



BENG KUANG MARINE LIMITED

Registration No. 199400196M

First Half Financial Statement For The Period Ended 30 June 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			GROUP		
		2nd Qtr of 2012	2nd Qtr of 2011	Increase / (Decrease)	1st half of 2012	1st half of 2011	Increase / (Decrease)
		S\$'000	S\$'000		S\$'000	S\$'000	
Revenue		27,107	40,826	(34%)	52,122	72,470	(28%)
Cost of sales		(21,773)	(33,404)	(35%)	(40,610)	(60,338)	(33%)
Gross profit		5,334	7,422	(28%)	11,512	12,132	(5%)
Other (loss) / gains, net	(A)	(98)	(113)	(13%)	302	(76)	NM
Expenses							
- Selling and distribution		(573)	(403)	42%	(1,064)	(832)	28%
- Administrative		(3,632)	(4,090)	(11%)	(8,143)	(7,229)	13%
- Finance		(699)	(553)	26%	(1,295)	(949)	36%
Share of loss of associated companies		(60)	(81)	(26%)	(64)	(156)	(59%)
Profit before income tax	(B)	272	2,182	(88%)	1,248	2,890	(57%)
Income tax expense		(112)	(361)	(69%)	(312)	(456)	(32%)
Net profit		160	1,821	(91%)	936	2,434	(62%)
Profit attributable to:							
Equity holders of the Company		248	1,926	(87%)	1,028	2,612	(61%)
Non-controlling interests		(88)	(105)	(16%)	(92)	(178)	(48%)
		<u>160</u>	<u>1,821</u>	<u>(91%)</u>	<u>936</u>	<u>2,434</u>	<u>(62%)</u>

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)

Notes	GROUP			GROUP		
	2nd Qtr of 2012 S\$'000	2nd Qtr of 2011 S\$'000	Increase / (Decrease)	1st half of 2012 S\$'000	1st half of 2011 S\$'000	Increase / (Decrease)
Profit after tax	160	1,821	(91%)	936	2,434	(62%)
Currency translation differences arising from consolidation	84	(51)	NM	(45)	(92)	(51%)
Other comprehensive income, net of tax	84	(51)	NM	(45)	(92)	(51%)
Total comprehensive income	<u>244</u>	<u>1,770</u>	(86%)	<u>891</u>	<u>2,342</u>	(62%)
Total comprehensive income attributable to:						
Equity holders of the Company	274	1,905	(86%)	978	2,550	(62%)
Non-controlling interests	(30)	(135)	(78%)	(87)	(208)	(58%)
	<u>244</u>	<u>1,770</u>	(86%)	<u>891</u>	<u>2,342</u>	(62%)

Notes

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

Gain on disposal of property, plant and equipment	351	23		360	23	
Property, plant and equipment written off	-	-		-	(7)	
Foreign exchange loss	(551)	(235)		(236)	(327)	
Interest Income	3	3		13	26	
Other Income	99	96		165	209	

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

	GROUP		GROUP	
	2nd Qtr of 2012 S\$'000	2nd Qtr of 2011 S\$'000	1st half of 2012 S\$'000	1st half of 2011 S\$'000
Interest expense on borrowings	(699)	(553)	(1,295)	(949)
Depreciation of property, plant and equipment	(2,225)	(1,452)	(4,580)	(2,859)
Amortisation of intangible asset	(14)	(14)	(29)	(29)
Write-back of allowance for doubtful debts	36	43	38	137
Allowance for doubtful debts	(73)	(24)	(146)	(76)

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-12	31-Dec-11	30-Jun-12	31-Dec-11
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and bank balances	9,167	13,860	336	925
Trade and other receivables	99,677	105,182	68,574	66,662
Inventories	11,596	12,077	-	-
	120,440	131,119	68,910	67,587
Non-current assets				
Investment in associated companies	2,997	3,061	-	-
Investment in subsidiaries	-	-	12,059	12,059
Intangible assets	2,581	2,610	-	-
Property, plant and equipment	102,942	98,154	1,454	1,405
	108,520	103,825	13,513	13,464
Total assets	228,960	234,944	82,423	81,051
LIABILITIES				
Current liabilities				
Trade and other payables	66,551	69,693	5,958	6,452
Current income tax liabilities	1,156	1,678	-	-
Borrowings	60,820	59,783	23,041	22,661
	128,527	131,154	28,999	29,113
Non-current liabilities				
Borrowings	14,767	17,935	381	1,004
Deferred tax liabilities	993	993	19	19
	15,760	18,928	400	1,023
Total liabilities	144,287	150,082	29,399	30,136
NET ASSETS	84,673	84,862	53,024	50,915
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(121)	(71)	-	-
Retained profits	31,820	31,872	3,373	1,264
	81,350	81,452	53,024	50,915
Non-controlling interests	3,323	3,410	-	-
Total equity	84,673	84,862	53,024	50,915

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-12		As at 31-Dec-11	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	13,411	40,146	18,438	34,338
Term loans	2,359	2,580	2,245	2,429
Lease obligations	2,324	-	2,333	-

Amount repayable after one year

	As at 30-Jun-12		As at 31-Dec-11	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	9,559	944	10,865	1,821
Lease Obligations	4,264	-	5,249	-

Details of any collateral

Included in the Group's secured borrowings are:-

- (a) S\$6,322,000 (31 March 2012: S\$6,507,000) in respect of a loan secured by a leasehold property.
- (b) S\$7,601,000 (31 March 2012: S\$7,881,000) in respect of a loan secured by a vessel
- (c) S\$11,407,000 (31 March 2012: S\$8,011,000) 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	
	2nd Qtr of 2012 S\$'000	2nd Qtr of 2011 S\$'000
Cash flows from operating activities		
Net profit	160	1,821
<i>Adjustments for:</i>		
Income tax expense	112	361
Allowance for impairment for trade receivables	73	24
Write-back of allowance for impairment of trade receivables	(36)	(43)
Gain on disposal of property, plant and equipment	(351)	(23)
Depreciation of property, plant and equipment	2,225	1,452
Amortisation of intangible assets	14	14
Allowance for impairment of inventories	-	(11)
Share of losses of associated companies	60	81
Interest income	(3)	(3)
Interest expenses	699	553
	2,953	4,226
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	29,470	(20,606)
Trade and other receivables	(36,174)	2,038
Trade and other payables	6,813	20,187
Bills payable	(1,470)	2,075
Cash flows generated from operations	1,592	7,920
Interest received	3	3
Interest paid	(796)	(623)
Income taxes paid	(606)	(99)
Net cash flows generated from operating activities	193	7,201
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	-	(64)
Proceeds from disposal of property, plant and equipment	1,095	34
Addition to property, plant and equipment	(4,075)	(15,809)
Net cash flows used in investing activities	(2,980)	(15,839)
Cash flows from financing activities		
Repayment of lease liabilities	(594)	(317)
Proceeds from borrowings, net	4,778	15,067
Dividends paid to equity holders of the Company	(1,080)	(810)
Dividends paid to a non-controlling interest	-	(222)
Net cash flows generated from financing activities	3,104	13,718
Net increase in cash and cash equivalents	317	5,080
Cash and cash equivalents		
Beginning of the period	6,525	15,699
Effects of currency translation on cash and cash equivalents	92	(68)
End of financial period	6,934	20,711

- 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					Total equity S\$'000
	Share Capital S\$'000	Revenue Reserve S\$'000	Translation Reserves S\$'000	Total Reserves S\$'000	Minority Interests S\$'000	
GROUP						
Balance as at 31 March 2011	49,651	28,857	(54)	28,803	4,556	83,010
Dividends paid to shareholders	-	(810)	-	(810)	(222)	(1,032)
Total comprehensive income for the quarter	-	1,926	(22)	1,904	(135)	1,769
Balance as at 30 June 2011	49,651	29,973	(76)	29,897	4,199	83,747
Balance as at 31 March 2012	49,651	32,652	(147)	32,505	3,353	85,509
Dividends paid to shareholders	-	(1,080)	-	(1,080)	-	(1,080)
Total comprehensive income for the quarter	-	248	26	274	(30)	244
Balance as at 30 June 2012	49,651	31,820	(121)	31,699	3,323	84,673
COMPANY						
Balance as at 31 March 2011	49,651	951	-	951	-	50,602
Dividends paid to shareholders	-	(810)	-	(810)	-	(810)
Total comprehensive income for the quarter	-	242	-	242	-	242
Balance as at 30 June 2011	49,651	383	-	383	-	50,034
Balance as at 31 March 2012	49,651	2,621	-	2,621	-	52,272
Dividends paid to shareholders	-	(1,080)	-	(1,080)	-	(1,080)
Total comprehensive income for the quarter	-	1,832	-	1,832	-	1,832
Balance as at 30 June 2012	49,651	3,373	-	3,373	-	53,024

- 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 30 June 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:

<u>Issued and fully paid</u>	No. of ordinary shares	S\$'000
Balance as at 1 January 2012 and 30 June 2012	540,041,625	49,651

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 immediately preceding year.

	As at 30-Jun-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 Half 2012	1st Half 2011
a)	0.19	0.48
Weighted no. of shares in issue	540,041,625	540,041,625
b)	0.19	0.48

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-12	31-Dec-11	30-Jun-12	31-Dec-11
15.06	15.08	9.82	9.43

30-Jun-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\$81.35 million and the Company's net asset value as at the end of the period of S\$53.02 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	2nd Quarter results			
	FY 2012	FY 2011	+ / (-)	+ / (-)
	S\$ million	S\$ million	S\$ million	%
Infrastructure & Engineering ("IE")	13.42	29.54	(16.12)	(54.6)
Corrosion Prevention ("CP")	7.89	7.07	0.82	11.6
Supply & Distribution ("SD")	3.75	3.99	(0.24)	(6.0)
Shipping & Others ("SH")	2.05	0.23	1.82	791.3
	27.11	40.83	(13.72)	(33.6)

The Group's revenue decreased by 33.6% or S\$13.72 million from S\$40.83 million in 2Q2011 to S\$27.11 million in 2Q2012. Significant revenue decreases registered by our IE division more than offset the gains achieved by our CP & SH divisions, thus resulting in the drop in Group's revenue.

2Q2012 revenue recognition by our IE division fell 54.6% year-on-year to S\$13.42 million. Construction on projects secured during 4Q2010 and 1H2011 were largely carried out during FY2011. Hence, volume of works carried out on these projects nearing completion during 1H2012 was comparatively lesser. Construction revenue recognition for 2Q2012 was also negatively impacted due to no significant shipbuilding contract secured since the end of 1H2011.

Revenue from our CP division improved by S\$0.82 million from S\$7.07 million in 2Q2011 to S\$7.89 million in 2Q2012. This was due to the fairly stable volume of our recurring hull-side corrosion prevention business from shipyards in Singapore during the two comparative quarters.

Our SD division registered marginal revenue decrease of S\$0.24 million from S\$3.99 million in 2Q2011 to S\$3.75 million in 2Q2012. Demand for our hardware products and consumables remained fairly constant during the two periods.

Our SH division generated charter income of S\$2.05 million during 2Q2012. This was derived from all six pair of tug boats and cargo barges, and our first livestock carrier which commenced its maiden voyage in December 2011.

As a result of the fall in Group's revenue, the Group's net profit attributable to shareholders declined by 87.1% to S\$0.25 million in 2Q2012 as compared to S\$1.93 million recorded for 2Q2011.

Group Turnover	1st Half results			
	FY 2012	FY 2011	+ / (-)	+ / (-)
	S\$ million	S\$ million	S\$ million	%
Infrastructure & Engineering ("IE")	25.20	50.62	(25.42)	(50.2)
Corrosion Prevention ("CP")	15.81	14.04	1.77	12.6
Supply & Distribution ("SD")	7.52	7.58	(0.06)	(0.8)
Shipping & Others ("SH")	3.59	0.23	3.36	1460.9
	52.12	72.47	(20.35)	(28.1)

The Group's revenue decreased by 28.1% or S\$20.35 million from S\$72.47 million in 1H2011 to S\$52.12 million in 1H2012. The decrease was mainly due to the significant drop in revenue recorded by our IE division during 1H2012.

As explained above, lesser construction activity and the inability to secure significant shipbuilding contract were the main causes for the lower 1H2012 revenue of S\$25.20 million registered by our IE division compared to the S\$50.62 million revenue achieved for the same period last year.

Revenue for our CP division increased by S\$1.77 million from S\$14.04 million in 1H2011 to S\$15.81 million in 1H2012. This was due to more projects awarded by major shipyards in Singapore as compared to the same period last year.

Revenue for our SD division was fairly constant for 1H2012 and 1H2011 as demand for our hardware products and consumables remained stable.

Our SH division generated charter income of S\$3.59 million for 1H2012. This was derived from all six pair of tug boats and cargo barges, and our first livestock carrier which commenced its maiden voyage in December 2011. As a result, 1H2012 revenue for our SH division increased by S\$3.36 million year-on-year to S\$3.59 million.

The Group's net profits attributable to shareholders decreased by 60.6% to S\$1.03 million for the six month ended 30 June 2012 as compared to S\$2.61 million for the previous corresponding period. The decrease in profit attributable to shareholders was mainly due to lower Group's revenue; and higher administrative expenses due to increases in payroll and workers' accommodation costs.

CASHFLOW STATEMENT

The Group generated a lower net operating cash inflow of S\$0.19 million during 2Q2012 compared to the higher S\$7.20 million during 2Q2011. The significant decrease was mainly due to a lower pre-tax profit of S\$0.27 million recorded for 2Q2012 compared to a pre-tax profit of S\$2.18 million achieved for 2Q2011.

Net outflow from investing activities for 2Q2012 was S\$2.98 million. This net outflow was mainly due to approximately S\$2.00 million being used to upgrade our Batam shipyard's fabrication workshop facilities and approximately S\$0.70 million incurred for the on-going conversion of our second livestock carrier at our yard which commenced during 2Q2012.

The net cash inflow in financing activities of S\$3.10 million was mainly due to net bank borrowings of S\$4.78 million being drawn during 2Q2012 to finance mainly on-going construction of customers' new vessels in our yard and upgrading of our Batam yard's facilities.

As a result of the above, the Group registered a marginal net increase in cash and cash equivalents of approximately S\$0.32 million for the 3 months ended 30 June 2012.

ASSETS AND LIABILITIES

The Group registered total assets of S\$228.96 million as at 30 June 2012.

The Group's current assets declined from S\$131.12 million as at 31 December 2011 to S\$120.44 million as at 30 June 2012. The decline was due to lower cash and bank balances. In addition, trade receivables was lower mainly due to the completion and delivery of a new vessel by our IE division during 1Q2012.

Non-current assets increased S\$4.70 million to S\$108.52 million as at 30 June 2012. This was mainly due to capital expenditure for the purchase of our second livestock carrier and for upgrading our Batam shipyard facilities.

Total liabilities for the Group were S\$144.29 million as at the end of 1H2012 as compared to S\$150.08 million as at 31 December 2011. The decline was mainly due to the Group reducing its trade payables and project financing loan upon the successful delivery of a customer's vessel during 1Q2012.

The Group registered net current liabilities of S\$8.09 million as at 30 June 2012 and S\$0.04 million as at 31 December 2011. The net current liabilities were mainly due to the Group's utilisation of a portion of its short-term bank borrowings to finance the acquisition of 5 pair of tug boats and cargo barges added to the shipping fleet in FY2011, and the second livestock carrier purchased in 1Q2012.

The Group is finalising financing terms for the tugs and barges with a banker and expects to complete the transaction in 3Q2012. Upon receiving the long-term facilities, the Group will pay down the short-term borrowings, which should improve the Group's 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. In addition, the global shipbuilding industry currently faces many challenges. Competition for new vessel building jobs has been very keen. Since the end of 1H2011, the Group has not been able to secure any sizeable shipbuilding project. In addition, with most of our major IE projects nearing completion, the Group, therefore, expects the outlook for the second half of the year to be challenging and difficult. Apart from continuing to upgrade our Batam shipyard facilities and to improve our operating processes in a bid to enhance competitiveness, the Group will continue to seek out new opportunities and focus on securing more marine construction projects, particularly those related to the offshore oil & gas industry, to improve our net earnings.

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 2012.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2012

2nd 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\$
Drydocks World-Singapore Pte Ltd		
Provision of corrosion prevention services		1,494,952
Transportation charges		(998)
PT Nanindah Mutiara Shipyard		
Provision of corrosion prevention services		110,909
Procurement of materials and consumables		(112,071)
PT. Drydocks World Pertama		
Provision of corrosion prevention services		232,267

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 2012 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
7 Aug 2012

Chua Meng Hua
Managing Director