprise Pte. Ltd. [(1)]	Supply and distribution of beverage products	Singapore	100	100
OneHub Tank Coating Pte. Ltd. [(1)]	Provision for internal tank coating services	Singapore	100	100
Held by Water & Environment Technologies (WET) Pte. Ltd.				
Pureflow Pte. Ltd. [(1)]	Provision of water and waste water treatment, recycling, consultancy and management services	Singapore	51	51
Asia Recovery Centre Pte. Ltd. [(1)]	Provision of water, waste treatment and oilfield chemical	Singapore	51 [(6)]	51 [(6)]
Held by Pangco Pte. Ltd.				
PT. Berger Batam [(4)]	Provision of corrosion prevention services	Indonesia	51 [(5)]	51 [(5)]
Held by Quill Marine Pte Ltd				
Drako Shipping Pte. Ltd. [(1)]	Provision of freight transport services	Singapore	85	-
Ocean Eight Shipping Pte. Ltd. [(1)]	Provision of freight transport services	Singapore	70	-

Notes to the Financial Statements

For the financial year ended 31 December 2012

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2012 %	Equity holding 2011 %
Held by Drako Shipping Pte. Ltd.				
PT. Marina Shipping [4]	Provision of freight transport services	Indonesia	85	85
Held by Ocean Eight Shipping Pte. Ltd.				
Ocean Eight Pte Ltd [4]	Provision of freight transport services	Marshall Islands	70	70

(1) Audited by Nexia TS Public Accounting Corporation.
(2) Audited by Kantor Akuntan Publik Charles & Nurlena, Indonesia and audited by Nexia TS Public Accounting Corporation for consolidation purposes.
(3) Audited by Ernst & Young, Malaysia.
(4) Audited by Nexia TS Public Accounting Corporation for consolidation purposes. Not required to be audited under the laws of the country of incorporation.
(5) 1% of the shareholding is held in trust for the Group by an employee of the Group.
(6) 100% of the shareholding is held by Pureflow Pte. Ltd.

18 Intangible assets

Group	Goodwill arising on consolidation $	Intellectual property rights $	Total $
2012			
Cost			
Beginning and end of financial year	2,368,545	467,000	2,835,545
Accumulated impairment and amortisation			
Beginning of financial year	35,921	189,719	225,640
Amortisation charge (Note 5)	-	43,781	43,781
Impairment charge (Note 7)	2,268,787	233,500	2,502,287
End of financial year	2,304,708	467,000	2,771,708
Net book value			
End of financial year	63,837	-	63,837
2011			
Cost			
Beginning of financial year	2,304,708	467,000	2,771,708
Acquisition of subsidiary [Note 34(b)]	63,837	-	63,837
End of financial year	2,368,545	467,000	2,835,545
Accumulated impairment and amortisation			
Beginning of financial year	19,810	131,344	151,154
Amortisation charge (Note 5)	-	58,375	58,375
Impairment charge (Note 7)	16,111	-	16,111
End of financial year	35,921	189,719	225,640
Net book value			
End of financial year	2,332,624	277,281	2,609,905

Notes to the Financial Statements

For the financial year ended 31 December 2012

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 over 8 years from the date of commercialisation and have a remaining amortisation period of 3 years (2011: 4 years). During the financial year, the Group recognise an impairment loss of $233,500 (2011: Nil) against the patents in view of the deterioration in their financial outlook. This is also in line with the Group's intention to dispose the investments in associated companies which will be providing waste management services upon completion of the water treatment plant.

b) Impairment tests for goodwill

Goodwill is allocated to the Group's CGU identified to countries of operation and business segments. The recoverable amount of a CGU was determined based on a value-in-use calculation using cash flow projections based on financial budgets by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below.

A segment-level summary of the goodwill allocation is as follows:

	Group					
	Shipping		Other Segments		Total	
	2012	2011	2012	2011	2012	2011
	$	$	$	$	$	$
Indonesia	63,837	63,837	-	-	63,837	63,837
Singapore	-	-	-	2,268,787	-	2,268,787
	63,837	63,837	-	2,268,787	63,837	2,332,624

During the financial year, an impairment loss of $2,268,787 was recognised to write down the full amount of goodwill related to the environment and resource CGU, under other segments following a decision to dispose the Group's investments in the associated companies (Note14).

The following describes each key assumption in which management had based its cash flow projections for impairment test of goodwill for the environment and resource CGU in FY2011.

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

Key assumptions used for value-in-use calculations for the shipping CGU in Indonesia are as follows:

	2012	2011
Gross margin [1]	43%	45%
Growth rate [2]	3%	3%
Discount rate [3]	14%	14%

[1] Budgeted gross margin.
[2] Weighted average growth rate used to extrapolate cashflows beyond the budget period.
[3] Pre-tax discount rate applied to the pre-tax cashflow projection.

In FY2011, an impairment loss of $16,111 was recognised to write down the carrying value of goodwill from the corrosion prevention CGU in Singapore as a result of the disposal of a business unit of one of its subsidiaries, B & K Marine Pte. Ltd.

Notes to the Financial Statements

For the financial year ended 31 December 2012

19 Property, plant and equipment

Group 2012	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Leasehold building	Leasehold land	Yard development	Construction in progress	Vessels	Total
	$	$	$	$	$	$	$	$	$	$	$	$	$	$
Cost														
Beginning of financial year	3,767,897	1,852,008	636,248	203,243	2,410,899	42,092,482	108,675	3,682,469	10,439,637	1,836,367	6,866,681	16,984,462	36,347,672	127,228,740
Addition	515,059	524,994	45,894	24,715	57,000	1,320,925	-	-	-	-	22,000	14,900,758	1,379,371	18,790,716
Reclassified to Assets held-for-sale (Note 14)	-	-	-	-	-	-	-	(31,000)	(7,410,600)	-	-	-	-	(7,441,600)
Disposal/write off	(468,491)	(169,398)	(69,790)	(47,129)	(204,300)	(4,237,795)	-	(69,965)	(10,530)	-	-	(2,626)	-	(5,280,024)
Transfer	47,330	-	-	-	35,700	2,373,297	-	971	5,004,588	-	3,220,366	(10,682,252)	-	-
Currency translation differences	(17,067)	(1,225)	(1,388)	(180)	(15,242)	(72,635)	(166)	(138)	-	-	(10,055)	-	-	(118,096)
End of financial year	3,844,728	2,206,379	610,964	180,649	2,284,057	41,476,274	108,509	3,582,337	8,023,095	1,836,367	10,098,992	21,200,342	37,727,043	133,179,736
Accumulated depreciation														
Beginning of financial year	1,643,658	1,314,134	601,708	180,989	1,073,238	18,907,088	101,927	2,956,188	1,107,638	64,434	545,383	-	578,643	29,075,028
Depreciation charge (Note 5)	361,326	281,463	31,259	10,213	276,894	4,388,819	2,612	401,730	311,808	64,434	393,474	-	1,857,808	8,381,840
Reclassified to Assets held-for-sale (Note 14)	-	-	-	-	-	-	-	(16,017)	(559,765)	-	-	-	-	(575,782)
Disposal/write off	(236,036)	(168,698)	(69,085)	(46,883)	(194,221)	(3,251,722)	-	(69,965)	(132,577)	144,976	(22,929)	-	-	(4,047,140)
Transfer	-	-	-	-	16,363	(16,363)	-	-	-	-	-		-	-
Currency translation differences	(4,392)	(624)	(1,220)	(65)	(9,968)	(49,767)	(122)	(138)	-	-	(5,447)	-	-	(71,743)
End of financial year	1,764,556	1,426,275	562,663	144,254	1,162,306	19,978,055	104,417	3,271,798	727,104	273,844	910,481	-	2,436,451	32,762,203
Net book value														
End of financial year	2,080,172	780,104	48,302	36,395	1,121,751	21,498,219	4,092	310,539	7,295,991	1,562,523	9,188,511	21,200,342	35,290,592	100,417,533

Notes to the Financial Statements

For the financial year ended 31 December 2012

19 Property, plant and equipment (cont'd)

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

Notes to the Financial Statements

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19 Property, plant and equipment (cont'd)

Company 2012	Motor vehicles	Computers	Office equipment	Furniture and fittings	Forklifts	Machinery, tools and equipment	Air-conditioners	Leasehold improvement and renovation	Total
	$	$	$	$	$	$	$	$	$
Cost									
Beginning of financial year	1,642,783	780,795	68,745	64,424	86,530	1,230,578	37,830	220,155	4,131,840
Addition	240,900	108,149	2,650	10,050	-	-	-	-	361,749
Disposal/write off	(190,993)	(141,292)	(68,745)	(49,507)	-	(414,909)	-	(56,964)	(922,410)
End of financial year	1,692,690	747,652	2,650	24,967	86,530	815,669	37,830	163,191	3,571,179
Accumulated depreciation									
Beginning of financial year	455,398	681,504	66,423	63,484	57,635	1,226,442	31,986	144,424	2,727,296
Depreciation charge	150,728	75,706	2,502	928	5,253	871	1,948	32,638	270,574
Disposal/write off	(71,622)	(140,685)	(68,040)	(49,507)	-	(414,909)	-	(56,965)	(801,728)
End of financial year	534,504	616,525	885	14,905	62,888	812,404	33,934	120,097	2,196,142
Net book value									
End of financial year	1,158,186	131,127	1,765	10,062	23,642	3,266	3,896	43,094	1,375,037

Notes to the Financial Statements

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19 Property, plant and equipment (cont'd)

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

Notes to the Financial Statements

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19 Property, plant and equipment (cont'd)

a) Assets held under finance lease

The carrying amounts of motor vehicles, forklifts and machinery, tools and equipment held under finance leases amounted to $1,195,526 (2011: $1,353,818), $486,950 (2011: $487,750) and $8,182,188 (2011: $8,892,907) respectively.

For the purpose of the consolidated statement of cash flows during the financial year, the Group acquired property, plant and equipment with an aggregate cost of $18,790,716 (2011: $50,322,686) of which $187,000 (2011: $6,836,754) were acquired under finance leases and cash payments of $18,603,716 (2011: $43,485,932).

b) Assets pledged as security

The Group's leasehold building and vessels with carrying amounts of $6,865,818 (2011: $7,007,048) and $33,846,658 (2011: $17,051,542) respectively, are mortgaged to secure the Group's bank borrowings (Note 22).

c) Impairment testing

The Group performed impairment assessment for property, plant and equipment during the financial year. The recoverable amounts of these assets and where applicable, CGU is measured based on higher of the fair value less costs to sell or value-in-use calculations. Fair values less costs to sell were measured from the viewpoint of independent market participants. Value-in-use calculations were determined based on financial budgets approved by management covering a five year period and extrapolated using the estimated growth rate for cash flows beyond the five year period. Key assumptions used for value-in-use calculations for each CGU are as follows:

2012	**Shipping**	**Infrastruture engineering**
Gross margin[1]	38% - 46%	22%
Growth rate[2]	3%	3%
Discount rate[3]	10% - 11%	18%

1 Budgeted gross margin.

2 Weighted average growth rate used to extrapolate cashflows beyond the budget period.

3 Pre-tax discount rate applied to the pre-tax cashflow projection.

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20 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Trade payables				
- Subsidiaries	-	-	6,682	1,808
- Related parties	52,636	23,770	-	-
- Non-related parties	15,749,424	32,811,734	48,983	150,592
	15,802,060	32,835,504	55,665	152,400
Construction contracts				
- Due to customers (Note 15)	333,825	1,594,956	-	-
Non-trade payables				
- Subsidiaries	-	-	2,799,727	3,857,308
- Related parties	-	282,745	-	-
- Non-related parties	4,339,916	3,530,888	511,843	767,891
	4,339,916	3,813,633	3,311,570	4,625,199
Accruals for operating expenses	7,237,521	11,287,457	796,421	1,673,315
Accruals for project expenses	6,157,940	20,111,748	-	-
Provision for warranty (Note 21)	396,145	49,316	-	-
	34,267,407	69,692,614	4,163,656	6,450,914

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

21 Provision for warranty

The Group gives one year warranty on major construction contracts and undertakes to repair the constructed products for defects attributable to poor workmanship and defective materials provided by the Group. A provision is recognised at the balance sheet date of expected warranty claims based on past experience of the level of repairs.

Movement in provision for warranty is as follows:-

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Beginning of financial year	49,316	-	-	-
Provisions utilised	(22,671)	(1,234)	-	-
Provisions written back	(27,879)	-	-	-
Provisions made	397,379	50,550	-	-
End of the financial year	396,145	49,316	-	-

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22 Borrowings

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Current				
Bank borrowings	49,521.811	48,868,112	17,168,074	21,136,842
Bank overdrafts	-	700,145	-	-
Bills payable	4,216,731	7,880,948	695,729	1,303,300
Finance lease liabilities (Note 23)	2,224,660	2,334,205	222,509	221,272
	55,963,202	59,783,410	18,086,312	22,661,414
Non-current				
Bank borrowings	15,495,733	12,686,123	-	625,000
Finance lease liabilities (Note 23)	3,180,770	5,249,038	270,041	378,800
	18,676,503	17,935,161	270,041	1,003,800
Total borrowings	74,639,705	77,718,571	18,356,353	23,665,214

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
6 months or less	53,130,155	56,200,500	17,975,058	21,922,696
6 – 12 months	2,833,047	3,582,910	111,254	738,718
1 – 5 years	18,642,345	17,887,417	270,041	1,003,800
Over 5 years	34,158	47,744	-	-
	74,639,705	77,718,571	18,356,353	23,665,214

a) Security granted

Total borrowings included amounts of $32,681,551 (2011: $39,130,393) and $492,550 (2011: $600,072) for the Group and the Company respectively which are secured over the Group's certain assets. Bank borrowings of the Group are secured over a leasehold property, a vessel and certain projects work-in-progress. [Note 19(b)] Finance lease liabilities of the Group and the Company are effectively secured over the leased motor vehicles and machineries [Note 19(a)], as the legal title is retained by the lessor and will be transferred to the Group and the Company upon full settlement of the finance lease liabilities.

The bank overdrafts, bills payable and other short-term bank borrowings were supported by corporate guarantees given by the Company [Note 29(a)].

Notes to the Financial Statements

For the financial year ended 31 December 2012

22 Borrowings (cont'd)

b) Fair value of non-current borrowings

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Bank borrowings	16,683,014	12,960,649	-	625,880
Finance lease liabilities	3,462,711	5,634,178	282,256	391,681

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	
	2012	2011	2012	2011
	%	%	%	%
Bank borrowings	2.20 - 5.25	2.20 - 5.25	-	5.25
Finance lease liabilities	2.20 - 3.50	2.20 - 3.50	3.25	3.50

23 Finance lease liabilities

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Minimum lease payment due				
- Not later than one year	2,452,515	2,569,518	239,124	238,419
- Between one and five years	3,508,871	5,776,209	290,228	407,048
- Later than five years	42,156	58,921	-	-
	6,003,542	8,404,648	529,352	645,467
Less: Future finance charges	(598,112)	(821,405)	(36,802)	(45,395)
Present value of finance lease liabilities	5,405,430	7,583,243	492,550	600,072

Notes to the Financial Statements

For the financial year ended 31 December 2012

23 Finance lease liabilities (cont'd)

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Not later than one year (Note 22)	2,224,660	2,334,205	222,509	221,272
Later than one year (Note 22)				
- Between one and five years	3,146,612	5,201,294	270,041	378,800
- Later than five years	34,158	47,744	-	-
	3,180,770	5,249,038	270,041	378,800
Total	5,405,430	7,583,243	492,550	600,072

24 Deferred income tax

Deferred income tax assets and liabilities are offset when there is legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes rebate to the sale fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Deferred income tax liabilities				
- To be settled after one year	677,903	993,445	16,370	19,450

The movement in deferred income tax liabilities/(assets) prior to offsetting of balances within the same jurisdiction is as follows:

	Accelerated tax depreciation	Provision	Tax losses	Total
<u>Group</u>	$	$	$	$
2012				
Beginning of financial year	990,459	(54,905)	57,891	993,445
Credited to profit or loss (Note 9)	(203,248)	(5,113)	(107,181)	(315,542)
End of financial year	787,211	(60,018)	(49,290)	677,903
2011				
Beginning of financial year	992,813	(45,495)	42,199	989,517
(Credited)/charged to profit or loss (Note 9)	(2,354)	(9,410)	15,692	3,928
End of financial year	990,459	(54,905)	57,891	993,445

Notes to the Financial Statements

For the financial year ended 31 December 2012

24 Deferred income tax (cont'd)

Company	Accelerated tax depreciation $	Provision $	Tax losses $	Total $
2012				
Beginning of financial year	41,080	(21,630)	-	19,450
Credited to profit or loss	(2,500)	(580)	-	(3,080)
End of financial year	38,580	(22,210)	-	16,370
2011				
Beginning of financial year	62,160	(19,940)	(5,650)	36,570
(Credited)/charged to profit or loss	(21,080)	(1,690)	5,650	(17,120)
End of financial year	41,080	(21,630)	-	19,450

Deferred income tax liabilities of $561,497 (2011: $491,690) have not been recognised for the withholding and other taxes that will be payable on the earnings of certain overseas subsidiaries when remitted to the holding company. Theses unremitted earnings are permanently reinvested and amount to $11,958,296 (2011: $9,657,856) at the balance sheet date.

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $3,083,256 (2011: $2,139,537) and $20,432 (2011: $20,432) respectively, available for offset against future taxable profits, subject to the agreement of the tax authorities and compliance with certain provision of the Singapore Income Tax Act. The tax losses and capital allowances have no expiry date.

The potential deferred tax assets of approximately $527,627 (2011: $367,195) have not been recognised in the financial statements in accordance with accounting policy stated in Note 2.14.

25 Share capital

	Group and Company	
	No. of shares	Amount $
2012		
Beginning and end of financial year	540,041,625	49,651,347
2011		
Beginning and end of financial year	540,041,625	49,651,347

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

Fully paid ordinary shares carry one vote per share and a right to dividends as and when declared by the Company.

26 Currency translation reserve

	Group	
	2012 $	2011 $
Beginning of financial year	(71,613)	(13,044)
Net currency translation differences of financial statements of foreign subsidiaries	(83,140)	(58,569)
End of financial year	(154,753)	(71,613)

Currency translation reserve is non-distributable.

Notes to the Financial Statements

For the financial year ended 31 December 2012

27 Retained profits

Retained profits of the Group and Company are distributable.

28 Dividends

	Group and Company	
	2012	2011
	$	$
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of 0.20 cents (2011: 0.15 cents) per share	1,080,083	810,062

29 Contingent liabilities

a) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $46,664,929 (2011: $48,789,504). The fair values of the corporate guarantees have not been recognised in the financial statements of the Company as the amounts involved are not material to the Company and has no significant impact on the consolidated financial statements of the Group.

b) Financial support

The Company provides letters of financial support to some of its subsidiaries to enable these subsidiaries to operate as going concern and to meet their liabilities as and when they fall due.

30 Commitments

a) Capital commitments

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

	Group	
	2010	2011
	$	$
Property, plant and equipment	977,934	78,201

b) Operating lease commitments – where the Group and the Company are the lessees

The Group and the Company 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 rights.

Operating lease payments recognised in the Group's profit or loss during the financial year amounted to $1,039,321 (2011: $841,509).

Notes to the Financial Statements

For the financial year ended 31 December 2012

30 Commitments (cont'd)

b) Operating lease commitments – where the Group and the Company are the lessees (cont'd)

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	
	2012	2011	2012	2011
	$	$	$	$
Not later than one year	887,588	966,154	480,000	480,000
Between one and five years	331,913	1,017,710	-	480,000
	1,219,501	1,983,864	480,000	960,000

c) Operating lease commitments – where the Group is the lessor

The Group leases out vessels to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

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

	Group		Company	
	2012	2011	2012	2011
	$	$	$	$
Not later than one year	6,762,158	7,909,603	-	-
Between one and five years	13,849,016	20,471,448	-	-
	20,611,174	28,381,051	-	-

31 Financial risk management

The Group is exposed to financial risks arising from its operations and the use of financial instruments. Though the Group does not have written risk management policies and guidelines, the Audit Committee and the Board of Directors meet periodically to review and analyse the Group's exposure to market risk (including currency risk and interest rate risk), credit risk, liquidity risk and capital risk. The Group does not hold or issue derivative financial instruments for trading purposes.

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

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 currency translation risk is not considered as significant by management and the risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group closely monitors the currency translation risk and will consider hedging significant currency translation exposure should the need arise in future.

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 Financial risk management (cont'd)

a) Market risk (cont'd)

(i) *Currency risk* (cont'd)

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

	SGD	USD	IDR	Other	Total
At 31 December 2012					
Financial assets					
Cash and cash equivalents	11,877,030	2,180,390	866,494	153,031	15,076,945
Trade and other receivables	40,838,500	7,688,705	694,226	561,582	49,783,013
Receivables from subsidiaries	125,118,112	1,157,938	644,001	673	126,920,724
	177,833,642	11,027,033	2,204,721	715,286	191,780,682
Financial liabilities					
Borrowings	(61,866,103)	(12,676,582)	-	(97,020)	(74,639,705)
Trade and other payables	(30,605,141)	(1,245,520)	(1,848,971)	(567,775)	(34,267,407)
Payables to subsidiaries	(125,118,112)	(1,157,938)	(644,001)	(673)	(126,920,724)
	(217,589,356)	(15,080,040)	(2,492,972)	(665,468)	(235,827,836)
Net financial (liabilities)/ assets	(39,755,714)	(4,053,007)	(288,251)	49,818	(44,047,154)
Add: Net non-financial assets/(liabilities)	122,607,141	-	(962,050)	476,284	122,121,377
Currency profile including non-financial assets and liabilities	82,851,427	(4,053,007)	(1,250,301)	526,102	78,074,223
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities' functional currencies	-	(4,053,007)	(1,250,301)	49,818	(5,253,490)

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 Financial risk management (cont'd)

a) Market risk (cont'd)

(i) *Currency risk* (cont'd)

	SGD	USD	IDR	Other	Total
At 31 December 2011					
Financial assets					
Cash and cash equivalents	5,986,191	1,055,499	6,533,674	285,034	13,860,398
Trade and other receivables	101,886,743	1,992,022	583,713	163,804	104,626,282
Receivables from subsidiaries	164,895,819	129,848	309,566	-	165,335,233
	272,768,753	3,177,369	7,426,953	448,838	283,821,913
Financial liabilities					
Borrowings	(61,363,884)	(16,243,240)	-	(111,447)	(77,718,571)
Trade and other payables	(62,567,302)	(3,843,537)	(2,747,755)	(534,020)	(69,692,614)
Payables to subsidiaries	(164,895,819)	(129,848)	(309,566)	-	(165,335,233)
	(288,827,005)	(20,216,625)	(3,057,321)	(645,467)	(312,746,418)
Net financial (liabilities)/ assets	(16,058,252)	(17,039,256)	4,369,632	(196,629)	(28,924,505)
Add: Net non-financial assets/(liabilities)	114,627,501	-	(995,578)	154,502	113,786,425
Currency profile including non-financial assets and liabilities	98,569,250	(17,039,256)	3,374,054	(42,127)	84,861,920
Currency exposure of financial (liabilities)/assets net of those denominated in the respective entities functional currencies	-	(17,039,256)	3,962,049	-	(13,077,207)

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 **Financial risk management (cont'd)**

a) Market risk (cont'd)

(i) *Currency risk* (cont'd)

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

	2012			2011		
	SGD	**USD**	**Total**	**SGD**	**USD**	**Total**
Financial assets						
Cash and cash equivalents	2,775,854	22,833	2,798,687	897,013	28,013	925,026
Trade and other receivables	66,529,438	-	66,529,438	66,653,837	6,634	66,660,471
	69,305,292	22,833	69,328,125	67,550,850	34,647	67,585,497
Financial liabilities						
Borrowings	(18,356,353)	-	(18,356,353)	(23,665,214)	-	(23,665,214)
Trade and other payables	(4,163,656)	-	(4,163,656)	(6,450,914)	-	(6,450,914)
	(22,520,009)	-	(22,520,009)	(30,116,128)	-	(30,116,128)
Net financial assets	46,785,283	22,833	46,808,116	37,434,722	34,647	37,469,369
Add: Net non-financial assets	6,318,622	-	6,318,622	13,445,826	-	13,445,826
Currency profile including non-financial assets	53,103,905	22,833	53,126,738	50,880,548	34,647	50,915,195
Currency exposure of financial assets net of those denominated in the Company's functional currencies	-	22,833	22,833	-	34,647	34,647

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 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 8% (2011: 5%) and 5% (2011: 8%) respectively with all other variables including tax rate being held constant, the effect arising from the net financial liability/asset position will be as follows:

	2012 Profit after tax $	2011 Profit after tax $
IDR against SGD		
- Strengthened	(83,020)	164,425
- Weakened	83,020	(164,425)
USD against SGD		
- Strengthened	(168,200)	(1,131,407)
- Weakened	168,200	1,131,407

(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.

The table below analyses the Group's and the Company's borrowings by different type of financing at fixed rate and floating rate and their maturity.

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 **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				
2012				
Fixed rate				
Finance lease liabilities	2,224,660	3,146,612	34,158	5,405,430
Bank borrowings	1,766,848	458,333	-	2,225,181
Floating rate				
Bank borrowings	47,754,963	15,037,400	-	62,792,363
Bills payable	4,216,731	-	-	4,216,731
2011				
Fixed rate				
Finance lease liabilities	2,334,205	5,201,294	47,744	7,583,243
Bank borrowings	3,870,416	8,793,762	-	12,664,178
Floating rate				
Fixed overdrafts	700,145	-	-	700,145
Bank borrowings	44,997,696	3,892,361	-	48,890,057
Bills payable	7,880,948	-	-	7,880,948
Company				
2012				
Fixed rate				
Finance lease liabilities	222,509	270,041	-	492,550
Bank borrowings	626,112	-	-	626,112
Floating rate				
Bank borrowings	16,541,962	-	-	16,541,962
Bills payable	695,729	-	-	695,729
2011				
Fixed rate				
Finance lease liabilities	221,272	378,800	-	600,072
Bank borrowings	1,253,082	625,000	-	1,878,082
Floating rate				
Bank borrowings	19,883,761	-	-	19,883,761
Bills payable	1,303,300	-	-	1,303,300

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 Financial risk management (cont'd)

a) Market risk (cont'd)

(ii) *Interest rate risk (cont'd)*

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

	Group		Company	
	100 bp Increase $	100 bp Decrease $	100 bp Increase $	100 bp Decrease $
2012				
Floating rate instruments				
Singapore Dollar	(484,503)	484,503	(178,638)	178,638
United States Dollar	(207,839)	207,839	-	-
2011				
Floating rate instruments				
Singapore Dollar	(531,919)	531,919	(230,651)	230,651
United States Dollar	(162,432)	162,432	-	-

b) Credit risk

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

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

	Company	
	2012 $	2011 $
Corporate guarantees provided to banks on subsidiaries' loans [Note 29(a)]	46,664,929	48,789,504

The trade receivables of the Group comprise of 3 debtors (2011: 3 debtors) that individually represented 10 - 20% of the Group's trade receivables.

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 Financial risk management (cont'd)

b) Credit risk (cont'd)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
By geographical areas				
- Singapore	21,266,129	16,989,707	2,014,897	4,855,864
- Indonesia	10,151,509	16,471,582	1,591,388	2,171,868
- Malaysia	561,173	162,479	-	-
	31,978,811	33,623,768	3,606,285	7,027,732
By types of customers				
- Non-related parties	31,267,712	24,243,703	6,750	15,300
- Related parties	711,099	9,380,065	-	28,501
- Subsidiaries	-	-	3,599,535	6,983,931
	31,978,811	33,623,768	3,606,285	7,027,732

(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.

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

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

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Past due				
- Less than 30 days	3,942,263	3,869,533	-	7,650
- 30 to 60 days	1,457,302	2,085,426	-	-
- 61 to 90 days	2,689,765	1,835,697	-	-
- More than 91 days	13,921,933	11,937,953	-	21,867
	22,011,263	19,728,609	-	29,517

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 Financial risk management (cont'd)

b) Credit risk (cont'd)

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

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Past due 1 to 3 months	1,502,901	4,056,401	-	-
Past due over 3 months	4,192,727	7,919,010	-	-
	5,695,628	11,975,411	-	-
Less: Estimated rebates/discount	(1,019,341)	(4,182,573)	-	-
	4,676,287	7,792,838	-	-
Less: Allowance for impairment	(1,775,230)	(1,043,177)	-	-
	2,901,057	6,749,661	-	-
Beginning of financial year	1,043,177	787,182	-	-
Allowance made (Note 5)	1,055,078	690,813	-	-
Allowance utilised	(4,671)	-	-	-
Allowance written-back (Note 5)	(318,355)	(434,818)	-	-
End of the financial year	1,775,230	1,043,177	-	-

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. Balances 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 2012			
Trade and other payables	34,267,407	-	-
Borrowings	55,963,202	20,290,532	42,156
As 31 December 2011			
Trade and other payables	69,692,614	-	-
Borrowings	59,783,410	19,209,904	58,921

Notes to the Financial Statements

For the financial year ended 31 December 2012

31 Financial risk management (cont'd)

c) Liquidity risk (cont'd)

	Less than 1 year $	Between 1 to 5 years $	Over 5 years $
Company			
As 31 December 2012			
Trade and other payables	4,163,656	-	-
Borrowings	18,086,312	290,228	-
Financial guarantee contracts	31,262,280	19,736,436	-
As 31 December 2011			
Trade and other payables	6,450,914	-	-
Borrowings	22,661,414	1,041,166	-
Financial guarantee contracts	32,932,128	17,057,193	-

d) Capital risk

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximize shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a gearing ratio. The Group and the Company are required by the banks to maintain certain gearing ratio. The Group's and the Company's strategies which remain unchanged during the financial years ended 31 December 2012 and 31 December 2011 are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

The gearing ratio is calculated as net debt divided by tangible net worth. Net debt is calculated as interest bearing borrowings less cash and cash equivalents. Tangible net worth is calculated by total equity less intangible assets.

	Group		Company	
	2012 $	2011 $	2012 $	2011 $
Net debt				
Interest bearing borrowings	74,639,705	77,718,571	18,356,353	23,665,214
Less: Cash and cash equivalents	(15,076,945)	(13,860,398)	(2,798,687)	(925,026)
	59,562,760	63,858,173	15,557,666	22,740,188
Tangible net worth				
Total equity	78,074,221	84,861,920	53,126,738	50,915,195
Less: Intangible assets	(63,837)	(2,609,905)	-	-
	78,010,384	82,252,015	53,126,738	50,915,195
Gearing ratio	0.76	0.78	0.29	0.45

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2011 and 2012.

Notes to the Financial Statements

For the financial year ended 31 December 2012

32 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 2012 $	Group 2011 $
Sale of goods and/or services to related parties	1,640,992	11,744,392
Purchase of material and/or services from related parties	331,705	4,243,685

Outstanding balances at 31 December 2012, 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 is as follows:

	Group 2012 $	Group 2011 $
Wages and salaries	2,883,897	3,700,566
Employer's contribution to defined contribution plans, including Central Provident Fund	175,120	144,609
	3,059,017	3,845,175
Directors of the Company	1,215,200	1,749,201
Executive officers of the Group	1,843,817	2,095,974
	3,059,017	3,845,175

33 Segment information

Business segments

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

(a) Infrastructure Engineering

(b) Corrosion Prevention

(c) Supply & Distribution

(d) Shipping

(e) Others

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

Notes to the Financial Statements

For the financial year ended 31 December 2012

33 Segment information (cont'd)

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.

	Infrastructure Engineering $	Corrosion Prevention $	Supply & Distribution $	Shipping $	Others $	Total $
2012						
Total segment sales	46,126,936	35,675,605	18,743,715	7,743,947	-	108,290,203
Inter-segment sales	(4,822,081)	(5,207,334)	(3,689,750)	-	-	(13,719,165)
Sales to external customers	41,304,855	30,468,271	15,053,965	7,743,947	-	94,571,038
Results:						
Segment result	(2,892,329)	6,829,742	628,052	1,543,027	(4,589,049)	1,519,443
Interest expense	(1,305,138)	(324,784)	(367,882)	(560,718)	-	(2,558,522)
Interest income	10,563	2,535	1,280	5,179	-	19,557
Share of losses of associated companies	-	-	-	-	(107,354)	(107,354)
(Loss)/profit from operating segment	(4,186,904)	6,507,493	261,450	987,488	(4,696,403)	(1,126,876)
Unallocated administrative expenses						(4,235,647)
Loss before income tax						(5,362,523)
Income tax expense						(249,615)
Net loss						(5,612,138)
Loss attributable to non-controlling interests						1,173,588
						(4,438,550)
Net loss includes:						
- Depreciation	4,131,190	2,096,446	288,618	1,865,586	-	8,381,840
- Amortisation	-	-	-	-	43,781	43,781
- Impairment	-	-	-	-	4,468,405	4,468,405
Other information						
Segment assets	79,759,460	34,752,449	20,179,481	52,772,983	1,028,728	188,493,101
Segment assets includes:-						
Assets held-for-sale	-	-	6,865,818	-	987,770	7,853,586
Additions to: Property, plant and equipment	7,233,703	753,354	71,344	10,733,315	-	18,791,716
Segment liabilities	(44,543,826)	(8,536,995)	(12,177,823)	(27,074,691)	(31,815)	(92,365,150)

Notes to the Financial Statements

For the financial year ended 31 December 2012

33 Segment information (cont'd)

	Infrastructure Engineering $	Corrosion Prevention $	Supply & Distribution $	Shipping $	Others $	Total $
2011						
Total segment sales	121,576,555	32,810,671	23,114,256	1,943,626	-	179,445,108
Inter-segment sales	(22,385,821)	(3,555,690)	(7,437,202)	(633,456)	-	(34,012,169)
Sales to external customers	99,190,734	29,254,981	15,677,054	1,310,170	-	145,432,939
Results:						
Segment result	6,917,143	2,542,021	2,689,462	159,719	(158,504)	12,149,841
Interest expense	(1,069,642)	(486,259)	(424,152)	(159,035)	-	(2,139,088)
Interest income	26,265	4,276	1,214	1,105	39	32,899
Share of losses of associated companies	-	-	-	-	(633,731)	(633,731)
Profit/(loss) from operating segment	5,873,766	2,060,038	2,266,524	1,789	(792,196)	9,409,921
Unallocated administrative expenses						(4,675,040)
Profit before income tax						4,734,881
Income tax expense						(1,056,112)
Net profit						3,678,769
Loss attributable to non-controlling interests						832,488
						4,511,257
Net profit includes:						
- Depreciation	2,762,062	3,124,013	279,213	499,031	10,046	6,674,365
- Amortisation	-	-	-	-	58,375	58,375
- Impairment	-	16,111	-	-	-	16,111
Other information						
Segment assets	126,649,400	43,751,026	20,673,834	38,151,693	5,718,607	234,944,560
Segment assets includes:-						
Investments in associated companies	-	-	-	-	3,061,242	3,061,242
Additions to: Property, plant and equipment	20,663,208	770,446	-	28,889,032	-	50,322,686
Segment liabilities	(85,930,224)	(13,497,219)	(15,050,661)	(12,952,362)	(53,162)	(127,483,628)

Notes to the Financial Statements

For the financial year ended 31 December 2012

33 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, 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.

Segment assets are reconciled to total assets as follows:

	2012 $	2011 $
Segment assets for reportable segments	187,464,373	229,225,953
Other segment assets	1,028,728	5,718,607
	188,493,101	234,944,560

(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 income tax liabilities and borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	2012 $	2011 $
Segment liabilities for reportable segments	92,333,335	127,430,466
Other segment liabilities	31,815	53,162
Unallocated:		
Current income tax liabilities	833,865	1,678,010
Deferred income tax liabilities	677,903	993,445
Borrowings	16,541,962	19,927,557
	110,418,880	150,082,640

Notes to the Financial Statements

For the financial year ended 31 December 2012

33 Segment information (cont'd)

(b) Geographical information

The Group's four business segments operate in three main geographical areas:

- Singapore – the Company is headquarters and has operations in Singapore. The operations in this area are principally the infrastructure engineering, the corrosion prevention, supply & distribution, environment and resource, and investment holdings;
- Indonesia – the operations in this area relate to all the reportable segments.
- Other countries – the operations include the shipping in Australia and the infrastructure engineering in Malaysia.

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

	Revenue		**Non-current assets**	
	2012	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**
Singapore	62,486,316	110,910,607	25,264,768	28,261,509
Indonesia	22,927,140	32,737,480	57,223,322	55,306,776
Others	9,157,582	1,784,852	17,993,280	17,195,332
	94,571,038	145,432,939	100,481,370	100,763,617

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

(c) Revenue from major services and customers

Revenue from external customers are derived from all reportable segments as disclosed in Note 4.

Revenues from a major customer amounted to $12,286,866 (2011: $11,175,467), arising from sales by the infrastructure engineering segment.

Revenues from another major customer amounted to $9,932,129 (2011: $10,236,117), arising from sales by the corrosion prevention segment.

34 Business combination

On 3 January 2011, the Group acquired 85% of equity interest of PT. Marina Shipping, a subsidiary of Drako Shipping Pte. Ltd. The principal activities of PT. Marina Shipping is that of provision for freight transport services.

(a) Purchase consideration

	$
Cash paid, representing consolidation transferred for the businesses	242,837
Less: Cash and cash equivalents in businesses acquired	(179,000)
Cash outflow on acquisition	63,837

Notes to the Financial Statements

For the financial year ended 31 December 2012

34 Business combination (cont'd)

(b) Identifiable assets acquired and liabilities assumed

	At fair value $
Cash and cash equivalents	179,000
Total assets	179,000
Total identifiable net assets	179,000
Add: Goodwill (Note 18)	63,837
Cash paid, representing consideration transferred for the businesses	242,837

(c) Goodwill

The goodwill of $63,837 arising from acquisition of the PT. Marina Shipping, is attributable to the increase of the Group's Shipping Division.

(d) Revenue and profit contribution

The acquired businesses contributed revenue of $1,820,841 and net profit of $49,780 to the Group for the period from 3 January 2011 to 31 December 2011.

35 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 2013 or later periods and which the Group has not early adopted:

- Amendments to FRS 1 – *Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after 1 July 2012)
- FRS 19 (Revised) – *Employee Benefits* (effective for annual periods beginning on or after 1 January 2013)
- FRS 27 (Revised) – *Separate Financial Statements* (effective for annual periods beginning on or after 1 January 2014)
- FRS 28 (Revised) – *Investment in associates and Joint Ventures* (effective for annual periods beginning on or after 1 January 2014)
- Amendments to FRS 32 – *Financial instruments : Offsetting of Financial Liabilities and Assets* (effective for annual periods beginning on or after 1 January 2014)
- FRS 110 (New) – *Consolidated Financial Statements* (effective for annual periods beginning on or after 1 July 2014)
- FRS 111 (New) – *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)
- FRS 112 (New) – *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after 1 January 2014)
- FRS 113 (New) – *Fair Value Measurement* (effective for annual periods beginning on or after 1 January 2013)

The Group has yet to assess the full impact from adoption of the above standards and intends to apply the relevant standards in the financial years where the standards become effective.

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.

The proceeds arising from the placement of 38,000,000 new shares and exercise of the 22,000,000 call option had been fully utilised since end of FY2010. No proceeds were received by the Company from the unexercised 16,000,000 call option which have since expired on 6 September 2012.

Shareholding Statistics

as at 11 March 2013

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 2013, 49.89% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 999	2	0.08	1,000	0.00
1,000 - 10,000	542	22.52	4,038,000	0.75
10,001 - 1,000,000	1,824	75.78	138,506,000	25.65
1,000,001 and above	39	1.62	397,496,625	73.60
	2,407	100.00	540,041,625	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	DP 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 Hock	25,319,500	4.69
5	Chua Beng Yong	25,319,500	4.69
6	Chan Kwan Bian	17,384,000	3.22
7	OCBC Securities Private Ltd	13,291,000	2.46
8	Ng Chee Keong	12,655,000	2.34
9	Maybank Kim Eng Securities Pte Ltd	11,079,000	2.05
10	Phillip Securities Pte Ltd	10,116,000	1.87
11	UOB Kay Hian Pte Ltd	8,540,000	1.58
12	Hong Leong Finance Nominees Pte Ltd	4,740,000	0.88
13	United Overseas Bank Nominees Pte Ltd	4,730,000	0.88
14	Chang Thiam Hui	4,346,000	0.80
15	Tay Yew Chong	4,084,000	0.76
16	DBS Nominees Pte Ltd	4,076,000	0.75
17	Bank Of East Asia Nominees Pte Ltd	2,390,000	0.44
18	Chua Wui Wui	2,312,000	0.43
19	Nge Yock Hua	2,000,000	0.37
20	Toh Cheng Hua	1,948,000	0.36
		371,629,625	68.81

Shareholding Statistics

as at 11 March 2013

SUBSTANTIAL SHAREHOLDERS

	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
DP 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
DDW-PaxOcean Asia Pte. Ltd.(1)	-	-	145,712,625	26.98
PaxOcean Shipbuilding Pte. Ltd.(1)	-	-	145,712,625	26.98
Pacific Carriers Limited(1)	-	-	145,712,625	26.98
Kuok (Singapore) Limited(1)	-	-	145,712,625	26.98

Note:

(1) Dubai World Holdings Limited, Drydocks World LLC, Dry Docks & Maritime World LLC, DDW-PaxOcean Asia Pte. Ltd. (formerly known as Drydocks World – Southeast Asia Pte Limited), PaxOcean Shipbuilding Pte. Ltd., Pacific Carriers Limited and Kuok (Singapore) Limited are deemed to have an interest in 145,712,625 shares held by DP Marine Pte. Ltd. (formerly known as Labroy Marine Pte. Ltd.).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the "Company") will be held at 55 Shipyard Road, Singapore 628141 on Friday, 19 April 2013 at 11:00 a.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

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

4. To re-elect Mr Cheong Hock Wee as a Director retiring pursuant to Article 117 of the Company's Articles of Association. **(Resolution 4)**

5. To approve the payment of Directors' fees of S$103,900 (2011: S$103,900) for the financial year ended 31 December 2012. **(Resolution 5)**

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

AS SPECIAL BUSINESS

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

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

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier." [See Explanatory Note 1]

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

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

   "That approval be and is hereby given to the Directors to grant awards from time to time in accordance with the provisions of 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 per cent of the total number of issued Shares excluding treasury shares from time to time."
   [See Explanatory Note 2]

Notice of Annual General Meeting

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

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

"That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual), or any of them, to enter into any of the transactions falling within the types of interested person transactions set out in the addendum to this Annual Report dated 2 April 2013 (the "Addendum") with any party who is of the class of interested persons described in Addendum provided that such transactions are on normal commercial terms, not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such interested person transactions (the "Shareholders' Mandate");

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

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

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

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

Singapore

2 April 2013

Notes:

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

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

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

(iv) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 55 Shipyard Road, Singapore 628141, not less than 48 hours before the time appointed for holding the above Meeting.

Explanatory Notes:

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

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

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

ADDENDUM DATED 2 APRIL 2013

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 2013 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141. The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

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

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

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

ADDENDUM

in relation to

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

DEFINITIONS

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

"Act"	:	The Companies Act (Chapter 50) of Singapore
"AGM"	:	The annual general meeting of the Company
"Board" or "Directors"	:	The directors of the Company as at the date of this Addendum
"CDP"	:	The Central Depository (Pte) Limited of Singapore
"Company"	:	Beng Kuang Marine Limited
"Controlling Shareholder"	:	A person who has an interest in the Shares of an aggregate of not less than 15% of the total votes attached to all the Shares, or in fact exercises control over the Company
"DDW LLC"	:	Drydocks World LLC
"DPSPL"	:	DDW - PaxOcean Shipyard Pte. Ltd. (formerly known as Drydocks World – Singapore Pte. Ltd.)
"DPMPL"	:	DP Marine Pte. Ltd. (formerly known as Labroy Marine Pte. Ltd.)
"Group"	:	The Company and its subsidiaries
"Hwah Hong"	:	Hwah Hong Transportation Pte. Ltd.
"Interested Person"	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any interested person
"Latest Practicable Date"	:	15 March 2013, being the latest practicable date prior to the printing of this Addendum
"Listing Manual"	:	The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of the Company

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

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

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

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

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

BENG KUANG MARINE LIMITED

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

Directors

Mr Chua Beng Kuang (Executive Chairman)
Mr Chua Meng Hua (Managing Director)
Mr Yong Thiam Fook (Executive Director)
Mr Cheong Hock Wee (Non-Independent and Non-Executive Director)
Mr Lee Yaw Loong (Alternate Director to Mr Cheong Hock Wee)
Mr Goh Chee Wee (Independent Director)
Dr Wong Chiang Yin (Independent Director)

Registered Office

55 Shipyard Road
Singapore 628141

2 April 2013

To: The Shareholders of Beng Kuang Marine Limited

Dear Sir/Madam

1. INTRODUCTION

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

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

The current Shareholders' Mandate, which was last renewed by the Shareholders during the AGM held on 23 April 2012, will continue to be in force until the forthcoming AGM. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the forthcoming AGM.

The purpose of this Addendum is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval to renew the Shareholders' Mandate at the forthcoming AGM which is scheduled to be held on 19 April 2013.

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 and associated companies, including DPMPL and its subsidiaries and DPSPL 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.

DDW LLC and PaxOcean Shipbuilding Pte. Ltd. ("POSH") had on 26 September 2012 entered into a shareholders' agreement in respect of DDW-PaxOcean Asia Pte. Ltd. ("DDW-PA") (formerly known as Drydocks World-Southeast Asia Pte. Limited) group (which consists of DPMPL and its subsidiaries and DPSPL and its subsidiaries). Pursuant to such shareholders' agreement, POSH acquired and subscribed for 67% of the shareholding interest of DDW-PA while the remaining 33% shareholding interest remains with DDW LLC.

By virtue of DDW LLC's equity interest of 33% in DPMPL as at the Latest Practicable Date, DDW LLC Group is an associate of DPMPL. It is therefore deemed as an Interested Person of the Company for the purposes of Chapter 9 of the Listing Manual.

For the avoidance of doubt, transactions with Kuok (Singapore) Limited and its subsidiaries, including PCL and POSH and their respective subsidiaries will not fall within the ambit of the Shareholders' Mandate and shall be subject to the relevant provisions of Chapter 9 of the Listing Manual. The Company will in due course seek a new shareholders' mandate for transactions between the Group and the new controlling shareholder, Kuok (Singapore) Limited and its subsidiaries.

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 Manual.

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 Manual.

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

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

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

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

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

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

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

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

(a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on 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 Chief Financial Officer, Executive Officer, Director or a member of the Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. The Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.

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

2.5 Audit Committee's Statements

(a) The independent Directors from the Audit Committee have reviewed the terms of the Shareholders' Mandate and are satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Independent Directors from the Audit Committee confirm that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 23 April 2012.

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

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Chua Beng Kuang	36,267,500	6.72	-	-
Chua Meng Hua	35,319,500	6,54	-	-
Yong Thiam Fook	256,000	0.05	-	-
Cheong Hock Wee	-	-	-	-
Goh Chee Wee	-	-	-	-
Dr Wong Chiang Yin	100,000	0.02	-	-
Lee Yaw Loong	-	-	-	-
Substantial Shareholders (other than Directors)				
DP 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
DDW – PaxOcean Asia Pte. Ltd. (1)	-	-	145,712,625	26.98
PaxOcean Shipbuilding Pte. Ltd. (2)	-	-	145,712,625	26.98
Pacific Carriers Limited (2)	-	-	145,712,625	26.98
Kuok (Singapore) Limited (2)	-	-	145,712,625	26.98

Note:

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

(2) PaxOcean Shipbuilding Pte. Ltd., Pacific Carriers Limited and Kuok (Singapore) Limited are deemed to have an interest in 145,712,625 shares held by DP Marine Pte. Ltd.

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

4. APPROVALS AND RESOLUTIONS

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

As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 of this Addendum together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 9 at the AGM to be held on 19 April 2013.

5. DIRECTORS' RECOMMENDATION

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

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors who collectively and individually accept full responsibility for the accuracy of the information given in this Addendum and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Addendum constitutes full and true disclosure of all material facts about the proposed renewal of Shareholders' Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Addendum misleading. Where information in this Addendum has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Addendum in its proper form and context.

7. INSPECTION OF DOCUMENTS

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2011 and 31 December 2012 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 Friday, 19 April 2013 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 2012		
2.	Re-election of Mr Chua Meng Hua as a Director		
3.	Re-election of Mr Goh Chee Wee as a Director		
4.	Re-election of Mr Cheong Hock Wee as a Director		
5.	Approval of Directors' Fees for the financial year ended 31 December 2012		
6.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
7.	Authority to allot and issue of shares		
8.	Authority to grant awards and to allot and issue shares under BKM PSP		
9.	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Delete accordingly

Dated this ________ day of _____________________ 2013.

Total Number of Shares held

____

Signature(s) of Shareholder(s)/or

Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

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

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

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

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

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

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

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

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

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Beng Kuang Marine Limited
Company Reg. No: 199400196M

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