



# BENG KUANG MARINE LIMITED

Registration No. 199400196M

First Quarter Financial Statement For The Period Ended 31 March 2012

## 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.

	Notes	GROUP		Increase / (Decrease)
		1st Qtr of 2012 S\$'000	1st Qtr of 2011 S\$'000	
Revenue		25,015	31,644	(21%)
Cost of sales		(18,837)	(26,934)	(30%)
Gross profit		6,178	4,710	31%
Other gains, net	(A)	400	37	981%
Expenses				
- Selling and distribution		(491)	(378)	30%
- Administrative		(4,512)	(3,190)	41%
- Finance		(596)	(396)	51%
Share of loss of associated companies		(4)	(75)	(95%)
Profit before income tax	(B)	975	708	38%
Income tax expense		(200)	(95)	111%
<b>Net profit</b>		<b>775</b>	<b>613</b>	<b>26%</b>
<b>Profit attributable to:</b>				
Equity holders of the Company		779	686	14%
Non-controlling interests		(4)	(73)	(95%)
		<b>775</b>	<b>613</b>	<b>26%</b>

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		Increase / (Decrease)
	1st Qtr of 2012	1st Qtr of 2011	
Notes	S\$'000	S\$'000	
<b>Profit after tax</b>	775	613	26%
Currency translation differences arising from consolidation	(128)	(41)	212%
<b>Other comprehensive income, net of tax</b>	(128)	(41)	212%
<b>Total comprehensive income</b>	<u>647</u>	<u>572</u>	13%
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	704	645	9%
Non-controlling interests	(57)	(73)	(22%)
	<u>647</u>	<u>572</u>	13%

Notes

(A) The Group's other operating (expense) / income, net includes:

Gain on disposal of property, plant and equipment	9	-
Property, plant and equipment written off	-	(7)
Foreign exchange gain / (loss)	315	(92)
Interest Income	10	23
Other Income	66	113
	<u>66</u>	<u>113</u>

(B) The Group's profit from operations is arrived at after (charging) / crediting

	GROUP	
	1st Qtr of 2012	1st Qtr of 2011
	S\$'000	S\$'000
Interest expense on borrowings	(596)	(396)
Depreciation of property, plant and equipment	(2,355)	(1,407)
Amortisation of intangible asset	(15)	(15)
Write-back of allowance for doubtful debts	2	94
Allowance for doubtful debts	(73)	(52)
	<u>(73)</u>	<u>(52)</u>

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	
	31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
	S\$'000	S\$'000	S\$'000	S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances	9,273	13,860	221	925
Trade and other receivables	92,911	105,182	69,983	66,662
Inventories	10,888	12,077	-	-
	113,072	131,119	70,204	67,587
<b>Non-current assets</b>				
Investment in associated companies	3,058	3,061	-	-
Investment in subsidiaries	-	-	12,059	12,059
Intangible assets	2,595	2,610	-	-
Property, plant and equipment	101,659	98,154	1,346	1,405
	107,312	103,825	13,405	13,464
<b>Total assets</b>	<b>220,384</b>	<b>234,944</b>	<b>83,609</b>	<b>81,051</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	58,934	69,693	7,116	6,452
Current income tax liabilities / (assets)	1,650	1,678	(127)	-
Borrowings	57,354	59,783	23,685	22,661
	117,938	131,154	30,674	29,113
<b>Non-current liabilities</b>				
Borrowings	15,944	17,935	644	1,004
Deferred tax liabilities	993	993	19	19
	16,937	18,928	663	1,023
<b>Total Liabilities</b>	<b>134,875</b>	<b>150,082</b>	<b>31,337</b>	<b>30,136</b>
<b>NET ASSETS</b>	<b>85,509</b>	<b>84,862</b>	<b>52,272</b>	<b>50,915</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(147)	(71)	-	-
Retained profits	32,652	31,872	2,621	1,264
	82,156	81,452	52,272	50,915
<b>Non-controlling interests</b>	<b>3,353</b>	<b>3,410</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>85,509</b>	<b>84,862</b>	<b>52,272</b>	<b>50,915</b>

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

**Amount repayable in one year or less, or on demand**

	As at 31-Mar-12		As at 31-Dec-11	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	10,021	40,260	18,438	34,338
Term loans	2,321	2,432	2,245	2,429
Lease obligations	2,320	-	2,333	-

**Amount repayable after one year**

	As at 31-Mar-12		As at 31-Dec-11	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	10,056	1,213	10,865	1,821
Lease Obligations	4,675	-	5,249	-

**Details of any collateral**

Included in the Group's secured borrowings are:-

- (a) S\$6,507,000 (31 December 2011: S\$6,695,000) in respect of a loan secured by a leasehold property.
- (b) S\$7,881,000 (31 December 2011: S\$8,414,000) in respect of a loan secured by a vessel
- (c) S\$8,011,000 (31 December 2011: S\$16,438,000) in respect of project financing secured by the projects' work-in-progress
- (d) 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	
	1st Qtr of 2012 S\$'000	1st Qtr of 2011 S\$'000
<b>Cash flows from operating activities</b>		
Net profit	775	613
<i>Adjustments for:</i>		
Income tax expense	200	95
Allowance for impairment for trade receivables	73	52
Write-back of allowance for impairment of trade receivables	(2)	(94)
Gain on disposal of property, plant and equipment	(9)	-
Property, plant and equipment written off	-	7
Depreciation of property, plant and equipment	2,355	1,407
Amortisation of intangible assets	15	15
Allowance for impairment of inventories	-	42
Share of losses of associated companies	4	75
Interest income	(10)	(23)
Interest expenses	596	396
	3,997	2,585
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	18,502	(11,254)
Trade and other receivables	(6,550)	(5,180)
Trade and other payables	(9,323)	10,368
Bills payable	720	4,098
	7,346	617
<b>Cash flows generated from operations</b>		
Interest received	10	23
Interest paid	(321)	(436)
Income taxes paid	(228)	(42)
	6,807	162
<b>Net cash flows generated from operating activities</b>		
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	197	-
Addition to property, plant and equipment	(6,063)	(7,539)
	(5,866)	(7,539)
<b>Net cash flows used in investing activities</b>		
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(588)	(515)
(Repayment of) / Proceeds from borrowings, net	(6,875)	(438)
	(7,463)	(953)
<b>Net cash flows used in financing activities</b>		
<b>Net decrease in cash and cash equivalents</b>	(6,522)	(8,330)
<b>Cash and cash equivalents</b>		
Beginning of the period	13,160	24,067
Effects of currency translation on cash and cash equivalents	(113)	(38)
End of financial period	6,525	15,699

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					
	Share Capital	Revenue Reserve	Translation Reserves	Total Reserves	Minority Interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>GROUP</b>						
Balance as at 1 January 2011	49,651	28,171	(13)	28,158	4,629	82,438
Total comprehensive income for the quarter	-	1,546	38	1,584	40	1,624
<b>Balance as at 31 March 2011</b>	<b>49,651</b>	<b>29,717</b>	<b>25</b>	<b>29,742</b>	<b>4,669</b>	<b>84,062</b>
Balance as at 1 January 2012	49,651	31,873	(72)	31,801	3,410	84,862
Total comprehensive income for the quarter	-	779	(75)	704	(57)	647
<b>Balance as at 31 March 2012</b>	<b>49,651</b>	<b>32,652</b>	<b>(147)</b>	<b>32,505</b>	<b>3,353</b>	<b>85,509</b>
	Share Capital	Revenue Reserve	Translation Reserves	Total Reserves	Minority Interests	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>COMPANY</b>						
Balance as at 1 January 2011	49,651	699	-	699	-	50,350
Total comprehensive income for the quarter	-	2,192	-	2,192	-	2,192
<b>Balance as at 31 March 2011</b>	<b>49,651</b>	<b>2,891</b>	<b>-</b>	<b>2,891</b>	<b>-</b>	<b>52,542</b>
Balance as at 1 January 2012	49,651	1,264	-	1,264	-	50,915
Total comprehensive income for the quarter	-	1,357	-	1,357	-	1,357
<b>Balance as at 31 March 2012</b>	<b>49,651</b>	<b>2,621</b>	<b>-</b>	<b>2,621</b>	<b>-</b>	<b>52,272</b>

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.

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

As at 31 March 2012, 22,000,000 Call Option shares have been exercised with 16,000,000 Call Option shares expiring on 6 September 2012.

The details of changes in the Company's share capital were as follows:

<b>Issued and fully paid</b>	<b>No. of ordinary shares</b>	<b>S\$'000</b>
<b>Balance as at 1 January 2012 and 31 March 2012</b>	<b>540,041,625</b>	<b>49,651</b>

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 31-Mar-12	As at 31-Dec-11
	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 2011.

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 Quarter 2012	1st Quarter 2011
	0.14	0.13
	540,041,625	540,041,625
	0.14	0.13

- 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	
31-Mar-12	31-Dec-11	31-Mar-12	31-Dec-11
15.21	15.08	9.68	9.43

**31-Mar-12**

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\$82.16 million and the Company's net asset value as at the end of the period of S\$52.27 million divided by the share capital of 540,041,625 ordinary shares.

**31-Dec-11**

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\$81.45 million and the Company's net asset value as at the end of the period of S\$50.92 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**

	1st Quarter results			
	FY 2012	FY 2011	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	11.78	21.08	(9.30)	(44.1)
Corrosion Prevention ("CP")	7.92	6.97	0.95	13.6
Supply & Distribution ("SD")	3.77	3.59	0.18	5.0
Shipping & Others ("SH")	1.54	-	1.54	NM
	<b>25.01</b>	<b>31.64</b>	<b>(6.63)</b>	<b>(21.0)</b>

Group's revenue decreased by 21.0% or S\$6.63 million from S\$31.64 million in 1Q2011 to S\$25.01 million in 1Q2012. Revenue increases achieved by our CP, SD and SH divisions were more than offset by the decreases in revenue recorded by our IE division in 1Q2012.

1Q2012 revenue recognition by our IE division fell 44.1% year-on-year to S\$11.78 million. This was because construction works for shipbuilding orders secured during 4Q2010 and 1H2011 were carried out mainly during FY2011. Hence, bulk of the revenue for these orders was recognised in FY2011. One of these shipbuilding projects was completed and delivered to our customer during the early part of 1Q2012. In addition, our IE division did not secure any major shipbuilding contract after 1H2011.

Revenue from our CP division improved S\$0.95 million from S\$6.97 million in 1Q2011 to S\$7.92 million in 1Q2012. This was mainly due to more projects awarded by major shipyards in Singapore as compared to same period last year.

Our SD division registered marginal revenue increase of S\$0.18 million from S\$3.59 million in 1Q2011 to S\$3.77 million in 1Q2012. Demand for our hardware products and consumables remained fairly stable during the two periods.

Our SH division generated charter income of S\$1.54 million during 1Q2012. This was derived from our six pairs of tug boats and cargo barges, and our first livestock carrier (i.e. MV Barkly Pearl) which commenced its maiden voyage in December 2011.

Compared with 1Q2011, our CP division was able to secure better margin projects during 1Q2012. In addition, higher progressive gross profits were recognised on IE projects that were nearing completion during 1Q2012. Consequently, the Group's 1Q2012 gross profits increased by S\$1.47 million year-on-year to S\$6.18 million. This more than offset the higher administrative expenses of S\$4.51 million recorded for 1Q2012, which was S\$1.32 million higher than the corresponding quarter in FY2011. The increase in administrative expenses was mainly due to higher payroll cost and workers' accommodation expenses.

As a result of the above, the Group's net profit attributable to shareholders improved 12.4% to S\$0.77 million in 1Q2012 as compared to S\$0.69 million recorded for 1Q2011.



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## **CASHFLOW STATEMENT**

The Group generated a strong net operating cash inflow of S\$6.81 million for 1Q2012. This was significantly higher than the S\$0.16 million generated during 1Q2011 and was attributable to the higher operating profit and positive changes in working capital for 1Q2012. The latter was mainly a result of the completion and successful delivery of a shipbuilding project by our IE division to its customer.

Net outflow from investing activities for 1Q2012 was S\$5.87 million. This outlay was mainly related to the purchase of a second-hand roll-on lift-off ("Rolo") vessel by our SH division and capital expenditure on our Batam yard's facilities. The intention is to convert the Rolo vessel into a livestock carrier. Upon completion, this shall be the second livestock carrier in our shipping fleet.

The net cash outflow in financing activities of S\$7.46 million was mainly due to our repayment of a project financing loan upon our IE division's successful delivery of the shipbuilding project during 1Q2012.

As a result of the above, the Group registered a net decrease in cash and cash equivalents of approximately S\$6.6 million from S\$13.2 million as at 1 January 2012 to S\$6.6 million as at 31 March 2012.

## **ASSETS AND LIABILITIES**

The Group registered total assets of S\$219.91 million as at 31 March 2012.

Group's current assets declined from S\$131.1 million as at 31 December 2011 to S\$112.6 million as at 31 March 2012. The decline was due to lower cash and bank balances. In addition, trade receivable was lower mainly due to the completion and delivery of the shipbuilding project by our IE division.

Non-current assets increased S\$3.49 million to S\$107.31 million as at 31 March 2012. This was mainly due to the acquisition of a second-hand Rolo vessel and capital expenditure on our Batam yard facilities.

Total liabilities for the Group were S\$134.40 million at end of 1Q2012 as compared to S\$150.08 million at end of FY2011. The Group paid down its trade creditors and project loan upon the successful delivery of the shipbuilding project by its IE division.

The Group registered net current liabilities of S\$4.86 million as at 31 March 2012 and S\$0.04 million as at 31 December 2011. The Group had utilised a portion of the short-term bank borrowings to finance the construction of our investment in five pairs of tug boats and cargo barges to expand our Shipping Division's business which resulted in the net current liabilities of S\$0.04 million as at 31 December 2011. Towards the end of 1Q2012, the SH division further acquired a second-hand Rolo vessel. This was one of the main reasons contributing to the increase in the Group's net current liabilities to S\$4.86 million as at 31 March 2012.

The Group is in active discussions with bankers to structure long-term financing for these new investments. Upon receiving the long-term facilities, the Group will pay down the short-term borrowings, which should restore the Group to a positive net current asset position.

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

Not applicable.

**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.**

With the current financial and economic uncertainties in Europe and the United States, the global business environment is expected to be volatile. Despite the difficult and challenging market, the Group will continue to seek out for new opportunities and to secure more marine construction projects to improve net earnings.

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**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 31 March 2012.

**13 Summary of Interested Person Transactions for the financial period ended 31 March 2012**

1st Quarter of FY2012

	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\$
<b><u>Drydocks World-Singapore Pte Ltd</u></b>		
Provision of corrosion prevention services		561,840
Transportation charges		(719)
<b><u>PT Nanindah Mutiara Shipyard</u></b>		
Provision of corrosion prevention services		325,972
Procurement of materials and consumables		(48,337)
<b><u>PT. Drydocks World Pertama</u></b>		
Provision of corrosion prevention services		395,619

**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 31 March 2012 to be false or misleading.

**BY ORDER OF THE BOARD**

**Chua Beng Kuang**  
Executive Chairman  
10 May 2012

**Chua Meng Hua**  
Managing Director