



BENG KUANG MARINE LIMITED

Registration No. 199400196M

Second Quarter Financial Statement For The Period Ended 30 June 2014

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP			GROUP		
	2nd Qtr of 2014	2nd Qtr of 2013	Increase / (Decrease)	1st half of 2014	1st half of 2013	Increase / (Decrease)
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	18,880	20,863	(10%)	36,483	41,228	(12%)
Cost of sales	(16,292)	(16,152)	1%	(29,125)	(30,934)	(6%)
Gross profit	2,588	4,711	(45%)	7,358	10,294	(29%)
Other gains , net	905	5,551	(84%)	1,095	5,527	(80%)
Expenses						
- Selling and distribution	(533)	(570)	(6%)	(1,023)	(1,089)	(6%)
- Administrative	(3,883)	(3,777)	3%	(7,727)	(7,754)	(0%)
- Finance	(621)	(530)	17%	(1,134)	(1,097)	3%
(Loss) / Profit before income tax	(1,544)	5,385	(129%)	(1,431)	5,881	(124%)
Income tax expense	(11)	(272)	(96%)	(113)	(521)	(78%)
Net (loss) / profit	(1,555)	5,113	(130%)	(1,544)	5,360	(129%)
(Loss) / profit attributable to:						
Equity holders of the Company	(1,739)	4,853	(136%)	(1,615)	5,130	(131%)
Non-controlling interests	184	260	(29%)	71	230	(69%)
	(1,555)	5,113	(130%)	(1,544)	5,360	(129%)

NM - Not meaningful

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year. (Cont'd)

	GROUP			GROUP		
	2nd Qtr of 2014 S\$'000	2nd Qtr of 2013 S\$'000	Increase / (Decrease)	1st half of 2014 S\$'000	1st half of 2013 S\$'000	Increase / (Decrease)
Net (loss) / profit after tax	(1,555)	5,113	(130%)	(1,544)	5,360	(129%)
Currency translation differences arising from consolidation	(106)	(9)	1,078%	9	24	(63%)
Other comprehensive (loss) / income, net of tax	(106)	(9)	1,078%	9	24	(63%)
Total comprehensive (loss) / income	(1,661)	5,104	(133%)	(1,535)	5,384	(129%)
Total comprehensive (loss) / income attributable to:						
Equity holders of the Company	(1,818)	4,844	(138%)	(1,606)	5,148	(131%)
Non-controlling interests	157	260	(40%)	71	236	(70%)
	(1,661)	5,104	(133%)	(1,535)	5,384	(129%)

	GROUP		GROUP	
	2nd Qtr of 2014 S\$'000	2nd Qtr of 2013 S\$'000	1st half of 2014 S\$'000	1st half of 2013 S\$'000
<u>Notes</u>				
The Group's profit from operations is arrived at after (charging) / crediting				
Interest Income	4	3	7	6
Interest expense on borrowings	(597)	(530)	(1,110)	(1,097)
Foreign exchange gain / (loss)	250	(157)	150	(284)
Gain on disposal of property, plant and equipment	566	13	606	26
Gain on disposal of assets held-for-sale	-	5,632	-	5,632
Property, plant and equipment written off	-	(10)	(2)	(20)
Depreciation of property, plant and equipment	(2,576)	(2,186)	(4,852)	(4,388)
Write-back of allowance for impairment of trade receivables	23	214	37	214
Allowance for impairment of trade receivables	-	(59)	-	(106)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and bank balances	5,619	8,403	488	226
Trade and other receivables	46,422	49,345	70,280	70,654
Inventories	14,137	14,579	-	-
	66,178	72,327	70,768	70,880
Non-current assets				
Investment in subsidiaries	-	-	8,359	4,257
Deferred income tax assets	191	191	-	-
Intangible assets	64	64	-	-
Property, plant and equipment	106,730	109,802	846	959
	106,985	110,057	9,205	5,216
Total assets	173,163	182,384	79,973	76,096
LIABILITIES				
Current liabilities				
Trade and other payables	27,242	30,695	8,993	6,114
Current income tax liabilities	734	976	-	-
Borrowings and overdrafts	45,562	47,791	18,608	17,552
	73,538	79,462	27,601	23,666
Non-current liabilities				
Other payables	1,094	1,148	-	-
Borrowings	15,579	17,385	33	49
Deferred tax liabilities	609	609	6	6
	17,282	19,142	39	55
Total Liabilities	90,820	98,604	27,640	23,721
NET ASSETS	82,343	83,780	52,333	52,375
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(398)	(407)	-	-
Retained profits	30,321	31,936	2,682	2,724
	79,574	81,180	52,333	52,375
Non-controlling interests	2,769	2,600	-	-
Total equity	82,343	83,780	52,333	52,375

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 30-Jun-14		As at 31-Dec-13	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	4,026	34,850	4,633	36,515
Term loans	4,302	986	4,210	556
Finance lease liabilities	1,398	-	1,877	-

Amount repayable after one year

	As at 30-Jun-14		As at 31-Dec-13	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	13,125	1,416	15,460	347
Finance lease liabilities	1,038	-	1,578	-

Details of any collateral

Included in the Group's secured borrowings are:-

- (a) S\$21,453,000 as at 30 June 2014 (31 December 2013: S\$24,303,000) in respect of loans secured by vessels, tugs and barges.
- (b) Finance lease obligations are secured by the underlying equipment.

- 1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	2nd Qtr of 2014 S\$'000	2nd Qtr of 2013 S\$'000
Cash flows from operating activities		
Net (loss) / profit	(1,555)	5,113
<i>Adjustments for:</i>		
Income tax expense	11	272
Allowance for impairment for trade receivables	-	59
Write-back of allowance for impairment of trade receivables	(23)	(214)
Gain on disposal of property, plant and equipment	(566)	(13)
Gain on disposal of asset held-for-sale	-	(5,632)
Property, plant and equipment written off	-	10
Depreciation of property, plant and equipment	2,576	2,186
Interest income	(4)	(3)
Interest expenses	597	530
	1,036	2,308
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	(1,344)	223
Trade and other receivables	1,026	3,033
Trade and other payables	809	(3,761)
Bills payable	(394)	1,134
Cash flows generated from operations	1,133	2,937
Interest received	4	3
Interest paid	(694)	(580)
Income taxes paid	(252)	(235)
Net cash flows generated from operating activities	191	2,125
Cash flows from investing activities		
Proceeds from assets held-for-sale	-	13,697
Proceeds from disposal of property, plant and equipment	229	122
Addition to property, plant and equipment	(1,114)	(4,303)
Net cash flows (used in) / generated from investing activities	(885)	9,516
Cash flows from financing activities		
Proceeds from share issue to non-controlling interest	98	-
Repayment of finance lease liabilities	(548)	(553)
Repayment of borrowings, net	(799)	(6,702)
Net cash flows used in financing activities	(1,249)	(7,255)
Net (decrease) / increase in cash and cash equivalents	(1,943)	4,386
Cash and cash equivalents		
Beginning of the period	4,454	9,041
Effects of currency translation on cash and cash equivalents	24	(4)
End of financial period	2,535	13,423

1 (d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital	Retained profits	Translation reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000		
GROUP						
Balance as at 1 April 2013	49,651	26,631	(128)	76,154	2,200	78,354
Total comprehensive income / (loss) for the quarter	-	4,853	(9)	4,844	260	5,104
Balance as at 30 June 2013	49,651	31,484	(137)	80,998	2,460	83,458
Balance as at 1 April 2014	49,651	32,060	(319)	81,392	2,514	83,906
Acquisition of subsidiary by non-controlling interest	-	-	-	-	98	98
Total comprehensive (loss) / income for the quarter	-	(1,739)	(79)	(1,818)	157	(1,661)
Balance as at 30 June 2014	49,651	30,321	(398)	79,574	2,769	82,343
	Share capital	Retained profits	Translation reserves	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
COMPANY						
Balance as at 1 April 2013	49,651	3,543	-	53,194	-	53,194
Total comprehensive income for the quarter	-	258	-	258	-	258
Balance as at 30 June 2013	49,651	3,801	-	53,452	-	53,452
Balance as at 1 April 2014	49,651	2,888	-	52,539	-	52,539
Total comprehensive loss for the quarter	-	(206)	-	(206)	-	(206)
Balance as at 30 June 2014	49,651	2,682	-	52,333	-	52,333

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary shares

	No. of ordinary shares	S\$'000
Balance as at 31 March 2014 and 30 June 2014	540,041,625	49,651

Convertibles

	As at 30-Jun-14	As at 30-Jun-13
	No. of shares	No. of shares
Outstanding option to subscribe new shares	Nil	Nil

Treasury Shares

The Company did not have any treasury shares as at 30 June 2014 and 30 June 2013.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediate preceding year.

	As at 30-June-14	As at 31-Dec-13
	No. of shares	No. of shares
Issued and fully paid	540,041,625	540,041,625

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the current financial period reported on.

None.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The group has applied consistent accounting policies and methods of computation in the financial statements for the current reporting period compared with those of the audited financial statements for the financial year ended 31 December 2013.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

Earnings per ordinary share for the period base on net profit attributable to shareholders (in cents):

a) Based on weighted average number of ordinary shares on issue; and

Weighted no.of shares in issue

b) On a fully diluted basis

	Group	
	1st Half 2014	1st Half 2013
	-0.30	0.95
	540,041,625	540,041,625
	-0.30	0.95

- 7 **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on; and (b) immediately preceding financial year.**

Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)

GROUP		COMPANY	
30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
14.73	15.03	9.69	9.70

30-Jun-14

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the period of S\$79.57 million and the Company's net asset value as at the end of the period of S\$52.33 million divided by the share capital of 540,041,625 ordinary shares.

31-Dec-13

The net asset value per ordinary share is calculated using the Group's net asset value as at the end of the year of S\$81.18 million and the Company's net asset value as at the end of the year of S\$52.37 million divided by the share capital of 540,041,625 ordinary shares.

- 8 **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

Income statement review

Group Turnover

	2nd Quarter results			
	FY 2014	FY 2013	+ / (-)	+ / (-)
	S\$ million	S\$ million	S\$ million	%
Infrastructure & Engineering ("IE")	2.90	5.72	(2.82)	(49.3)
Corrosion Prevention ("CP")	8.87	8.85	0.02	0.2
Supply & Distribution ("SD")	4.28	4.17	0.11	2.6
Shipping & Others ("SH")	2.83	2.12	0.71	33.5
	18.88	20.86	(1.98)	(9.5)

The Group's revenue decreased by 9.5% or S\$1.98 million from S\$20.86 million in 2Q2013 to S\$18.88 million in 2Q2014.

Revenue for our IE division decreased by 49.3% or S\$2.82 million in 2Q2013 from S\$5.72 million to S\$2.90 million in 2Q2014 as no sizeable shipbuilding and fabrication contract was secured in 2Q2014. The division continues to secure recurring small value fabrication works.

Revenue for our CP division increased marginally by S\$0.02 million from S\$8.85 million in 2Q2013 to S\$8.87 million in 2Q2014. This was mainly due to stable operating workflow and consistent with the demand for our corrosion prevention services in 2Q2014.

Our SD division registered increase in revenue of S\$0.11 million from S\$4.17 million in 2Q2013 to S\$4.28 million in 2Q2014 due to stable demand for hardware.

Our SH division reported increase in revenue of S\$0.71 million for 2Q2014 from S\$2.12 million in 2Q2013 to S\$2.83 million in 2Q2014 because of the revenue contribution from the second livestock carrier which commenced charter in April 2014.

Our gross profit margin deteriorated from 22.6% in 2Q2013 to 13.7% in 2Q2014 as the Batam yard continues to operate below optimal capacity and existing revenue from small contracts was not able to cover fixed costs. Hence, the gross profit declined by S\$2.12 million from \$4.71 million in 2Q2013 to S\$2.59 million in 2Q2014.

The Group's profit / (loss) attributable to shareholders fell to loss of \$1.74 million for 2Q2014 from profit of S\$4.85 million for 2Q2013. The profit for 2Q2013 was mainly due to the one-off gain of S\$5.63 million from the sale of the property at 38 Tuas View Square. The loss in 2Q2014 was mainly attributable to the IE division. As disclosed in paragraph 10 of 1Q2014 results announcement, the IE division's performance is expected to remain challenging in the current financial year.

Group Turnover	1st Half results			
	FY 2014	FY 2013	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	6.71	12.96	(6.25)	(48.2)
Corrosion Prevention ("CP")	17.78	16.49	1.29	7.8
Supply & Distribution ("SD")	7.65	7.92	(0.27)	(3.4)
Shipping & Others ("SH")	4.34	3.86	0.48	12.4
	36.48	41.23	(4.75)	(11.5)

The Group's revenue decreased by 11.5% or S\$4.75 million from S\$41.23 million in 1H2013 to S\$36.48 million in 1H2014.

Revenue for our IE division decreased by 48.2% or S\$6.25 million from S\$12.96 million to S\$6.71 million as no sizeable shipbuilding and fabrication contract was secured in 1H2014. The division continues to secure recurring low value fabrication works.

Revenue for our CP division increased by S\$1.29 million from S\$16.49 million in 1H2013 to S\$17.78 million in 1H2014. The increase in revenue was mainly due to increase in the demand from our corrosion prevention services in Batam during 1H2014.

Our SD division registered a slight decline in revenue of S\$0.27 million from S\$7.92 million in 1H2013 to S\$7.65 million in 1H2014. The demand for hardware remained stable as there was a positive increase in revenue of S\$0.91 million from S\$3.37 million in 1Q2014 to S\$4.28 million in 2Q2014.

Our SH division reported increased in revenue of S\$0.48 million for 1H2014 from S\$3.86 million in 1H2013 to S\$4.34 million in 1H2014. This can be attributed to the operations of our second livestock carrier in 2Q2014.

Our gross profit margin dropped from 25.0% in 1H2013 to 20.2% in 1H2014 due primarily to the inability of the IE division to secure sizeable contracts to cover its high fixed costs in the past two years. This being the main reason for the fall in the gross profit by S\$2.93 million from \$10.29 million in 1H2013 to S\$7.36 million in 1H2014.

The Group's profit / (loss) attributable to shareholders fell to loss of \$1.62 million for 1H2014 compared to profit of S\$5.13 million for 1H2013 which was a one off gain of S\$5.63 million from the sale of the property at 38 Tuas View Square. Such loss was mainly attributable to the IE division which incurred loss of S\$2.87 million for 1H2014. In this regard, the IE division incurred loss of S\$1.15 million for the full year ended 31 December 2013, as disclosed in Segmental Review of the Annual Report 2013.

CASHFLOW STATEMENT

The Group registered net operating cash inflow of S\$0.19 million in 2Q2014 as a result of collections from trade and other receivables over payables.

Our additions to fixed asset for 2Q2014 was approximately S\$1.11 million. This was mainly attributable to the additional costs incurred on our second livestock carrier "Diamantina".

Net cash outflow in financing activities was approximately S\$1.25 million during 2Q2014. This was mainly due to repayment of lease liabilities and bank borrowings.

As a result of the above, the Group registered a net decrease in cash and cash equivalents of approximately S\$1.94 million for 2Q2014.

ASSETS AND LIABILITIES

The Group registered total assets of S\$173.16 million as at 30 June 2014.

The Group's current assets declined from S\$72.33 million as at 31 December 2013 to S\$66.18 million as at 30 June 2014 mainly due to outflow in net cash and bank balance by S\$2.78 million and reduced in net trade receivables by S\$2.92 million.

Total liabilities for the Group were S\$90.82 million at end of 1H2014 as compared to S\$98.60 million at end of FY2013. The reduction was mainly attributable to net repayment of bank borrowings of S\$4.04 million during 1H2014 and net payment to trade and other payables of S\$3.51 million.

The Group registered net current liabilities of S\$7.36 million as at 30 June 2014 as compared to S\$7.14 million as at 31 December 2013. The net current liabilities position registered in both periods was mainly due to the Group's utilisation of its short-term bank borrowings to finance the conversion of the second livestock carrier.

The Board is of the opinion that, after taking into consideration the Group's existing cash and cash equivalents, and the available bank facilities, the Group is able to meet its short-term obligations as and when they fall due.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Company did not make any forecast and prospect statement in respect of its result for 30 June 2014. The Group's actual results for its second quarter ended 30 June 2014 are in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the first quarter ended 31 March 2014.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

As disclosed in paragraph 10 of the First Quarter Results for the financial period ended 31 March 2014, which was announced on 5 May 2014, our IE division's performance has been facing challenging times, which is reflected in the operating loss incurred for the IE division for the first six months of the financial year ending 31 December 2014. Overall the IE division is expected to register a loss in FY2014.

Meanwhile, the Company is continuing to intensify its marketing effort to secure sizeable marine and fabrication contracts for its Batam yard.

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial period?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12 If no dividend has been declared / recommended, a statement to that effect.

No interim dividend has been declared/recommended for the current period ended 30 June 2014.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2014.

2nd Quarter of FY2014

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
[Revenue / (Expenses)]	S\$	S\$
<u>PT Nanindah Mutiara Shipyard</u>		
Procurement of materials and consumables		(135,238)
Provision of corrosion prevention services		135,780
<u>PT Graha Trisaka Industri</u>		
Provision of corrosion prevention services		633,094
Procurement of materials and consumables		(67,401)
Sale of hardware equipment, tools and other consumables		210
<u>DDW - PaxOcean Shipyard Pte Ltd</u>		
Provision of corrosion prevention services		1,256,063
Procurement of materials and consumables		(17,236)
Transportation charges		(4,226)
<u>PT. Drydocks World Pertama</u>		
Provision of corrosion prevention services		484,459
Procurement of materials and consumables		(102,687)
Sale of hardware equipment, tools and other consumables		302

14 Negative confirmation pursuant to Rule 705(5).

We, Chua Beng Kuang and Chua Meng Hua, being Directors of Beng Kuang Marine Limited (the "Company"), do hereby confirm, for and on behalf of the Board of Directors of the Company, that, to the best of our knowledge, nothing has come to the attention of the Board which may render the unaudited interim financial results for the period ended 30 June 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
7 Aug 2014

Chua Meng Hua
Managing Director