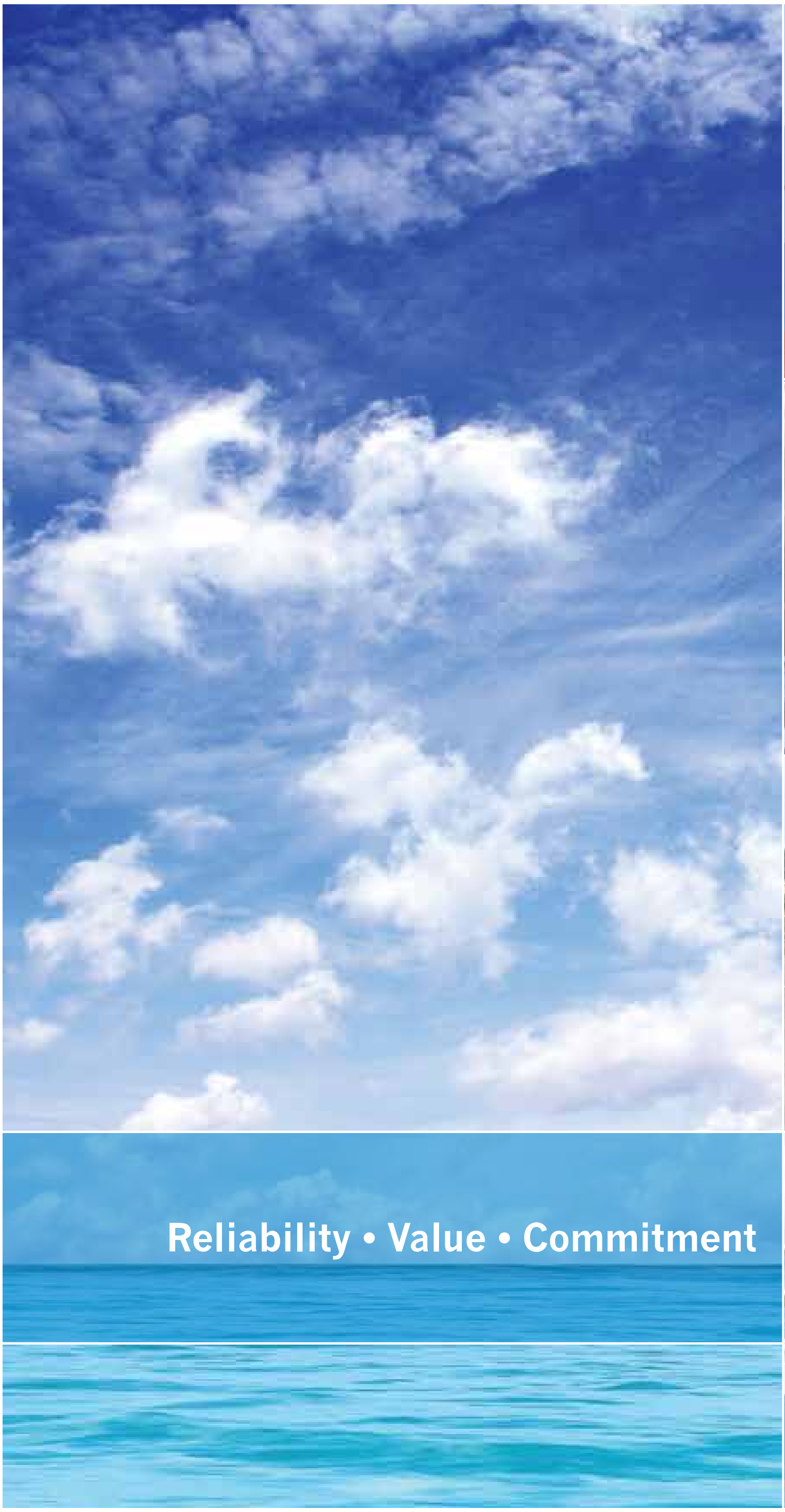
明光集團

BENG KUANG GROUP

ANNUAL REPORT 2013



CONTENTS

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.

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
- Metalising Services

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.

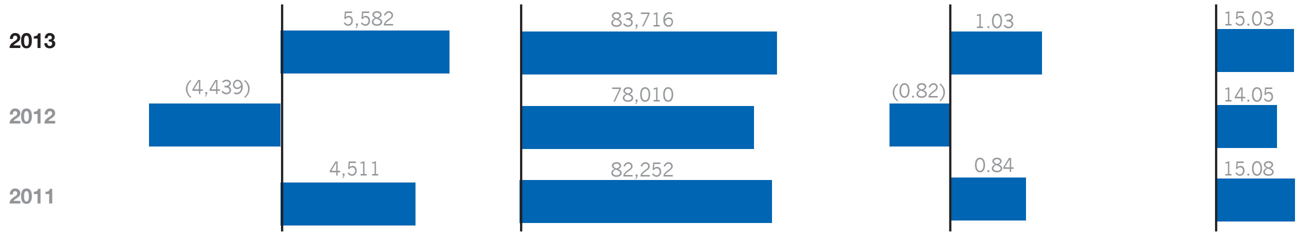
Supply and Distribution Division ("SD Division")
SD division carries over 400 types of products (marine hardware equipment, tools and other products) under our house brands like MASTER, PROMASTER and SPLASH, all of which are commonly used in the marine, offshore oil and gas, construction and other industries.

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 "Diamantina" commenced trading in the first quarter of 2014. In addition, the Group operates 6 sets of tugs and barges in Indonesia.

FINANCIAL **HIGHLIGHTS**

Attributable profit / (loss) (S$'000) | **Tangible net worth** (S$'000) | **Earnings per share** - Basic (in cents) | **NAV per share** (in cents)



		2013	2012	2011
OPERATING RESULTS				
Turnover		83,830,939	94,571,038	145,432,939
EBITDA		17,800,339	10,070,469	13,589,922
Pretax profit / (loss)		6,845,063	(5,362,523)	4,734,881
Attributable profit / (loss)		**5,582,242**	**(4,438,550)**	**4,511,257**
Turnover growth / (decline)		(11.4%)	(35.0%)	85.3%
EBITDA growth / (decline)		76.8%	(25.9%)	20.5%
Pretax growth / (decline)		227.6%	(213.3%)	24.5%
Attributable profit growth / (decline)		225.8%	(198.4%)	65.5%
EBITDA margin		21.2%	10.6%	9.3%
Pretax margin		8.2%	(5.7%)	3.3%
Net profit / (loss) margin		7.2%	(5.9%)	2.5%
FINANCIAL POSITION				
Total assets		182,386,364	188,493,101	234,944,560
Total liabilities		98,606,121	110,418,880	150,082,640
Net debt		56,772,175	59,562,760	63,858,173
Tangible Net Worth		**83,716,406**	**78,010,384**	**82,252,015**
Net Gearing ratio		67.8%	76.4%	77.6%
PER SHARE DATA (IN CENTS)				
Earnings per Share	**- Basic**	**1.03**	**(0.82)**	**0.84**
	- Diluted	1.03	(0.82)	0.84
Dividends		–	–	0.20
NAV PER SHARE		**15.03**	**14.05**	**15.08**
SEGMENT RESULTS				
Turnover				
Infrastructure Engineering		25,398,470	41,304,855	99,190,734
Corrosion Prevention		35,127,369	30,468,271	29,254,981
Supply & Distribution		15,483,303	15,053,965	15,677,054
Shipping		7,821,797	7,743,947	1,310,170
Profit / (loss) from operating segment				
Infrastructure Engineering		(1,147,128)	(4,186,904)	5,873,766
Corrosion Prevention		3,106,025	6,507,493	2,060,038
Supply & Distribution		7,192,739	261,450	2,266,524
Shipping		1,249,262	987,488	1,789
Others		(65,453)	(4,696,403)	(792,196)
Capital Expenditure				
Infrastructure Engineering		1,254,298	7,232,703	20,663,208
Corrosion Prevention		749,954	753,354	770,446
Supply & Distribution		89,191	71,344	–
Shipping		17,893,996	10,733,315	28,889,032

Chua Beng Kuang
Executive Chairman

EXECUTIVE CHAIRMAN'S **STATEMENT**

"The conversion of the second livestock carrier "Diamantina" was completed and the vessel commenced trading in 1Q2014 and is expected to contribute modestly to the Group's revenue in FY2014."

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the 2013 Annual Report to shareholders.

The regional shipbuilding market continued to remain sluggish in FY2013 with fierce competition for this much reduced market segment which saw downward pressure on prices. The offshore oil and gas industry however showed some signs of improvement as we continue to secure small value recurring fabrication contracts. Despite vigorous marketing efforts, the Group failed to win sizeable marine or fabrication contracts and this affected the Group's overall operating performance in FY2013.

The Group's revenue fell by 11.4% from $94.57 million in FY2012 to $83.83 million in FY2013 and this is attributable mainly to lack of major contracts in the Infrastructure Engineering Division. The Corrosion Prevention Division was able to increase its sales in FY2013 by 15.3% from $30.47 million in FY2012 to $35.13 million in FY2013. Supply Distribution and Shipping Divisions were able to increase the sales marginally.

During the second quarter of FY2013, the Group sold and leased back its leasehold property at 38 Tuas View Square, Singapore for $14.5 million and the proceeds from the sale were used to repay bank borrowing and improve the working capital of the Group. During the year the Group also divested its 40% interest in Newearth Pte Ltd for S$900,000.

The conversion of the second livestock carrier "Diamantina" was completed and the vessel commenced trading in first quarter of 2014 and is expected to contribute modestly to the Group's revenue in FY2014.

The profit attributable to shareholders in FY2013 was $5.58 million as compared to $4.44 million loss in FY2013. The profit in FY2013 was attributable mainly to the gain on sale of the landed property mentioned earlier. The FY2012 loss was due largely to the impairment of our investment in associated companies and goodwill. With the exclusion of this non-recurring gain in FY2013 and the impairment loss of $4.2 million in FY2012, the Group was still able to improve its operating results to S$228,000 in FY2013 compared to the operating loss of S$1.38 million in FY2012.

In view of the weak operating results your Board has decided not to recommend any dividend for FY2013. Shareholders will be rewarded when the Group is able to once again achieve good operating profits.

We are fully aware of the urgent need to boost the revenues of all our Divisions, to reduce our operating costs and improve our margins to achieve better results. Management has already implemented further measure to improve the Group's performance in 2014.

The shipbuilding market is not expected to be robust in FY2014 and IE Division has focussed on the offshore oil and gas construction industry to secure more value added contracts. Further steps will be taken to increase our competitiveness and to improve marketing strategies and operational efficiencies.

The Corrosion Prevention Division will continue to grow its revenue in FY2014. The Supply and Distribution Division will re-examine and innovate its marketing and sale of marine products and hardware to its boost sales.

Revenue from Shipping Division is expected to be higher in FY2014 with the "Diamantina", our second livestock carrier, becoming operational in 2014 and we are also actively looking at business proposals to expand our fleet of tugs and barges.

On behalf the Board I like to record our thanks to our customers, suppliers and bankers for their continued support and cooperation. I also wish to thank all our employees for the dedication and loyalty and my fellow Directors for their advice and guidance in a difficult year. The Board would also like to thank our shareholders for their continued support.

Yours faithfully,

Chua Beng Kuang
Executive Chairman

FINANCIAL & OPERATIONS **REVIEW**

FY2013 continued to be another challenging year as compared to FY2012 as the Group's revenue fell by 11.4% or S$10.74 million from S$94.57 million in FY2012 to S$83.83 million in FY2013. Despite fall in revenue the Group registered net profit attributable to shareholders of S$5.58 million for FY2013 through the gain of S$5.80 million on the sale and leaseback of a property at 38 Tuas View Square, Singapore.

SEGMENTAL REVIEW

Infrastructure Engineering ("IE") Division
This overall decrease in Group's sales was primarily due to the lower revenue achieved by our IE division during FY2013, which dropped significantly by S$15.91 million from S$41.31 million in FY2012 to S$25.40 million in FY2013 as no significant shipbuilding contracts were secured. Consequently, our IE division incurred operating loss of S$1.14 million for FY2013 compared to S$4.17 million in FY2012. However, the division continued to secure smaller and recurring offshore oil and gas fabrication contracts.

Corrosion Prevention ("CP") Division
Revenue for our CP division increased by S$4.66 million from S$30.47 million in FY2012 to S$35.13 million in FY2013. The increase in revenue was mainly due to increase in demand for corrosion prevention services in FY2013. However, the CP division experienced challenges from the increasing manpower and workers' related costs, resulted in drop in operating profit of S$3.11 million during FY2013 compared to S$6.51 million achieved in FY2012.

Supply & Distribution ("SD") Division
Revenue for our SD division remained fairly steady at S$15.48 million for FY2013 as compared to S$15.05 million in FY2012. This was mainly due to stable third party demand for our hardware products and consumables. However, operating profit improved for FY2013 at S$1.40 million compared to S$0.26 million recorded for FY2012 (excluding the gain on disposal of a property at 38 Tuas View Square). The main factors for the improved operating profit were due to close monitoring on cost control which achieved better cost of production and reduction in doubtful trade debt provisions of approximately S$0.65 million when compared with previous year 2012.

The SD division has recognised S$5.63 million gain on disposal of a property at 38 Tuas View Square by wholly owned subsidiary, Picco Enterprise Pte Ltd ("Picco") in second quarter 2013. On 10 May 2013, the purchaser and Picco entered into a leaseback agreement for the said property for a lease term of seven (7) years. The lease agreement also provides Picco with an option to renew the lease period for a further five (5) years. Picco has accounted the sale and leaseback transaction as operating lease based on the applicable accounting standard.

Shipping and Others ("SH") Division
Revenue for our SH division remained steady at S$7.82 million for FY2013 as compared to S$7.74 million for FY2012. As of 31 December 2013, all the tug boats and cargo barges are chartered out with minimum downtime, together with our livestock carrier, MV Barkly Pearl. Hence, our SH division reported an improved operating profit of S$1.18 million for FY2013 compared to profit of S$0.76 million for FY2012 (excluding the impairment charges on the investment in associated companies and related goodwill).

Our second livestock carrier started trading in first quarter 2014 and will contribute to the growth for SH division in FY2014.

OPERATING PROFITS

Although the Group's revenue dropped by 11.4% from S$94.57 million in FY2012 to S$83.83 million in FY2013, the Group had achieved a higher gross profit margin of 24.0% in FY2013 compared to 20.8% in FY2012, largely contributed by higher margin in SH division.

The Group's profit attributable to shareholders was S$5.58 million in FY2013 as compared to net loss of S$4.44 million in FY2012 mainly due to the gain on disposal of the property (38 Tuas View Square) in first half 2013. The FY2012 loss was due largely to impairment charges on its investment in associated companies and related goodwill.

CASH FLOW STATEMENT

The Group registered a net operating cash inflow of S$4.91 million in FY2013 mainly due to operating profit for the year ended FY2013.

Net cash outflow in investing activities was approximately S$2.70 million for FY2013. This was largely due to the cost of S$17.48 million incurred for the conversion of our second livestock carrier in our yard. The cash inflow from the sale and leaseback of a property (38 Tuas View Square) was approximately S$14.5 million.

Net cash outflow in financing activities was approximately S$11.67 million during FY2013. This was mainly due to repayment of short term bank borrowings, lease liabilities and term loans.

As a result of the above, the Group registered a net decrease in cash and cash equivalent of approximately S$9.46 million for FY2013.

ASSETS AND LIABILITIES

The Group registered total assets of S$182.38 million as at 31 December 2013 as compared to S$188.49 million as at 31 December 2012.

The Group's current assets declined from S$88.01 million as at 31 December 2012 to S$72.33 million as at 31 December 2013 mainly due to repayment of short term bank borrowings, lease liabilities and term loans.

The Group's non-current assets as at 31 December 2013 increased by S$9.58 million to S$110.06 million as compared to S$100.48 million as at 31 December 2012 mainly due to the costs incurred for the conversion of our second livestock carrier.

Total liabilities for the Group were S$98.60 million at end of FY2013 as compared to S$110.42 million at end of FY2012. The reduction was mainly attributable to net repayment of bank borrowings of S$11.67 million, trade and other payables of S$3.83 million during FY2013.

The Group registered net current liabilities of S$7.14 million as at 31 December 2013 as compared to S$3.05 million as at 31 December 2012. The net current liabilities position registered in fourth quarter FY2013 was mainly due to the Group's utilisation of a portion of its short-term bank borrowings to finance the conversion of the second livestock carrier.

BOARD OF **DIRECTORS**

Mr. Chua Beng Kuang
Executive Chairman

Mr. Chua Beng Kuang is our Executive Chairman and one of our founders. He was first appointed Director on 8 January 1994 and last re-elected on 23 April 2012. He is primarily in charge of the overall management, including developing and steering corporate plans, business directions and strategies for the Group. He has over 31 years of experience within the marine industry. He 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 was first appointed Director on 8 January 1994 and last re-elected on 19 April 2013. He oversees the overall administrative, safety and operational systems, including developing and steering plans, and directions for the Group. He has over 21 years of experience within the marine industry.

Mr. Alan Yong Thiam Fook
Executive Director

Mr. Alan Yong Thiam Fook is our head of the Shipping Division as well as overseeing the Risk Management Committee, investment & joint ventures and business development for the Group. He was appointed as our Executive Director on 14 July 2008, prior to that he has been on the Board as a non-executive director since 30 May 2002. He was last re-elected on 23 April 2012.

Mr. Yong is currently a Director of Scintronix Corporation Limited. He 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.

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

Mr. Goh Chee Wee was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 19 April 2013. He is also a director of Chailease Holding Company Ltd, Chip Eng Seng Corporation Ltd, King Wan Corporation Ltd, Sinotel Technologies Ltd, Stamford Tyres Corporation Ltd and Sin Ghee Huat Corporation Ltd, all 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.

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

Dr. Wong Chiang Yin was first appointed as our Independent Director on 30 August 2004 and was last re-elected on 19 April 2011. He is currently the President of Healthcare Services, Sasteria Pte Ltd and Executive Director of TMC Life Sciences Berhad. He is also a Director of Rowsley Limited. 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. Cheong Hock Wee
Non-Executive Director
Member, Audit Committee
Member, Remuneration Committee
Member, Nominating Committee

Mr. Cheong Hock Wee was appointed as our Non-Executive Director on 10 December 2012 and was last re-elected on 19 April 2013. 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 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, including developing and steering plans, directions in the marketing, business development and operations. He has over 21 years of experience in the marine, offshore, oil and gas industries. He leads the IE Division in pursuing 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 19 years of experience in the corrosion prevention business in the marine, offshore, oil and gas industries. He leads the CP Division in pursing the Group's mission and objectives and has been instrumental 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 in 2000 and was promoted as Chief Financial Officer in 2012. 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
- Metalising Services

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

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

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

Infrastructure Engineering

100% Asian Sealand Engineering Pte Ltd

100% PT. Nexus Engineering Indonesia

100% ASIC Engineering Sdn Bhd

100% Asian Sealand Offshore and Marine Pte. Ltd.

100% MTM (ASE) Metalization Pte. Ltd.

51% Venture Automation & Electrical Engineering Pte. Ltd.

Corrosion Prevention

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% 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

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

100% PT. Master Indonesia

Shipping & Others

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
Malayan Banking Berhad
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

FINANCIAL **CONTENTS**

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

The Board of Directors (the "Board") of Beng Kuang Marine Limited is committed to maintaining a high standard of corporate governance within the Group. The Company has, put in place and adopted various principles, policies, and practices complying with revised Code of Corporate Governance 2012 ("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 and exceptions are explained below.

Principle 1: The Board's Conduct of 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;

(d) set the Company's values and standards, and ensure that obligations to shareholders and other stakeholders are understood and met; and

(e) approval of interested person transactions

Matters that specifically require the Board's decision or approval are:-

- Corporate strategy and business plans;
- Material 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 material expenditures; 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.

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

The Board conducts regular scheduled meetings on a quarterly basis and 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 Board may also make decisions by resolutions in writing. The number of Board and Board committees meetings held and attended by each Director during FY2013 are as follows:-

Name	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	No of meetings		No of meetings		No of meetings		No of meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Chua Beng Kuang	4	4	–	–	–	–	–	–
Chua Meng Hua	4	4	–	–	–	–	–	–
Yong Thiam Fook	4	4	–	–	–	–	–	–
Cheong Hock Wee/ Lee Yaw Loong	4	4	4	4	1	1	1	1
Goh Chee Wee	4	4	4	4	1	1	1	1
Dr Wong Chiang Yin	4	4	4	4	1	1	1	1

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 Guidance

(i) 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-Executive Director)
Goh Chee Wee (Independent Director)
Dr Wong Chiang Yin (Independent Director)

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

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 all matters 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.

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

Mr. Goh Chee Wee and Dr. Wong Chiang Yin were first appointed Directors on 30 August 2004 and have held their office as Directors for more than 9 years and the Code requires their independence should be subject to rigorous review. In this context, the NC and the Board have separately reviewed the independence of Mr. Goh Chee Wee and Dr. Wong Chiang Yin and are satisfied that their long tenure does not impair their independence and they are able to discharge the duties as Directors independently and objectively. They remained independent in character and judgement and there are no relationships or circumstances which are likely to affect their judgement. Both of them are well qualified and experienced and have the ability to make impartial and well balanced decisions and to act in the best interests of the Company and shareholders.

(iii) The NC is satisfied 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 of the Company's business. 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. 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, with the team of key executive officers, is responsible for the day to day management of the Group's operations. He fulfills the role of Chief Executive Officer of the Group

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. The Board is aware of the timeline set by the Code for independent directors to make up half of the Board where the Chairman and CEO are immediate family members.

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)
Cheong Hock Wee	(Member, Non-Executive Director)

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

- To review nominations for the appointment and re-appointment to the Board and the various Board committees;
- To decide on the evaluation criteria of the Board, propose an objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each Director;

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

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

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

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

The NC will determine the criteria for the appointment of new Directors. When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by directors or management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. The Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

Having regard to the Directors' attendance and deliberations at meetings of the Board and Board Committees and the time spent on the Company's affairs, the NC and the Board are of the view that a maximum limit on the number directorship in listed companies for a director is not necessary.

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 address how the Board has enhanced long-term shareholders' value and include a comparison with the industry peers. The performance evaluation also includes consideration of return on equity, the Company's share price vis-à-vis the Singapore Straits Times Index. The selected performance criteria will not be changed from year to year unless they are deemed necessary and the Board is able to justify the changes.

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

Principle 6: Access to Information

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

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

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

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.

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)
Cheong Hock Wee	(Member, Non-Executive Director)

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

The RC recommends to the Board (in consultation with the Chairman) a framework of remuneration for the Board and the Executive Officers as well as specific remuneration packages for the Executive Directors and the Managing Director. The recommendations were submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' and Executive Officers' fees, salaries, allowances, bonuses, options and benefits in kind are covered by the RC. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The members of the RC do not participate in any decision concerning their own remuneration package.

Principle 8: Level and Mix of Remuneration

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

The Company has entered into separate service agreements with Mr. Chua Beng Kuang and Mr. Chua Meng Hua for an initial period of three years commencing 1 January 2004 which shall be automatically renewed on a three-year basis and with Mr. Yong Thiam Fook for an initial period of three years commencing 14 July 2008 which shall be automatically renewed on an annual basis. There are no onerous removal clauses in the service agreements. Other than a fixed salary, Mr. Chua Beng Kuang and Mr. Chua Meng Hua are also entitled to an additional 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

The remuneration of each individual Director to the nearest thousand is not disclosed as the Board believes that the disclosure may be prejudicial to its business interests given the highly competitive marine business environment the Group operates in.

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

A summary compensation table of the directors' remuneration for the financial year ended 31 December 2013 is set out below:

Name of Directors	Salary# (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
S$500,001 to S$750,000					
Chua Beng Kuang	56.30	40.74	0.14	2.82	100.00
Chua Meng Hua	52.44	43.24	1.78	2.54	100.00
Up to S$250,000					
Yong Thiam Fook	89.75	8.89	1.36	–	100.00
Goh Chee Wee	–	–	100.00*	–	100.00
Dr Wong Chiang Yin	–	–	100.00*	–	100.00
Cheong Hock Wee	–	–	100.00*	–	100.00

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

A summary compensation table of the top five Executive Officers' remuneration for the financial year ended 31 December 2013 is set out below:

Name of Top 5 Executive Officers	Salary (%)	Bonus (%)	Fees (%)	Benefits (%)	Total (%)
S$250,001 to S$500,000					
Chua Beng Yong	92.55	7.45	–	–	100.00
Chua Beng Hock	91.35	7.20	1.45	–	100.00
Up to S$250,000					
Lee Wei Liang	91.33	8.67	–	–	100.00
S.Thillainathan	90.88	9.12	–	–	100.00
Tan Say Tian	91.70	8.30	–	–	100.00

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. Lee Wei Liang (Chief Financial Officer), Mr. S.Thillainathan (Senior Manager) and Mr. Tan Say Tian (General Manager, Infrastructure Engineering Division).

Mr. Chua Beng Kuang and Mr. Chua Meng Hua (Executive Directors) and Mr. Chua Beng Yong and Mr. Chua Beng Hock (Executive Officers) are brothers. The Code recommends that the remuneration of employees who are immediate family member of a Director or CEO be disclosed within the bands of S$50,000. However, the Board is of the opinion that the remuneration details of Mr. Chua Beng Yong and Mr. Chua Beng Hock are confidential and disclosure of their remuneration in the bands of S$50,000 would not be in the interest of the Company. Mr. Chua Min Kong who is also a brother of Mr. Chua Beng Kuang and Mr. Chua Meng Hua is employed by the Group as a Manager and his total remuneration in 2013 was between $50,000 to $100,000.

Save as disclosed above, there is no employee who is an immediate family member of any Director, whose remuneration whose remuneration for FY2013 exceeds $50,000.

The aggregate total remuneration paid to or accrued to top five Executive Officers (who are not Directors or CEO) for FY2013 amounted to $1,675,618.

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

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

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. No shares have been issued under this plan during the financial year.

Principle 10: Accountability

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.

Principle 11: Risk Management and 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.

Internal Controls

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, 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 control maintained by the Group provides reasonable assurance of the adequacy of the internal controls in addressing the financial, operational (including information technology) and compliance risks of the Group. This is in turn supported by assurance from the Managing Director and the Chief Financial Officer that:

(a) the financial records of the Company have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards; and

(b) they have evaluated the effectiveness of the Company's internal controls and have discussed with the Company's external and internal auditors of their reporting points and note that the Company has put in place and will continue to maintain a reliable, comprehensive and sound system of risk management and internal controls.

Enterprise Risk Management

The Company does not have a Board Committee for Risk Management. The Board and the AC has supervised the setting up of an enterprise risk management framework to evaluate and continuously improve the effectiveness of risk management capabilities, control and governance processes. The internal auditors have assisted in setting up this structure and have presented their key findings of their review to the AC and the Board. Key operational (including information technology), business, and financial risks faced by the Group generally and in major contracts and transactions are continuously analysed and identified so that all key risks (including information technology risk) are addressed and internal controls are in place and reviewed periodically by Management, the AC and the Board.

The Board and AC noted that all internal controls contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgement in decision making, human error, losses, fraud or other irregularities. The Board will continue its risk assessment process with a view to improve the Group's internal control systems.

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

Audit Committee

Principle 12: 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)
Cheong Hock Wee	(Member, Non-Executive Director)

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

- Reviewing the audit plans and reports of the independent auditor and to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Review Enterprise Risk Management structure, governance and processes;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2013 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

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

The aggregate amount of fees paid or payable to the independent auditors of the Company, broken down into audit and non-audit services during FY2013 are as follows:-

Audit fees	:	S$168,204
Non-audit fees	:	S$44,788

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

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

Whistle Blowing Policy

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 auditors, without the presence of the Management, to review the adequacy of audit arrangement with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the auditors.

Principle 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, internal controls and governance processes, as designed by the Company, are 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.

Principle 14: Shareholders' Rights

The Company recognises and accepts the principle that all shareholders are treated fairly and equitably and that they have been accorded certain rights under the Singapore Companies Act and the Company's Articles of Association. Information to all shareholders is disclosed to in a timely and transparent manner and in compliance with SGX disclosure requirements.

Shareholders are given ample opportunity to attend, participate and vote at the Company's general meetings.

Principle 15: Communication with Shareholders

The Company has complied with the Listing Manual on the disclosure requirements of material information to shareholders. 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.

Information is communicated to shareholders on a timely basis through quarterly 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.

In view of the Group's weak operating results in FY2013, the Board has decided not to declare any dividend for FY2013.

Principle 16: Conduct of Shareholders' Meetings

Shareholders are given the opportunity to pose questions to the Directors or the Management at the AGM and all extraordinary general meetings. 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 independent auditors will also be present to assist the Directors in addressing any queries posed by the shareholders.

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

Effective 1 August 2015, the Company is required under the Listing Manual to put all resolutions at general meetings to voting by poll. Until this rule becomes effective, voting at general meetings will be by way of show of hands unless a poll is demanded as the Board is of the view that this manner of voting is expedient when no objection or opposition has been raised to any resolution.

DEALINGS IN SECURITIES

The Company has adopted policies in line with the Rule 1207(19) 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. The Company and its officers are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before full financial year, and ending on the date of announcement of the relevant results.

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 FY2013 in accordance with its existing procedures.

REPORT OF CORPORATE GOVERNANCE

For the financial year ended 31 December 2013

A summary of the interested person transactions for FY2013 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		
Sale of Hardware Equipments, Tools and Other Consumables		2,497
Procurement of Materials and Consumables		(240,580)
Provision of Corrosion Prevention Services		843,586
DDW – PaxOcean Shipyard Pte Ltd (Formerly known as Drydocks World – Singapore Pte Ltd)		
Sale of Hardware Equipments, Tools and Other Consumables		72
Provision of Corrosion Prevention Services		4,811,760
Transportation Charges		(12,834)
PT. Drydocks World Pertama		
Provision of Corrosion Prevention Services		1,245,288
Procurement of Materials and Consumables		(106,076)
Sale of Hardware Equipments, Tools and Other Consumables		714
Pacific Workboats Pte Ltd		
Repair and Rental Services		(653,000)

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 2013

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2013 and the balance sheet of the Company as at 31 December 2013.

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
Lee Yaw Loong (Appointed on 22 February 2013 as alternative 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 26 of this report.

Directors' Interests in Shares or Debentures

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

	Holdings registered in name of director or nominee	
	At 31.12.2013	At 1.1.2013 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 2014 were the same as those as at 31 December 2013.

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 2013

Share Options

There were no 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 to consider the effectiveness of the actions taken by the Management on the auditor's recommendations;
- Reviewing the internal audit plans, the scope and results of internal audit procedures;
- Review Enterprise Risk Management structure, governance and processes;
- Reviewing the balance sheet of the Company, the consolidated financial statements of the Group for the financial year ended 31 December 2013 and other announcements to shareholders and the Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board of Directors ("Board") for approval, as well as the independent auditor's report on the balance sheets of the Company and the consolidated financial statements of the Group;
- Appraising and reporting to the Board on the audits undertaken by the independent auditor, the adequacy of disclosure of information, and the adequacy and effectiveness of the system of management internal audit function and internal controls;
- Reviewing the assistance and co-operation given by the Management to the independent auditor;
- Evaluating quality of work performed by independent auditor;
- Discussing problems and concerns, if any, arising from the interim and final audits;
- Considering and make recommendations to the Board on the appointment, re-appointment and removal of independent auditor, their remuneration and terms of engagement;
- Reviewing the framework for staff to raise concerns about possible improprieties in matters of financial reporting or other matters in confidence, and that there is independent investigation of such matters and appropriate follow-up action; and
- Reviewing interested person transactions, as defined in the Listing Manual of SGX-ST.

The 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.

DIRECTORS' REPORT
For the financial year ended 31 December 2013

Independent Auditor

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

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

20 March 2014

STATEMENT BY DIRECTORS

For the financial year ended 31 December 2013

In the opinion of the directors,

(i) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013 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 Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the directors

Chua Beng Kuang
Executive Chairman

Chua Meng Hua
Managing Director

20 March 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of Beng Kuang Marine Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Beng Kuang Marine Limited (the "Company") and its subsidiaries (the "Group") set out on pages 31 to 93, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2013 , 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 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.

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 2013 , and of the results, changes in equity and cash flows of the Group for financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT

To the Members of Beng Kuang Marine Limited

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 Chartered Accountants
Director-in-charge: Chin Chee Choon
Appointed since the financial year ended 31 December 2010

Singapore

20 March 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2013

	Note	2013 $	2012 $
Revenue	4	83,830,939	94,571,038
Cost of sales		(63,689,878)	(74,881,746)
Gross profit		20,141,061	19,689,292
Other gains/(losses) – net	7	6,772,454	(3,689,697)
Expenses			
- Selling and distribution		(1,980,451)	(1,842,920)
- Administrative		(15,974,859)	(16,853,322)
- Finance	8	(2,113,142)	(2,558,522)
Share of losses of associated companies	16	–	(107,354)
Profit/(loss) before income tax		6,845,063	(5,362,523)
Income tax expense	9	(820,591)	(249,615)
Net profit/(loss)		6,024,472	(5,612,138)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		(318,450)	(95,478)
Total comprehensive income/(loss)		5,706,022	(5,707,616)
Profit/(loss) attributable to:			
Equity holders of the Company		5,582,242	(4,438,550)
Non-controlling interests		442,230	(1,173,588)
		6,024,472	(5,612,138)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		5,329,674	(4,521,690)
Non-controlling interests		376,348	(1,185,926)
		5,706,022	(5,707,616)
Earnings/(loss) per share attributable to equity holders of the Company (cents per share)			
- Basic	10	1.03	(0.82)
- Diluted	10	1.03	(0.82)

The accompanying notes form an integral part of these financial statements

BALANCE SHEETS

As at 31 December 2013

	Note	Group 2013 $	Group 2012 $	Company 2013 $	Company 2012 $
ASSETS					
Current assets					
Cash and cash equivalents	11	8,403,197	15,076,945	226,032	2,798,687
Trade and other receivables	12	49,345,219	50,257,060	70,654,473	66,973,925
Inventories	13	14,581,050	14,824,138	–	–
		72,329,466	80,158,143	70,880,505	69,772,612
Assets held-for-sale	14	–	7,853,588	–	–
		72,329,466	88,011,731	70,880,505	69,772,612
Non-current assets					
Investments in subsidiaries	17	–	–	4,256,615	4,515,468
Intangible assets	18	63,837	63,837	–	–
Property, plant and equipment	19	109,802,463	100,417,533	958,946	1,375,037
Deferred income tax assets	24	190,598	–	–	–
		110,056,898	100,481,370	5,215,561	5,890,505
Total assets		182,386,364	188,493,101	76,096,066	75,663,117
LIABILITIES					
Current liabilities					
Trade and other payables	20	30,697,586	34,267,407	6,114,437	4,163,656
Current income tax liabilities		976,366	833,865	–	–
Borrowings	22	47,790,624	55,963,202	17,552,417	18,086,312
		79,464,576	91,064,474	23,666,854	22,249,968
Non-current liabilities					
Trade and other payables	20	1,148,042	–	–	–
Borrowings	22	17,384,748	18,676,503	48,750	270,041
Deferred income tax liabilities	24	608,755	677,903	5,650	16,370
		19,141,545	19,354,406	54,400	286,411
Total liabilities		98,606,121	110,418,880	23,721,254	22,536,379
NET ASSETS		83,780,243	78,074,221	52,374,812	53,126,738
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	(407,321)	(154,753)	–	–
Retained profits	27	31,935,859	26,353,617	2,723,465	3,475,391
		81,179,885	75,850,211	52,374,812	53,126,738
Non-controlling interests		2,600,358	2,224,010	–	–
Total equity		83,780,243	78,074,221	52,374,812	53,126,738

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2013

	Note	← Attributable to equity holders of the Company →				Non–controlling interests	Total equity
		Share capital	Retained profits	Currency translation reserve	Total		
		$	$	$	$	$	$
2013							
Beginning of financial year		49,651,347	26,353,617	(154,753)	75,850,211	2,224,010	78,074,221
Total comprehensive income for the financial year		–	5,582,242	(252,568)	5,329,674	376,348	5,706,022
End of financial year		49,651,347	31,935,859	(407,321)	81,179,885	2,600,358	83,780,243
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

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Net profit/(loss)		6,024,472	(5,612,138)
Adjustments for:			
Income tax expense	9	820,591	249,615
Allowance for impairment of trade receivables	5	115,492	1,055,078
Write down of inventories	5	50,926	95,446
Inventories written off	5	20,335	21,352
Amortisation of intangible assets	18	–	43,781
Impairment loss of goodwill	18	–	2,268,787
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	(251,754)	(318,355)
Gain on disposal of property, plant and equipment	7	(332,798)	(211,932)
Gain on disposal of assets held-for sale	7	(5,796,253)	–
Property, plant and equipment written off	7	32,631	1,651
Depreciation of property, plant and equipment	19	8,854,127	8,381,840
Gain on disposal of a business unit	7	–	(10,000)
Share of losses of associated companies	16	–	107,354
Interest income	7	(11,993)	(19,557)
Finance expense	8	2,113,142	2,558,522
Unrealised currency translation losses		264,052	207,965
		11,902,970	11,019,027
Change in working capital:			
Inventories and construction work-in-progress		7,469,454	48,334,739
Trade and other receivables		(6,340,829)	1,728,716
Trade and other payables		(3,830,473)	(34,164,076)
Bills payable		(900,268)	(3,664,217)
Cash flows generated from operations		8,300,854	23,254,189
Interest received		11,993	19,557
Interest paid		(1,528,374)	(2,203,359)
Income tax paid		(937,835)	(1,409,303)
Net cash flows generated from operating activities		5,846,638	19,661,084
Cash flows from investing activities			
Additions to property, plant and equipment	19(a)	(19,618,951)	(18,603,716)
Proceeds from disposal of property, plant and equipment		2,003,824	1,446,019
Proceeds from disposal of assets held for sale		15,149,841	10,000
Interest paid		(393,601)	(30,207)
Net cash flows used in investing activities		(2,858,887)	(17,177,904)

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2013

	Note	2013 $	2012 $
Cash flows from financing activities			
Proceeds from borrowings		4,918,132	35,216,882
Repayment of borrowings		(14,711,459)	(31,752,293)
Repayment of finance lease liabilities		(2,319,306)	(2,364,812)
Interest paid		(278,182)	(326,236)
Dividends paid to equity holders of the Company	28	–	(1,080,083)
Net cash flows used in financing activities		(12,390,815)	(306,542)
Net (decrease)/increase in cash and cash equivalents		(9,403,064)	2,176,638
Cash and cash equivalents			
Beginning of financial year		15,076,945	13,160,253
Effects of currency translation on cash and cash equivalents		(92,282)	(259,946)
End of financial year	11	5,581,599	15,076,945

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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

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 Stock 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 Significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") 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 2013

On 1 January 2013, the Group adopted the new or amended FRS and interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

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

Amendment to FRS 1 Presentation of items of Other Comprehensive Income

The Group has adopted the amendment to FRS 1 *Presentation of items of Other Comprehensive Income* on 1 January 2013. The amendment is applicable for annual periods beginning on or after 1 July 2012 (with early adoption permitted). It requires items presented in other comprehensive income to be separated into two groups, based on whether or not they may be recycled to profit or loss in the future.

2. Significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

An additional balance sheet and related notes at the beginning of the earliest comparative period is not presented as there is no impact on the balance sheet.

FRS 113 Fair Value Measurement

FRS 113 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across FRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within FRSs. The adoption of FRS 113 does not have any material impact on the accounting policies of the Group.

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 a 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) Acquisitions

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

The consideration transferred for the acquisition of a subsidiary or business 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 Significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(a) Subsidiaries (cont'd)

(ii) Acquisitions (cont'd)

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 accounting policy on goodwill subsequent to initial recognition.

(iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously 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 owners 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 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.

2 Significant accounting policies (cont'd)

2.2 Group accounting (cont'd)

(c) Associated companies (cont'd)

(i) Acquisitions

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.

(ii) Equity method of accounting

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 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.

(iii) Disposals

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 in which significant influence is retained are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 Significant accounting policies (cont'd)

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 their depreciable amounts of property, plant and equipment over their estimated useful lives as follows:

	Useful lives
Motor vehicles	8 – 10 years
Furniture fittings and equipment	3 – 10 years
Forklifts, machinery, tools and equipment	2 – 15 years
Yard development	20 – 30 years
Leasehold improvement and renovation	3 – 10 years
Leasehold building	20 – 30 years
Leasehold land	30 years
Vessels	15 – 20 years
Drydockings	3 years

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

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

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are 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 entity and the cost of the item can be measured reliably. All other repair and maintenance expense are 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 gains/(losses) - net".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 Significant accounting policies (cont'd)

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 (a) the aggregate 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 (b) the fair value of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill on acquisition of subsidiaries and business 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 identifiable net assets acquired.

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

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

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

(b) Intellectual property rights

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

2.5 Cash and cash equivalents

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 such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 Significant accounting policies (cont'd)

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 inflows 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 loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 12) and "cash and cash equivalents" (Note 11) on the balance sheet.

(b) Recognition and derecognition

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

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

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.

2 Significant accounting policies (cont'd)

2.8 Financial assets (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 Significant accounting policies (cont'd)

2.9 Construction contracts (cont'd)

At the balance sheet date, the aggregated costs incurred plus recognised profit (less recognised losses) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts within "trade and other receivables" (Note 12). 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" (Note 20).

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.

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 as a receivable at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Governments grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.13 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of 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 reliably estimated.

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.

2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2 Significant accounting policies (cont'd)

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, in which case they are presented as non-current liabilities.

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

2.17 Borrowing costs

Borrowing costs are 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 for the 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 Significant accounting policies (cont'd)

2.19 Employee compensation

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

(a) Defined contribution plan

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

(b) 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 new ordinary shares are deducted against share capital account.

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.

All foreign exchange gains and losses impacting profit or loss are presented in income statement within "other gains/(losses) – net".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

2. Significant accounting policies (cont'd)

2.21 Currency translation (cont'd)

(c) Translation of Group entities' financial statements

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

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

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

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

2.22 Fair value estimation

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

2.23 Segment reporting

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

2.24 Lease

(a) When the Group is the lessee:

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

(i) Lessee – Finance leases

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

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

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

2. Significant accounting policies (cont'd)

2.24 Lease (cont'd)

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

(ii) Lessee – Operating leases

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

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

(b) When the Group is the lessor:

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

(i) Lessor – Operating leases

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

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

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

2.25 Dividends to Company's shareholders

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

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. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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 costs to sell and value-in-use calculations. The calculation of value-in-use requires 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 in the financial year ended 31 December 2012 arose in the environment and resource CGU, which reduced the carrying amount of goodwill allocated to the environment and resource CGU from $2,268,787 to $Nil. Impairment charges of $Nil and $258,853 (2012: $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 2013.

(b) Impairment of loans and receivables

Management reviews its loans and receivables for objective evidence of impairment annually. 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 has made 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 2013 increase/decrease by 10%, the Group's allowance for impairment will increase/decrease by $1,915,750 and $683,638 respectively.

(c) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 30 years. The carrying amounts of the Group's property, plant and equipment as at 31 December 2013 were $109,802,463 (2012: $100,417,533). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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

3.1 Critical accounting estimates and assumptions (cont'd)

(c) Depreciation of property, plant and equipment (cont'd)

If the actual useful lives of the property, plant and equipment differ by 1 year from management's estimate, the carrying amount of the property, plant and equipment will be approximately higher/lower by $721,525 (2012: $867,928) respectively.

(d) 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 $639,784 and $639,747 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 $62,052 and $60,541 respectively.

(e) 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 2013 were $976,366 and $Nil (2012: $833,865 and $Nil) and $418,157 and $5,650 (2012: $677,903 and $16,370) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

4 Revenue

	Group 2013 $	Group 2012 $
Infrastructure engineering services	25,398,470	41,304,856
Corrosion prevention services	35,127,369	30,468,271
Supply and distribution of products	15,483,303	15,053,964
Chartering income	7,821,797	7,743,947
	83,830,939	94,571,038

5 Expenses by nature

	Group 2013 $	Group 2012 $
Purchases of inventories and construction materials	32,459,867	40,806,165
Subcontractors' fees	1,632,213	5,551,054
Amortisation of intangible assets (Note 18)	–	43,781
Depreciation of property, plant and equipment (Note 19)	8,854,127	8,381,840
Write-back of allowance for impairment of trade receivables (Note 31(b)(ii))	(251,754)	(318,355)
Inventories written off	20,335	21,352
Write down of inventories	50,926	95,446
Allowance for impairment of trade receivables (Note 31(b)(ii))	115,492	1,055,078
Total amortisation, depreciation and impairment	8,789,126	9,279,142
Fees on audit services paid/payable to:		
- Auditor of the Company	168,204	208,359
- Other auditor	35,100	19,992
Total fees on audit services	203,304	228,351
Fees on non-audit services paid/payable to:		
- Auditor of the Company	44,788	38,018
- Other auditor	4,245	6,946
Total fees on non-audit services	49,033	44,964
Employee compensation (Note 6)	23,375,861	21,952,908
Employees' accomodation and utilities	2,697,969	1,429,611
Rental and repair of equipment and machinery	1,178,944	3,831,918
Maintenance of equipment and machinery	2,901,043	1,884,492
Transport and travelling	1,232,155	1,482,111
Office related expenses	775,832	913,480
Insurance	1,214,629	1,388,197
Foreign worker levies	1,404,365	1,362,908
Shipping related expenses	1,068,716	1,504,901
Other expenses	2,833,958	4,781,522
Changes in inventories	(171,827)	(2,863,736)
Total cost of sales, selling and distribution and administrative expenses	81,645,188	93,577,988

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

6 Employee compensation

	Group	
	2013	2012
	$	$
Wages and salaries	21,126,054	20,130,232
Employer's contribution to defined contribution plans including Central Provident Fund	1,039,779	975,852
Other short-term benefits	1,210,028	846,824
	23,375,861	21,952,908

7 Other gains/(losses) – net

	Group	
	2013	2012
	$	$
Interest income from bank deposits	11,993	19,557
Gain on disposal of property, plant and equipment	332,798	211,932
Property, plant and equipment written off	(32,631)	(1,651)
Gain on disposal of assets held-for-sale	5,796,253	–
Impairment loss of goodwill (Note 18)	–	(2,268,787)
Impairment loss of investments in associated companies (Note 16)	–	(1,966,118)
Impairment loss of intellectual property rights (Note 18)	–	(233,500)
Currency translation (losses)/gains, net	(233,378)	40,387
Government grants	185,294	53,040
Sales of scrap	265,197	–
Deposits written off	95,989	101,434
Miscellaneous back-charge of services	350,939	344,009
Gain on disposal of a business unit	–	10,000
	6,772,454	(3,689,697)

8 Finance expenses

	Group	
	2013	2012
	$	$
Interest expense		
- Bank borrowings	2,120,533	1,893,400
- Bank overdrafts	60,219	90,740
- Finance lease liabilities	234,831	238,237
- Bills payable	91,160	366,352
	2,506,743	2,588,729
Less: Amount capitalised in property, plant and equipment	(393,601)	(30,207)
Finance expenses recognised in profit or loss	2,113,142	2,558,522

Borrowing costs on construction of a vessel were capitalised at a rate of 3.4% (2012: 3.32%).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

9 Income tax expense

	Group 2013 $	Group 2012 $
Tax expense attributable to profit is made up of:		
- Profit for the financial year:		
Current income tax – Singapore	169,224	177,535
– Foreign	1,004,387	884,595
	1,173,611	1,062,130
Deferred income tax (Note 24)	(149,599)	(311,289)
	1,024,012	750,841
- Over provision in prior financial years		
Current income tax	(93,274)	(496,973)
Deferred income tax (Note 24)	(110,147)	(4,253)
	(203,421)	(501,226)
	820,591	249,615

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

	Group 2013 $	Group 2012 $
Profit/(loss) before income tax	6,845,063	(5,362,523)
Share of profit of associated companies, net of tax	–	107,354
Profit/(loss) before income tax and share of losses of associated companies	6,845,063	(5,255,169)
Tax at the applicable tax rate of 17% (2012: 17%)	1,163,661	(893,379)
Effects of:		
- expenses not deductible for tax purposes	1,178,316	1,619,732
- income not subject to tax	(1,201,573)	(112,362)
- tax incentives	(63,996)	(1,920)
- different tax rates in other countries	(42,188)	(30,281)
- deferred tax assets not recognised	7,986	160,432
- other	(18,194)	8,619
Tax charge	1,024,012	750,841

10 Earnings/(loss) per share

	Group	
	2013	2012
Profit/(loss) attributable to equity holders of the Company ($)	5,582,242	(4,438,550)
Weighted average number of ordinary shares for basic earnings per share	540,041,625	540,041,625
Basic earnings/(loss) per share (cents per share)	1.03	(0.82)
Diluted earnings/(loss) per share (cents per share)	1.03	(0.82)

(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 were no dilutive potential ordinary shares during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

11 Cash and cash equivalents

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Cash at bank and on hand	8,403,197	15,076,945	226,032	2,798,687

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

	Group	
	2013 $	2012 $
Cash and bank balances (as above)	8,403,197	15,076,945
Less: Bank overdrafts (Note 22)	(2,821,598)	–
Cash and cash equivalents per consolidated statement of cash flows	5,581,599	15,076,945

12 Trade and other receivables

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Trade receivables				
- Subsidiaries	–	–	2,019,687	3,599,535
- Related parties	2,969,282	711,099	–	–
- Non-related parties	35,882,625	33,042,942	14,560	6,750
	38,851,907	33,754,041	2,034,247	3,606,285
Less: Allowance for impairment of trade receivables - non-related parties (Note 31 (b)(ii))	(683,638)	(1,775,230)	–	–
Trade receivables – net	38,168,269	31,978,811	2,034,247	3,606,285
Construction contracts				
- Due from customers (Note 15)	8,430,390	15,819,322	231,935	358,295
- Retentions (Note 15)	517,415	157,602	–	–
	8,947,805	15,976,924	231,935	358,295
Non-trade receivables				
- Subsidiaries	–	–	67,865,199	62,564,858
- Non-related parties	1,474,817	1,410,539	521,292	–
	1,474,817	1,410,539	68,386,491	62,564,858
Deposits	291,849	416,739	–	–
Prepayments	462,479	474,047	1,800	444,487
	49,345,219	50,257,060	70,654,473	66,973,925

12 Trade and other receivables (cont'd)

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

An amount of $1,305,861 (2012: $1,632,067) due from a subsidiary which bears fixed interest amount of $120,000 (2012: $120,000) per annum and is receivable on demand.

Amounts of $2,710,666 (2012: $2,256,885) due from certain subsidiaries which bear fixed interest rate from the range of 3.22% to 5.00% (2012: 3.22% to 5.00%) per annum and are receivable on demand.

13 Inventories

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Construction materials	3,830,598	5,324,382	–	–
Trading goods	5,832,566	6,809,881	–	–
Vessel in construction	4,917,886	2,689,875	–	–
	14,581,050	14,824,138	–	–

The cost of inventories related to construction materials and trading goods recognised as an expense and included in "cost of sales" amounted to $11,048,962 (2012: $17,857,763) and $16,788,555 (2012: $15,185,803) respectively.

14 Assets held-for-sale

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Beginning of the financial year	7,853,588	–	–	–
Reclassified from property, plant and equipment (Note 19)	–	6,865,818	–	–
Reclassified from investments in associated companies (Note 16)	–	987,770	–	–
Disposals	(7,853,588)	–	–	–
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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

14 Assets held-for-sale (cont'd)

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. The Assets held-for-sale have been fully disposed during the financial year ending 31 December 2013.

15 Construction contracts

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Aggregate costs incurred and profits recognised (less losses recognized) to date on uncompleted construction contracts	27,624,222	108,800,179	231,935	358,295
Less: Progress billings	(19,436,351)	(93,314,682)	–	–
	8,187,871	15,485,497	231,935	358,295
Presented as:-				
Due from customers on construction contracts (Note 12)	8,430,390	15,819,322	231,935	358,295
Due to customers on construction contracts (Note 20)	(242,519)	(333,825)	–	–
	8,187,871	15,485,497	231,935	358,295
Retentions on construction contracts (Note 12)	517,415	157,602	–	–

16 Investments in associated companies

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Beginning of financial year	–	3,061,242	–	–
Impairment charge (Note 7)	–	(1,966,118)	–	–
Share of losses	–	(107,354)	–	–
Reclassified to assets held-for-sale (Note 14)	–	(987,770)	–	–
End of financial year	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

16 Investments in associated companies (cont'd)

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

	Group 2013 $	Group 2012 $
- Assets	–	11,807,045
- Liabilities	–	(6,669,473)
- Revenue	–	–
- Net loss	–	(3,186,745)

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

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2013 %	Equity holding 2012 %
<u>Held by Water and Environmental Technologies (WET) Pte. Ltd.</u>				
NewEarth Pte. Ltd.[(1)]	Solid waste management	Singapore	–	40
<u>Held by NewEarth Pte. Ltd.</u>				
NewEarth Singapore Pte. Ltd.[(1)]	Solid waste management	Singapore	–	46.5

(1) Audited by KPMG LLP Singapore for the financial year ended 31 December 2012

17 Investments in subsidiaries

	Company 2013 $	Company 2012 $
Equity investments at cost		
Beginning of financial year	4,515,468	12,058,933
Impairment charge	(258,853)	(5,213,465)
Disposal of subsidiaries	–	(2,330,000)
End of financial year	4,256,615	4,515,468

<u>Impairment charge on investments in subsidiaries</u>

The impairment charge of $258,853 was made to write down the carrying value of investment in a subsidiary, Asian Sealand Automation Pte Ltd.

The impairment charge of $5,213,465 was made to write down the carrying value of investment in a subsidiary, WET, as at 31 December 2012 as a result of a decision to dispose of a business unit of WET on 6 December 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17 Investments in subsidiaries (cont'd)

Disposal of subsidiaries

On 28 January 2012, the Company disposed 510,000 and 1,832,000 which representing 85% and 70% of the 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.

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	
			2013 %	2012 %	2013 $	2012 $
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 2013

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2013 %	2012 %	2013 $	2012 $
Significant subsidiaries held by Company (cont'd)						
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
Water and Environmental Technologies (WET) Pte. Ltd. (1)	Provision of research and development, and solution for waste management	Singapore	51	51	498,000	498,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding		Cost of investment	
			2013 %	2012 %	2013 $	2012 $
Significant subsidiaries held by Company (cont'd)						
Asian Sealand Offshore and Marine Pte. Ltd. (formerly known as Asian Sealand Automation Pte. Ltd.) (1)	Provision of offshore repair and maintenance services	Singapore	100	100	2	258,855
PT. Nexelite CP Indonesia (4)	Provision of corrosion prevention services	Indonesia	100(5)	100(5)	280,000	280,000
Quill Marine Pte. Ltd. (1)	Investment holding company and provision of freight transport services	Singapore	100	100	400,000	400,000
					4,256,615	4,515,468

Name of companies	Principal activities	Country of business/ incorporation	Equity holding	
			2013 %	2012 %
Held by Nexus Sealand Trading Pte Ltd				
MTM (ASE) Metalizing Pte Ltd (formally known as BT Asia Marketing & Engineering Pte Ltd) (1)	Provision of metalising services	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 & Environmental 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)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

17 Investments in subsidiaries (cont'd)

Name of companies	Principal activities	Country of business/ incorporation	Equity holding 2013 %	Equity holding 2012 %
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	85
Ocean Eight Shipping Pte Ltd [1]	Provision of freight transport services	Singapore	70	70
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, Singapore

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

(3) Audited by Nexia SSY, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

18 Intangible assets

	Goodwill arising on consolidation $	Intellectual property rights $	Total $
Group			
2013			
Cost			
Beginning and end of financial year	2,368,545	467,000	2,835,545
Accumulated impairment and amortisation			
Beginning and end of financial year	2,304,708	467,000	2,771,708
Net book value			
End of financial year	63,837	–	63,837
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

(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 2 years (2012: 3 years).

In the previous financial year, the Group recognised an impairment loss of $233,500.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

18 Intangible assets (cont'd)

(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	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Indonesia	63,837	63,837	–	–	63,837	63,837

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

	2013	2012
Gross margin [1]	20%	43%
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.

During the financial year, goodwill for the shipping CGU in Indonesia is not impaired.

In the previous financial year, following a decision to dispose the Group's investments in the associated companies, the Group had recognised an impairment loss of $2,268,787 to write down the full amount of goodwill relating to the other segments (Note 16).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

19 Property, plant and equipment

	Motor vehicles $	Furniture fittings and equipment $	Forklifts, machinery, tools and equipment $	Leasehold improvement and renovation $	Leasehold building $	Leasehold land $	Yard development $	Construction in progress $	Vessels $	Drydockings $	Total $
Group											
2013											
Cost											
Beginning of financial year	3,844,728	3,106,501	43,760,331	3,582,337	8,023,095	1,836,367	10,098,992	21,200,342	37,727,043	–	133,179,736
Addition	237,155	175,047	822,828	2,920	–	87,986	–	18,246,173	21,866	393,463	19,987,438
Disposal/write off	(345,186)	(233,946)	(3,986,750)	(83,878)	–	–	–	–	(235,317)	–	(4,885,077)
Transfer	(8,982)	31,160	3,170,863	(31,160)	699,036	–	6,298,709	(10,167,127)	7,501	–	–
Currency translation differences	(19,718)	(4,735)	(116,460)	(194)	–	–	(13,012)	–	–	–	(154,119)
End of financial year	3,707,997	3,074,027	43,650,812	3,470,025	8,722,131	1,924,353	16,384,689	29,279,388	37,521,093	393,463	148,127,978
Accumulated depreciation											
Beginning of financial year	1,764,556	2,237,609	21,140,361	3,271,798	727,104	273,844	910,481	–	2,436,451	–	32,762,203
Depreciation charge (Note 5)	362,034	371,542	4,826,995	96,170	385,438	64,434	665,012	–	1,945,589	136,913	8,854,127
Disposal/write off	(94,513)	(231,498)	(2,770,545)	(84,864)	–	–	–	–	–	–	(3,181,420)
Transfer	–	30,960	–	(30,960)	(2,090)	–	2,090	–	–	–	–
Currency translation differences	(4,491)	(3,479)	(88,219)	(193)	–	–	(13,014)	–	–	–	(109,396)
End of financial year	2,027,586	2,405,134	23,108,592	3,251,951	1,110,452	338,278	1,564,569	–	4,382,040	136,913	38,325,515
Net book value											
End of financial year	1,680,411	668,893	20,542,220	218,074	7,611,679	1,586,075	14,820,120	29,279,388	33,139,053	256,550	109,802,463

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

19 Property, plant and equipment (cont'd)

	Motor vehicles $	Furniture fittings and equipment $	Forklifts, machinery, tools and equipment $	Leasehold improvement and renovation $	Leasehold building $	Leasehold land $	Yard development $	Construction in progress $	Vessels $	Total $
Group										
2012										
Cost										
Beginning of financial year	3,767,897	2,800,174	44,503,381	3,682,469	10,439,637	1,836,367	6,866,681	16,984,462	36,347,672	127,228,740
Addition	515,059	595,603	1,377,925	–	–	–	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)	(286,317)	(4,442,095)	(69,965)	(10,530)	–	–	(2,626)	–	(5,280,024)
Transfer	47,330	–	2,408,997	971	5,004,588	–	3,220,366	(10,682,252)	–	–
Currency translation differences	(17,067)	(2,959)	(87,877)	(138)	–	–	(10,055)	–	–	(118,096)
End of financial year	3,844,728	3,106,501	43,760,331	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	2,198,758	19,980,326	2,956,188	1,107,638	64,434	545,383	–	578,643	29,075,028
Depreciation charge (Note 5)	361,326	325,547	4,665,713	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)	(284,666)	(3,445,943)	(69,965)	(132,577)	144,976	(22,929)	–	–	(4,047,140)
Transfer	–	–	–	–	–	–	–	–	–	–
Currency translation differences	(4,392)	(2,031)	(59,735)	(138)	–	–	(5,447)	–	–	(71,743)
End of financial year	1,764,556	2,237,609	21,140,361	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	868,893	22,619,970	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 2013

19 Property, plant and equipment (cont'd)

Company	Motor vehicles $	Furniture Fittings and equipment $	Forklifts, machinery, tools and equipment $	Leasehold improvement and renovation $	Total $
2013					
Cost					
Beginning of financial year	1,692,690	813,099	902,199	163,191	3,571,179
Addition	–	49,419	–	–	49,419
Disposal/write off	(290,012)	(43,769)	(62,000)	–	(395,781)
End of financial year	1,402,678	818,749	840,199	163,191	3,224,817
Accumulated depreciation					
Beginning of financial year	534,504	666,249	875,292	120,097	2,196,142
Depreciation charge	142,232	82,542	7,119	25,450	257,343
Disposal/write off	(80,361)	(45,253)	(62,000)	–	(187,614)
End of financial year	596,375	703,538	820,411	145,547	2,265,871
Net book value					
End of financial year	806,303	115,211	19,788	17,644	958,946
2012					
Cost					
Beginning of financial year	1,642,783	951,794	1,317,108	220,155	4,131,840
Addition	240,900	120,849	–	–	361,749
Disposal/write off	(190,993)	(259,544)	(414,909)	(56,964)	(922,410)
End of financial year	1,692,690	813,099	902,199	163,191	3,571,179
Accumulated depreciation					
Beginning of financial year	455,398	843,397	1,284,077	144,424	2,727,296
Depreciation charge	150,728	81,084	6,124	32,638	270,574
Disposal/write off	(71,622)	(258,232)	(414,909)	(56,965)	(801,728)
End of financial year	534,504	666,249	875,292	120,097	2,196,142
Net book value					
End of financial year	1,158,186	146,850	26,907	43,094	1,375,037

19 Property, plant and equipment (cont'd)

(a) Assets held under finance lease

The carrying amounts of motor vehicles and forklifts, machinery, tools and equipment held under finance leases amounted to $1,403,059 (2012: $1,682,476) and $7,209,459 (2012: $8,182,188) 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 $19,987,438 (2012: $18,790,716) of which $368,487 (2012: $187,000) were acquired under finance leases and cash payments of $19,618,951 (2012: $18,603,716).

(b) Assets pledged as security

The Group's leasehold building and vessels with carrying amounts of $Nil (2012: $6,865,818) and $31,077,897 (2012: $33,846,658) 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 cost 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 Infrastructure Engineering CGU are as follows:

	2013	2012
Gross margin [1]	24%	22%
Growth rate [2]	3%	3%
Discount rate [3]	13%	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.

Based on an impairment test of the Infrastructure Engineering CGU as at 31 December 2013, the estimated recoverable amount is $63,790,000, while the carrying amount of the Infrastructure Engineering CGU is $39,409,437.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

20 Trade and other payables

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Current				
Trade payables				
- Subsidiaries	–	–	48	6,682
- Related parties	296,652	52,636	–	–
- Non-related parties	14,586,750	15,749,424	57,352	48,983
	14,883,402	15,802,060	57,400	55,665
Construction contracts				
- Due to customers (Note 15)	242,519	333,825	–	–
Non-trade payables				
- Subsidiaries	–	–	4,156,972	2,799,727
- Related parties	1,499	–	–	–
- Non-related parties	4,915,992	4,339,916	447,310	511,843
	4,917,491	4,339,916	4,604,282	3,311,570
Accruals for operating expenses	3,452,659	7,237,521	1,452,755	796,421
Accruals for project expenses	6,660,818	6,157,940	–	–
Provision for warranty (Note 21)	48,720	396,145	–	–
Deferred income	491,977	–	–	–
	30,697,586	34,267,407	6,114,437	4,163,656
Non-current				
Deferred income	1,148,042	–	–	–
Total trade and other payables	31,845,628	34,267,407	6,114,437	4,163,656

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

Deferred income relates to the sale and leaseback of a leasehold property of the Group which has been deferred over the leased period of 7 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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	
	2013 $	2012 $	2013 $	2012 $
Beginning of financial year	396,145	49,316	–	–
Provisions utilised	(28,398)	(22,671)	–	–
Provisions written back	(470,027)	(27,879)	–	–
Provisions made	151,000	397,379	–	–
End of financial year	48,720	396,145	–	–

22 Borrowings

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Current				
Bank borrowings	39,775,665	49,521,811	14,023,575	17,168,074
Bank overdrafts (Note 11)	2,821,598	–	2,503,811	–
Bills payable	3,316,463	4,216,731	889,227	695,729
Finance lease liabilities (Note 23)	1,876,898	2,224,660	135,804	222,509
	47,790,624	55,963,202	17,552,417	18,086,312
Non-current				
Bank borrowings	15,807,035	15,495,733	–	–
Finance lease liabilities (Note 23)	1,577,713	3,180,770	48,750	270,041
	17,384,748	18,676,503	48,750	270,041
Total borrowings	65,175,372	74,639,705	17,601,167	18,356,353

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

22 Borrowings (cont'd)

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	
	2013 $	2012 $	2013 $	2012 $
6 months or less	44,517,312	53,130,155	17,484,515	17,975,058
6 – 12 months	3,273,312	2,833,047	67,902	111,254
1 – 5 years	13,775,255	18,642,345	48,750	270,041
Over 5 years	3,609,493	34,158	–	–
	65,175,372	74,639,705	17,601,167	18,356,353

(a) Security granted

Total borrowings included amounts of $24,487,131 (2012: $32,681,551) and $184,554 (2012: $492,550) for the Group and the Company respectively which are secured over certain assets of the Group. Bank borrowings of the Group are secured over vessels 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)).

(b) Fair value of non-current borrowings

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Bank borrowings	16,395,608	16,683,014	–	–
Finance lease liabilities	1,730,748	3,462,711	51,091	282,256

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	
	2013 %	2012 %	2013 %	2012 %
Bank borrowings	2.20 – 5.25	2.20 – 5.25	–	–
Finance lease liabilities	2.20 – 3.25	2.20 – 3.50	3.25	3.25

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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	
	2013 $	2012 $	2013 $	2012 $
Minimum lease payment due				
- Not later than one year	2,076,062	2,452,515	145,897	239,124
- Between one and five years	1,744,983	3,508,871	52,416	290,228
- Later than five years	28,349	42,156	–	–
	3,849,394	6,003,542	198,313	529,352
Less: Future finance charges	(394,783)	(598,112)	(13,759)	(36,802)
Present value of finance lease liabilities	3,454,611	5,405,430	184,554	492,550

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

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Not later than one year (Note 22)	1,876,898	2,224,660	135,804	222,509
Later than one year (Note 22)				
- Between one and five years	1,551,751	3,146,612	48,750	270,041
- Later than five years	25,962	34,158	–	–
	1,577,713	3,180,770	48,750	270,041
Total	3,454,611	5,405,430	184,554	492,550

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 relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Deferred income tax assets				
- To be settled after one year	(190,598)	–	–	–
Deferred income tax liabilities				
- To be settled after one year	608,755	677,903	5,650	16,370

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

24 Deferred income tax (cont'd)

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

Deferred income tax assets

	Accelerated tax depreciation $	Provision $	Tax losses $	Total $
Group				
2013				
Beginning of financial year	–	–	–	–
Credited to profit or loss (Note 9)	(73,660)	(19,138)	(97,800)	(190,598)
End of financial year	(73,660)	(19,138)	(97,800)	(190,598)

Deferred income tax liabilities

	Accelerated tax depreciation $	Provision $	Tax losses $	Total $
Group				
2013				
Beginning of financial year	787,211	(60,018)	(49,290)	677,903
(Credited)/charged to profit or loss (Note 9)	(141,228)	22,820	49,260	(69,148)
End of financial year	645,983	(37,198)	(30)	608,755
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
Company				
2013				
Beginning of financial year	38,580	(22,210)	–	16,370
(Credited)/charged to profit or loss (Note 9)	(12,660)	1,940	–	(10,720)
End of financial year	25,920	(20,270)	–	5,650
2012				
Beginning of financial year	41,080	(21,630)	–	19,450
Credited to profit or loss (Note 9)	(2,500)	(580)	–	(3,080)
End of financial year	38,580	(22,210)	–	16,370

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

24 Deferred income tax (cont'd)

Deferred income tax liabilities of $640,029 (2012: $561,497) 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. These unremitted earnings are permanently reinvested and amount to $12,800,588 (2012: $11,958,296) at the balance sheet date.

The Group has unutilised tax losses and unabsorbed capital allowances of approximately $3,094,229 (2012: $3,083,256) and $56,436 (2012: $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 $535,613 (2012: $527,627) 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	Amounts $
2013		
Beginning and end of financial year	540,041,625	49,651,347
2012		
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	
	2013 $	2012 $
Beginning of financial year	(154,753)	(71,613)
Net currency translation differences of financial statements of foreign subsidiaries	(252,568)	(83,140)
End of financial year	(407,321)	(154,753)

Currency translation reserve is non-distributable.

27 Retained profits

Retained profits of the Group and Company are distributable.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

28 Dividends

	Group	
	2013 $	2012 $
Ordinary dividends paid		
Final dividend paid in respect of the previous financial year of Nil cents (2012: 0.20 cents) per share	–	1,080,083

29 Contingent liabilities

(a) Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to $38,316,630 (2012: $46,664,929). 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	
	2013 $	2012 $
Property, plant and equipment	4,888,875	977,934

(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 $1,250,600 (2012: $1,039,321).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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	
	2013 $	2012 $	2013 $	2012 $
Not later than one year	1,768,387	887,588	224,119	480,000
Between one and five years	5,450,770	331,913	–	–
Later than five years	7,114,712	–	–	–
	14,333,869	1,219,501	224,119	480,000

(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	
	2013 $	2012 $	2013 $	2012 $
Not later than one year	10,137,886	6,762,158	–	–
Between one and five years	32,237,377	13,849,016	–	–
	42,375,263	20,611,174	–	–

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

31 Financial risk management (cont'd)

(a) Market risk

(i) *Currency risk*

The Group operates in South East Asia with dominant operations in Singapore, Indonesia and Malaysia. Currency risk arises when transactions are denominated in foreign currencies such as Indonesian Rupiah ("IDR") and United States Dollar ("USD"). The Group's exposure to currency translation risk is not considered as significant by management and the risk is primarily managed by natural hedges of matching assets and liabilities denominated in foreign currencies. The Group closely monitors the currency translation risk and will consider hedging significant currency translation exposure should the need arise in future.

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

	SGD	USD	IDR	Other	Total
At 31 December 2013					
Financial assets					
Cash and cash equivalents	6,715,652	636,876	561,827	488,842	8,403,197
Trade and other receivables	44,435,277	667,546	1,024,578	2,755,339	48,882,740
Receivables from subsidiaries	95,757,003	5,852,271	849,484	–	102,458,758
	146,907,932	7,156,693	2,435,889	3,244,181	159,744,695
Financial liabilities					
Borrowings	(40,861,590)	(24,159,132)	–	(154,650)	(65,175,372)
Trade and other payables	(25,695,393)	(1,026,697)	(4,576,707)	(546,831)	(31,845,628)
Payables to subsidiaries	(95,757,003)	(5,852,271)	(849,484)	–	(102,458,758)
	(162,313,986)	(31,038,100)	(5,426,191)	(701,481)	(199,479,758)
Net financial (liabilities)/assets	(15,406,054)	(23,881,407)	(2,990,302)	2,542,700	(39,735,063)
Add: Net non-financial assets/(liabilities)	124,222,123	–	(943,435)	236,618	123,515,306
Currency profile including non-financial assets and liabilities	108,816,069	(23,881,407)	(3,933,737)	2,779,318	83,780,243
Currency exposure of financial (liabilities)/ assets net of those denominated in the respective entities' functional currencies	–	(23,881,407)	(3,933,737)	2,779,318	(25,035,826)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2013

31 Financial risk management (cont'd)

(a) Market risk (cont'd)

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

	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	122,121,375
Currency profile including non-financial assets and liabilities	82,851,427	(4,053,007)	(1,250,301)	526,102	78,074,221
Currency exposure of financial liabilities)/assets net of those denominated in the respective entities' functional currencies	–	(4,053,007)	(1,250,301)	526,102	(4,777,206)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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:

	2013			2012		
	SGD	USD	Total	SGD	USD	Total
Financial assets						
Cash and cash equivalents	212,111	13,921	226,032	2,775,854	22,833	2,798,687
Trade and other receivables	70,652,673	–	70,652,673	66,529,438	–	66,529,438
	70,864,784	13,921	70,878,705	69,305,292	22,833	69,328,125
Financial liabilities						
Borrowings	(17,601,167)	–	(17,601,167)	(18,356,353)	–	(18,356,353)
Trade and other payables	(6,114,437)	–	(6,114,437)	(4,163,656)	–	(4,163,656)
	(23,715,604)	–	(23,715,604)	(22,520,009)	–	(22,520,009)
Net financial assets	47,149,180	13,921	47,163,101	46,785,283	22,833	46,808,116
Add: Net non-financial assets	5,211,711	–	5,211,711	6,318,622	–	6,318,622
Currency profile including non-financial assets	52,360,891	13,921	52,374,812	53,103,905	22,833	53,126,738
Currency exposure of financial assets net of those denominated in the Company's functional currencies	–	13,921	13,921	–	22,833	22,833

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 approximately 18% (2012: 8%) and approximately 4% (2012: 5%) respectively with all other variable including tax rate being held constant, the effect arising from the net financial liability/asset position will be as follows:

	2013 Profit after tax $	2012 Profit after tax $
IDR against SGD		
- Strengthened	(590,383)	(83,020)
- Weakened	590,383	83,020
USD against SGD		
- Strengthened	(700,672)	(168,200)
- Weakened	700,672	168,200

(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 favorable 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 2013

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				
2013				
Fixed rate				
Finance lease liabilities	1,876,898	1,551,751	25,962	3,454,611
Bank borrowings	555,556	347,222	–	902,778
Floating rate				
Bank borrowings	39,220,110	15,459,813	–	54,679,923
Bank overdraft	2,821,598	–	–	2,821,598
Bills payable	3,316,462	–	–	3,316,462
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
Company				
2013				
Fixed rate				
Finance lease liabilities	135,804	48,750	–	184,554
Bank borrowings	–	–	–	–
Floating rate				
Bank borrowings	14,023,575	–	–	14,023,575
Bank overdraft	2,503,811	–	–	2,503,811
Bills payable	889,227	–	–	889,227
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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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 $
2013				
Floating rate Instruments				
Singapore Dollar	347,400	(347,400)	149,128	(149,128)
United States Dollar	241,591	(241,591)	–	–
2012				
Floating rate instruments				
Singapore Dollar	(484,503)	484,503	(178,638)	178,638
United States Dollar	(207,839)	207,839	–	–

(b) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. 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	
	2013 $	2012 $
Corporate guarantees provided to banks on subsidiaries' loans (Note 29(a))	38,316,630	46,664,929

The trade receivables of the Group comprise of 3 debtors (2012: 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 2013

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	
	2013 $	2012 $	2013 $	2012 $
By geographical areas				
- Singapore	23,355,278	21,266,129	1,442,859	2,014,897
- Indonesia	13,738,814	10,151,509	591,388	1,591,388
- Malaysia	1,074,176	561,173	–	–
	38,168,268	31,978,811	2,034,247	3,606,285
By types of customers				
- Non-related parties	35,198,986	31,267,712	14,560	6,750
- Related parties	2,969,282	711,099	–	–
- Subsidiaries	–	–	2,019,687	3,599,535
	38,168,268	31,978,811	2,034,247	3,606,285

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

Bank deposits that are neither past due nor impaired are mainly deposits with bank 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	
	2013 $	2012 $	2013 $	2012 $
Past due				
- Less than 30 days	6,663,287	3,942,263	7,280	–
- 30 to 60 days	3,763,521	1,457,302	–	–
- 61 to 90 days	2,206,053	2,689,765	–	–
- More than 91 days	13,361,020	13,921,933	–	–
	25,993,881	22,011,263	7,280	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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	
	2013 $	2012 $	2013 $	2012 $
Past due 1 to 3 months	2,785,120	1,502,901	–	–
Past due over 3 months	2,183,821	4,192,727	–	–
	4,968,941	5,695,628	–	–
Less: Estimated rebates/discount	(1,485,666)	(1,019,341)	–	–
	3,483,275	4,676,287	–	–
Less: Allowance for impairment (Note 12)	(683,638)	(1,775,230)	–	–
	2,799,637	2,901,057	–	–
Beginning of financial year	1,775,230	1,043,177	–	–
Allowance made (Note 5)	115,492	1,055,078	–	–
Allowance utilised	(955,330)	(4,670)	–	–
Allowance written-back (Note 5)	(251,754)	(318,355)	–	–
End of the financial year	683,638	1,775,230	–	–

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and having an adequate amount of committed credit facilities (Note 22) to enable the Group to meet its normal operating commitments. The Group's objective is to maintain a balance through the use of bank borrowings, bank overdrafts and finance lease liabilities. As at balance sheet date, assets held by the Group for managing liquidity risks included cash and bank balance as disclosed in Note 11.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

31 Financial risk management (cont'd)

(c) Liquidity risk (cont'd)

The table below analyses non-financial derivative 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			
At 31 December 2013			
Trade and other payables	30,697,586	1,148,042	–
Borrowings	47,790,624	15,733,280	3,645,966
At 31 December 2012			
Trade and other payables	34,267,407	–	–
Borrowings	55,963,202	20,290,532	42,156
Company			
At 31 December 2013			
Trade and other payables	6,114,437	–	–
Borrowings	17,552,417	52,416	–
Financial guarantee contracts	21,304,077	18,964,870	–
At 31 December 2012			
Trade and other payables	4,163,656	–	–
Borrowings	18,086,312	290,228	–
Financial guarantee contracts	28,382,280	19,736,436	–

(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 also 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 2013 and 31 December 2012, are to maintain a gearing ratio not exceeding 1.5 times of the tangible net worth.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

31 Financial risk management (cont'd)

(d) Capital risk (cont'd)

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 shareholders' equity less intangible assets.

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Net debt				
Interest bearing borrowings	65,175,372	74,639,705	17,601,167	18,356,353
Less: Cash and cash equivalents	(8,403,197)	(15,076,945)	(226,032)	(2,798,687)
	56,772,175	59,562,760	17,375,135	15,557,666
Tangible net worth				
Shareholders' equity	83,780,243	78,074,221	52,374,812	53,126,738
Less: Intangible assets	(63,837)	(63,837)	–	–
	83,716,406	78,010,384	52,374,812	53,126,738
Gearing ratio	0.68	0.76	0.33	0.29

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2012 and 2013.

(e) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet, except for the following:

	Group		Company	
	2013 $	2012 $	2013 $	2012 $
Loan and receivables	57,285,937	64,859,958	70,878,705	69,328,125
Financial liabilities at amortised cost	97,021,000	108,907,112	23,715,604	22,520,009

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

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 2013 $	Group 2012 $
Sale of goods and/or services to related parties	6,985,459	1,640,992
Purchase of material and/or services from related parties	1,133,571	331,705

Outstanding balances at 31 December 2013, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 12 and 20 respectively.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group 2013 $	Group 2012 $
Wages and salaries	4,272,125	2,883,897
Employer's contribution to defined contribution plans, including Central Provident Fund	171,769	175,120
	4,443,894	3,059,017
Directors of the Company	2,065,600	1,215,200
Executive officers of the Group	2,398,294	1,843,817
	4,443,894	3,059,017

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 and 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 2013

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 and Distribution $	Shipping $	Others $	Total $
2013						
Total segment sales	43,156,913	39,121,464	19,723,456	7,821,797	–	109,823,630
Inter-segment sales	(17,758,443)	(3,994,095)	(4,240,153)	–	–	(25,992,691)
Sales to external customers	25,398,470	35,127,369	15,483,303	7,821,797	–	83,830,939
Results:						
Segment result	(131,265)	3,439,131	7,423,060	1,771,121	(65,453)	12,436,594
Interest expense	(1,019,586)	(335,517)	(231,324)	(526,715)	–	(2,113,142)
Interest income	3,723	2,411	1,003	4,856	–	11,993
Profit from operating segment	(1,147,128)	3,106,025	7,192,739	1,249,262	(65,453)	10,335,445
Unallocated administrative expenses						(3,490,382)
Profit before income tax						6,845,063
Income tax expense						(820,591)
Net Profit						6,024,472
Profit attributable to non-controlling interests						(442,230)
						5,582,242
Net Profit includes:						
- Depreciation	4,964,866	1,677,733	122,025	2,089,503	–	8,854,127
Other information						
Segment assets	72,400,201	36,378,919	13,159,507	59,536,997	910,740	182,386,364
Segment assets include:-						
Additions to: Property, plant and equipment	1,254,298	749,954	89,191	17,893,996	–	19,987,439
Segment liabilities	(34,817,561)	(13,496,230)	(8,402,895)	(27,846,163)	(19,696)	(84,582,545)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

33 Segment information (cont'd)

	Infrastructure Engineering $	Corrosion Prevention $	Supply and 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 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 include:-						
Assets held-for-sale	–	–	6,865,818	–	987,770	7,853,588
Additions to: Property, plant and equipment	7,233,703	753,354	71,344	10,733,315	–	18,791,716
Segment liabilities	(44,636,645)	(9,247,280)	(12,852,866)	(27,108,312)	(31,815)	(93,876,918)

33 Segment information (cont'd)

(a) Reconciliations

(i) Segment assets

The amounts provided to 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:

	2013 $	2012 $
Segment assets for reportable segments	181,475,624	187,464,373
Other segment assets	910,740	1,028,728
	182,386,364	188,493,101

(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 borrowings.

Segment liabilities are reconciled to total liabilities as follows:

	2013 $	2012 $
Segment liabilities for reportable segments	84,562,849	93,845,103
Other segment liabilities	19,696	31,815
Unallocated:		
Borrowings	14,023,576	16,541,962
	98,606,121	110,418,880

(b) Geographical information

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

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the infrastructure engineering, the corrosion prevention, supply and 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2013

33 Segment information (cont'd)

(b) Geographical information (cont'd)

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

	Revenue		Non-current assets	
	2013 $	2012 $	2013 $	2012 $
Singapore	45,916,785	62,486,316	41,280,100	25,264,768
Indonesia	27,894,463	22,927,140	52,035,450	57,223,322
Others	10,019,691	9,157,582	16,741,348	17,993,280
	83,830,939	94,571,038	110,056,898	100,481,370

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

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

Revenues from a major customer amounted to $5,428,968 (2012: $12,286,866), arising from sales by infrastructure engineering segment.

Revenues from another major customer amounted to $11,195,344 (2012: $9,932,129), arising from sales by the corrosion prevention segment.

34 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2014 or later periods and which the Group has not early adopted:

- 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 January 2014)
- FRS 111 (New) – *Joint Arrangements* (effective for annual periods beginning on or after 1 January 2014)

34 New or revised accounting standards and interpretations (cont'd)

- FRS 112 (New) – *Disclosure of Interests in Other Entitie*s (effective for annual periods beginning on or after 1 January 2014)

- Amendment to FRS 110, FRS 111 and FRS 112, FRS 27 (2011) and FRS 28 (2011): Mandatory Effective Date (effective for annual periods beginning on or after 1 January 2014)

- Amendments to FRS 110, FRS 111 and FRS 112: Transition Guidance (effective for annual periods beginning on or after 1 January 2014)

- Amendments to FRS 110, FRS 112 and FRS 27: Investment Entities (effective for annual periods beginning on or after 1 January 2014)

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.

35 Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Beng Kuang Marine Limited on 20 March 2014.

SHAREHOLDING STATISTICS

As at 14 March 2014

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 14 March 2014, 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	3	0.13	1,200	0.00
1,000 – 10,000	515	21.91	3,825,000	0.71
10,001 – 1,000,000	1,794	76.34	138,619,800	25.67
1,000,001 and above	38	1.62	397,595,625	73.62
	2,350	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	18,512,000	3.43
7	OCBC SECURITIES PRIVATE LTD	15,283,000	2.83
8	MAYBANK KIM ENG SECURITIES PTE LTD	13,012,000	2.41
9	NG CHEE KEONG	12,655,000	2.34
10	UOB KAY HIAN PTE LTD	7,334,000	1.36
11	DMG & PARTNERS SECURITIES PTE LTD	5,360,000	0.99
12	PHILLIP SECURITIES PTE LTD	4,514,000	0.84
13	CHANG THIAM HUI	4,483,000	0.83
14	HONG LEONG FINANCE NOMINEES PTE LTD	4,454,000	0.82
15	TAY YEW CHONG	4,272,000	0.79
16	UNITED OVERSEAS BANK NOMINEES PTE LTD	3,263,000	0.60
17	DBS NOMINEES PTE LTD	2,643,000	0.49
18	CHUA WUI WUI	2,312,000	0.43
19	TAN ONG HUAT	2,311,000	0.43
20	TOH CHENG HUA	2,036,000	0.38
		370,382,625	68.59

SHAREHOLDING STATISTICS

As at 14 March 2014

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 Holdings Pte. Ltd.[(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, DDW-PaxOcean Asia Pte. Ltd. (formerly known as Drydocks World – Southeast Asia Pte 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.).

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Beng Kuang Marine Limited (the "Company") will be held at 55 Shipyard Road, Singapore 628141 on Monday, 28 April 2014 at 11.00 a.m., for the purpose of transacting the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial period ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

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

3. To re-elect Dr Wong Chiang Yin as a Director pursuant to Article 107 of the Company's Articles of Association. [See Explanatory Note 1] **(Resolution 3)**

4. To approve the payment of Directors' fees of S$106,900 (2012: S$103,900) for the financial year ended 31 December 2013. **(Resolution 4)**

5. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**

AS SPECIAL BUSINESS

6. 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 6)**

   "That pursuant to Section 161 of the Companies Act, Cap. 50, and the listing rules of the Singapore Exchange Securities Trading Limited, authority be and is hereby given to the Directors of the Company to allot and issue shares or convertible securities from time to time (whether by way of rights, bonus or otherwise) and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion deem fit, provided that the aggregate number of shares and convertible securities issued pursuant to such authority shall not exceed 50 per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and convertible securities issued other than on a pro-rata basis to the existing shareholders of the Company shall not exceed 20 per centum (20%) of the issued share capital of the Company (the percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion or exercise of convertible securities or exercise of share options or vesting of awards outstanding or subsisting at the time such authority is given and any subsequent consolidation or subdivision of shares) and, unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or on the date by which the next AGM is required by law to be held, whichever is the earlier."
   [See Explanatory Note 2]

NOTICE OF ANNUAL GENERAL MEETING

7. 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 7)**

"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 3]

8. 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 8)**

"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 9 April 2014 (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 4]

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

NOTICE OF ANNUAL GENERAL MEETING

BY ORDER OF THE BOARD

Wee Woon Hong
Lee Hock Heng
Company Secretaries

Singapore

9 April 2014

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. Dr Wong Chiang Yin will, upon re-election as a Director, remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees of the Company, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual.

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

3. The proposed Ordinary Resolution 7, if passed, will empower the Directors to offer and grant awards under BKM PSP (as from time to time amended, modified or supplemented), which was approved at the extraordinary general meeting of the Company on 27 April 2009, and to allot and issue Shares in the capital of the Company, pursuant to the vesting of the awards under BKM PSP provided that the aggregate number of Shares to be issued under BKM PSP, when aggregated with Shares to be issued under any other existing share schemes of the Company, does not exceed 15 per cent. of the total number of issued Shares excluding treasury shares of the Company for the time being.

4. The proposed Ordinary Resolution 8, 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 this 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 9 APRIL 2014

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 28 April 2014 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-PA"	:	DDW-PaxOcean Asia Pte. Ltd. (formerly known as Drydocks World-Southeast Asia Pte. Limited)
"DDW LLC"	:	Drydocks World LLC
"DDW LLC Group"	:	Drydocks World LLC and its existing subsidiaries and associated companies, together with any of their respective future subsidiaries which may be newly set up or to be acquired by them from time to time
"DPMPL"	:	DP Marine Pte. Ltd. (formerly known as Labroy Marine Pte. Ltd.)
"DPSPL"	:	DDW–PaxOcean Shipyard Pte. Ltd. (formerly known as Drydocks World – Singapore Pte. Ltd.)
"Group"	:	The Company and its subsidiaries
"Hwah Hong"	:	Hwah Hong Transportation Pte. Ltd.
"Interested Person"	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any interested person
"KSL"	:	Kuok (Singapore) Limited
"Latest Practicable Date"	:	14 March 2014, 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
"PaxOcean"	:	PaxOcean Holdings Pte. Ltd. (formerly known as PaxOcean Shipbuilding Pte. Ltd.)

"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 7 August 2013
"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	***Registered Office***
Mr Chua Beng Kuang (Executive Chairman)	55 Shipyard Road
Mr Chua Meng Hua (Managing Director)	Singapore 628141
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)	9 April 2014

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 Shareholders' Mandate, which was approved at the Extraordinary General Meeting held on 7 August 2013, 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 28 April 2014.

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) KSL, its existing subsidiaries and associated companies together with any of their respective future subsidiaries and associated companies which may be newly set up or to be acquired by them from time to time (collectively, "Kuok Group");

(b) 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

(c) Hwah Hong

Prior to the Acquisition (as defined below), DDW LLC owned the entire issued share capital of DDW-PA, which in turn, owned the entire issued share capital of DPMPL. DPMPL is the Company's Controlling Shareholder, which holds approximately 26.98% of the issued share capital of the Company as at the Latest Practicable Date.

DDW LLC and PaxOcean had on 26 September 2012 entered into a shareholders' agreement in respect of DDW-PA and its subsidiaries (which consists of DPMPL and its subsidiaries and DPSPL and its subsidiaries), pursuant to which, PaxOcean acquired and subscribed for 67% of the shareholding interest of DDW-PA while 33% shareholding interest remained with DDW LLC (the "Acquisition").

By virtue of PaxOcean's effective interest of 67% in DPMPL, PaxOcean, together with its holding company, KSL and their respective subsidiaries and associated companies are deemed as Interested Persons of the BKM Group for the purpose of Chapter 9 of the Listing Manual. By virtue of DDW LLC's effective interest of 33% in DPMPL, DDW LLC Group remained as an Interested Person of the Group for the purpose of Chapter 9 of the Listing Manual.

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

Transactions with the Kuok Group, 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 Kuok Group, 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 Kuok Group and the DDW LLC Group;

(b) the engagement of services and sub-contract work from the Kuok Group and 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 Kuok Group and 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 Kuok Group and the DDW LLC Group;

(d) the engagement of sea transportation services from the Kuok Group and the DDW LLC Group;

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

(f) the hire of heavy lift or specialised marine vessels from the Kuok Group.

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 Kuok Group, the DDW LLC Group and/or Hwah Hong. It is intended that the Mandate Transactions shall continue in the future as long as the Kuok Group, 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 Kuok Group, 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 Kuok Group and the DDW LLC Group, the selling price or fee shall not be more favourable to the Kuok Group and 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 Kuok Group and the DDW LLC Group, the fee shall not be more favourable to the Kuok Group and 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 Kuok Group and 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 Kuok Group, 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 Kuok Group, the DDW LLC Group and/or Hwah Hong, the purchase price must be no less favourable to the Group than that charged by the Kuok Group, 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 Kuok Group, 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 Kuok Group and 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 7 August 2013.

(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	–		–	

	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
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 Holdings Pte. Ltd.[2]	–	–	145,712,625	26.98
Kuok (Singapore) Limited[2]	–	–	145,712,625	26.98

Note:

(1) Dubai World Holdings Limited, Drydocks World LLC, Drydocks & Maritime World LLC and DDW-PaxOcean Asia Pte. Ltd. (formerly known as Drydocks World-Southeast Asia Pte 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.)

(2) PaxOcean Holdings Pte. Ltd. (formerly known as PaxOcean Shipbuilding Pte. Ltd.) 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 8.

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 8 at the AGM to be held on 28 April 2014.

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 8, 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 2012 and 31 December 2013 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.

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

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

PROXY FORM
ANNUAL GENERAL MEETING

I/We*, ______________________ (Name) NRIC/Passport/Company Registration No.*______________

of ____ (Address)

being a shareholder/shareholders of **BENG KUANG MARINE LIMITED** (the "Company") hereby appoint :

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or *

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the Annual General Meeting (the "**AGM**") of the Company as my/our* proxy/proxies* to attend and to vote for me/us* on my/our* behalf and, if necessary, to demand a poll at the Annual General Meeting (the "**AGM**") of the Company to be held at 55 Shipyard Road, Singapore 628141 on Monday, 28 April 2014 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 2013		
2.	Re-election of Mr Chua Beng Kuang as a Director		
3.	Re-election of Dr Wong Chiang Yin as a Director		
4.	Approval of Directors' Fees for the financial year ended 31 December 2013		
5.	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors and authorise the Directors to fix their remuneration		
6.	Authority to allot and issue of shares		
7.	Authority to grant awards and to allot and issue shares under BKM PSP		
8.	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Delete accordingly

Dated this __________ day of ___________________ 2014.

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 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.

www.bkmgroup.com.sg

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