# BENG KUANG MARINE LIMITED

Registration No 199400196M

**Unaudited Financial Statement for the 6 months ended 30 June 2007**

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

1(a) **An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

| | Notes | GROUP 2nd Qtr of 2007 S$'000 | GROUP 2nd Qtr of 2006 S$'000 | Increase / (Decrease) % | GROUP 1st Half 2007 S$'000 | GROUP 1st Half 2006 S$'000 | Increase / (Decrease) % |
|---|---|---|---|---|---|---|---|
| **Revenue** | | **29,787** | **17,989** | **66%** | **50,075** | **34,691** | **44%** |
| Cost of sales | | (23,382) | (13,314) | 76% | (38,622) | (25,915) | 49% |
| **Gross profit** | | **6,405** | **4,675** | **37%** | **11,453** | **8,776** | **31%** |
| Other operating income (net) | (A) | 230 | 45 | 411% | 239 | 71 | 237% |
| Administrative expenses | | (3,311) | (2,793) | 19% | (6,215) | (5,256) | 18% |
| Selling & distribution expenses | | (636) | (535) | 19% | (1,162) | (990) | 17% |
| **Profit from operations** | | **2,688** | **1,392** | **93%** | **4,315** | **2,601** | **66%** |
| Financial Income | | 19 | 2 | 850% | 42 | 3 | 1,300% |
| Financial expenses | | (206) | (211) | (2%) | (383) | (431) | (11%) |
| **Profit before taxation** | (B) | **2,501** | **1,183** | **111%** | **3,974** | **2,173** | **83%** |
| Taxation | | (878) | (301) | 192% | (1,200) | (548) | 119% |
| **Profit after taxation** | | **1,623** | **882** | **84%** | **2,774** | **1,625** | **71%** |
| **Attributable to :** | | | | | | | |
| **Equity holders of the Company** | | **1,591** | **925** | **72%** | **2,766** | **1,710** | **62%** |
| Minority Interests | | 32 | (43) | NM | 8 | (85) | NM |
| | | 1,623 | 882 | 84% | 2,774 | 1,625 | 71% |

NM - Not meaningful

Notes

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

| | GROUP | | GROUP | |
|---|---|---|---|---|
| | 2nd Qtr of 2007 S$'000 | 2nd Qtr of 2006 S$'000 | 1st Half 2007 S$'000 | 1st Half 2006 S$'000 |
| Gain on disposal of fixed assets | 144 | 36 | 144 | 55 |
| Fixed assets written off | (5) | - | (7) | - |
| Other Income | 91 | 9 | 102 | 16 |

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

| | | | | |
|---|---|---|---|---|
| Interest income | 19 | 2 | 42 | 3 |
| Interest expense on borrowings | (201) | (208) | (371) | (377) |
| Depreciation of fixed assets | (608) | (496) | (1,143) | (968) |
| Write-back of allowance for doubtful debt | 98 | 7 | 99 | 7 |
| Allowance for doubtful debts | (79) | (173) | (156) | (325) |
| Foreign exchange gain / (loss), net | 77 | 4 | 62 | (42) |

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 30-Jun-07 | 31-Dec-06 | 30-Jun-07 | 31-Dec-06 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **Non-current assets** | | | | |
| Fixed assets | 15,036 | 9,827 | 686 | 440 |
| Subsidiaries | - | - | 8,498 | 2,786 |
| Intangible assets | 702 | - | - | - |
| Goodwill on consolidation | 5,220 | - | - | - |
| Due from subsidiaries (non-trade) | - | - | 254 | 75 |
| **Current assets** | | | | |
| Stocks | 9,279 | 8,656 | - | - |
| Work-in-progress in excess of progress billings | 5,683 | 5,493 | 1,483 | 719 |
| Trade debtors | 24,255 | 18,513 | 4 | 2 |
| Other debtors | 2,106 | 791 | 516 | 53 |
| Prepayment | 819 | 455 | 118 | 13 |
| Due from subsidiaries (trade) | - | - | 2,357 | 2,695 |
| Due from subsidiaries (non trade) | - | - | 20,834 | 17,092 |
| Due from related parties (trade) | 5,802 | 4,777 | 1,483 | 1,656 |
| Due from related parties (non trade) | - | 55 | - | - |
| Fixed deposits | 1,377 | 87 | - | - |
| Cash and bank balances | 8,930 | 10,005 | 291 | 3,303 |
| | **58,251** | **48,832** | **27,086** | **25,533** |
| **Current liabilities** | | | | |
| Trade creditors | 9,559 | 8,585 | 51 | 62 |
| Bills payable to banks | 5,337 | 5,616 | 573 | 1,864 |
| Other creditors and accruals | 11,559 | 7,699 | 2,110 | 1,654 |
| Due to related parties (trade) | 138 | 238 | 110 | 74 |
| Due to related parties (non trade) | 4,497 | 57 | 1 | - |
| Due to subsidiaries (trade) | - | - | 906 | 548 |
| Due to subsidiaries (non-trade) | - | - | 26 | 9 |
| Provision for income tax | 1,376 | 999 | 44 | 45 |
| Lease obligations (current portion) | 873 | 666 | 20 | 11 |
| Bank overdrafts | 654 | 7 | 456 | - |
| Short-term bank loans | 13,918 | 10,035 | 13,918 | 10,035 |
| | **47,911** | **33,902** | **18,215** | **14,302** |
| **Net current assets** | **10,340** | **14,930** | **8,871** | **11,231** |

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 30-Jun-07 | 31-Dec-06 | 30-Jun-07 | 31-Dec-06 |
| | S$'000 | S$'000 | S$'000 | S$'000 |
| **Non-current liabilities** | | | | |
| Lease obligations (non-current portion) | 1,217 | 1,058 | 72 | 12 |
| Deferred taxation | 613 | 660 | 62 | 62 |
| | 1,830 | 1,718 | 134 | 74 |
| **Net assets** | **29,468** | **23,039** | **18,175** | **14,458** |
| **Share capital and reserves** | | | | |
| Share capital | 16,111 | 11,551 | 16,111 | 11,551 |
| Revenue reserves | 12,218 | 10,386 | 2,064 | 2,907 |
| Translation reserves | 3 | (4) | - | - |
| | 28,332 | 21,933 | 18,175 | 14,458 |
| Minority interests | 1,136 | 1,106 | - | - |
| **Total equity** | **29,468** | **23,039** | **18,175** | **14,458** |

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-07 | | As at 31-Dec-06 | |
|---|---|---|---|---|
| | S$'000 | | S$'000 | |
| | Secured | Unsecured | Secured | Unsecured |
| Bank borrowings | - | 19,909 | - | 15,658 |
| Lease obligations | 873 | - | 666 | - |

**Amount repayable after one year**

| | As at 30-Jun-07 | | As at 31-Dec-06 | |
|---|---|---|---|---|
| | S$'000 | | S$'000 | |
| | Secured | Unsecured | Secured | Unsecured |
| Lease obligations | 1,217 | - | 1,058 | - |

**Details of any collateral**

- Lease obligations are secured by the underlying assets acquired.

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

| | GROUP | |
|---|---|---|
| | 2nd Qtr of 2007 S$'000 | 2nd Qtr of 2006 S$'000 |
| **Cash flows from operating activities** | | |
| Profit before taxation | 2,501 | 1,183 |
| Adjustments for: | | |
| Allowance for doubtful debts | 79 | 173 |
| Write-back of allowance for doubtful debts | (98) | (7) |
| Gain on disposal of fixed assets | (144) | (36) |
| Fixed assets written off | 5 | - |
| Depreciation of fixed assets | 608 | 496 |
| Interest income | (19) | (2) |
| Interest expenses | 201 | 208 |
| **Operating profit before working capital changes** | **3,133** | **2,015** |
| (Increase) / decrease in: | | |
| Stocks | (527) | (985) |
| Work-in-progress in excess of progress billings | (2,617) | (1,378) |
| Trade debtors | (4,686) | 836 |
| Other debtors | (826) | (509) |
| Prepayments | 4 | 207 |
| Due from related parties, net | 958 | (488) |
| Increase / (decrease) in: | | |
| Trade creditors | 61 | 2,258 |
| Other creditors and accruals | 3,305 | 256 |
| Due to related parties, net | 4,299 | (685) |
| **Net cash generated from operations** | **3,104** | **1,527** |
| Interest received | 19 | 2 |
| Interest paid | (300) | (200) |
| Income taxes paid | (796) | (161) |
| **Net cash generated from operating activities** | **2,027** | **1,168** |

| | GROUP | |
|---|---|---|
| | 2nd Qtr of 2007 | 2nd Qtr of 2006 |
| | S$'000 | S$'000 |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of fixed assets | 290 | 80 |
| Purchase of fixed assets | (4,337) | (473) |
| Net cash outflow from acquisition of subsidiaries | (5,455) | - |
| Net cash outflow on acquisition of minority interest's share in a subsidiary | (250) | - |
| **Net cash used in investing activities** | **(9,752)** | **(393)** |
| **Cash flows from financing activities** | | |
| Repayment of finance lease liabilities | (206) | 2 |
| Increase in bills payable to banks | 610 | 1,195 |
| Net proceeds from short-term bank loans | 5,995 | - |
| Dividends paid to shareholders | (1,157) | (697) |
| **Net cash generated from financing activities** | **5,242** | **500** |
| Net effect of exchange rate changes in consolidating subsidiaries | 5 | (1) |
| **Net increase / (decrease) in cash and cash equivalents** | **(2,478)** | **1,274** |
| **Cash and cash equivalents at beginning of the period** | **12,131** | **1,088** |
| **Cash and cash equivalents at end of the period** | **9,653** | **2,362** |

**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.**

| | Attrributable to equity holders of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Share Capital | Share Premium | Revenue Reserve | Translation Reserves | Total Reserves | Minority Interests | Total equity |
| | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 | S$'000 |
| **GROUP** | | | | | | | |
| **Balance as at 31 March 2006** | 11,551 | - | 8,050 | (2) | 8,048 | 1,063 | 20,662 |
| Currency translation differences representing net gains and losses not recognised in statement of profit and loss | - | - | - | (1) | (1) | - | (1) |
| Dividends paid to shareholders | - | - | (697) | - | (697) | - | (697) |
| Net profit/(loss) for the quarter | - | - | 925 | - | 925 | (43) | 882 |
| **Balance as at 30 June 2006** | **11,551** | **-** | **8,278** | **(3)** | **8,275** | **1,020** | **20,846** |
| | | | | | | | |
| **Balance as at 31 March 2007** | 16,111 | - | 11,561 | (4) | 11,557 | 1,082 | 28,750 |
| Currency translation differences representing net gains and losses not recognised in statement of profit and loss | - | - | - | 7 | 7 | - | 7 |
| Acquisition of minority interest | - | - | - | - | - | (473) | (473) |
| Negative goodwill realised to revenue reserve upon acquisition of minority interest | - | - | 223 | - | 223 | - | 223 |
| Acquisition of a subsidiary | - | - | - | - | - | 495 | 495 |
| Dividends paid to shareholders | - | - | (1,157) | - | (1,157) | - | (1,157) |
| Net profit for the quarter | - | - | 1,591 | - | 1,591 | 32 | 1,623 |
| **Balance as at 30 June 2007** | **16,111** | **-** | **12,218** | **3** | **12,221** | **1,136** | **29,468** |
| | | | | | | | |
| **COMPANY** | | | | | | | |
| **Balance as at 31 March 2006** | 11,551 | - | 1,879 | - | 1,879 | - | 13,430 |
| Dividends paid to shareholders | - | - | (697) | - | (697) | - | (697) |
| Net loss for the quarter | - | - | (109) | - | (109) | - | (109) |
| **Balance as at 30 June 2006** | **11,551** | **-** | **1,073** | **-** | **1,073** | **-** | **12,624** |
| | | | | | | | |
| **Balance as at 31 March 2007** | 16,111 | - | 2,924 | - | 2,924 | - | 19,035 |
| Dividends paid to shareholders | - | - | (1,157) | - | (1,157) | - | (1,157) |
| Net profit for the quarter | - | - | 297 | - | 297 | - | 297 |
| **Balance as at 30 June 2007** | **16,111** | **-** | **2,064** | **-** | **2,064** | **-** | **18,175** |

**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. State also the number of shares that may be issued on conversion of all the outstanding convertibles 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.**

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 for current reporting period compared with the audited financial statement for the financial year ended 31 December 2006.

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): | Group | |
|---|---|---|
| | **1st half 2007** | **1st half 2006** |
| a) Based on weighted average number of ordinary shares on issue; and | 2.20 | 1.47 |
| Weighted no of shares in issue | 125,651,240 | 116,236,875 |
| b) On a fully diluted basis | N/A | N/A |

N/A - not applicable

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

| | GROUP | | COMPANY | |
|---|---|---|---|---|
| | 30-Jun-07 | 31-Dec-06 | 30-Jun-07 | 31-Dec-06 |
| Net asset value per ordinary share based on issued share capital at end of the period/year (in cents) | 22.09 | 18.87 | 14.17 | 12.44 |

**30-Jun-07**

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$28.33 million and the Company's net asset value as at the end of the period of S$18.18 million divided by the share capital of 128,236,875 ordinary shares.

**31-Dec-06**

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$21.93 million and the Company's net asset value as at the end of the period of S$14.46 million divided by the share capital of 116,236,875 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**

**INCOME STATEMENT REVIEW**

**2nd Quarter of FY 2007**

| | 2nd Quarter results | | | |
|---|---|---|---|---|
| **Group Turnover** | **FY 2007** | **FY 2006** | **+ / (-)** | **+ / (-)** |
| | **S$'million** | **S$'million** | **S$'million** | **%** |
| Corrosion Prevention ("CP") | **9.35** | **7.84** | **1.51** | **19.3** |
| Infrastructure & Engineering ("IE") | **12.48** | **4.69** | **7.79** | **166.1** |
| Supply & Distribution ("SD") | **7.96** | **5.46** | **2.50** | **45.8** |
| | **29.79** | **17.99** | **11.80** | **65.6** |

Revenue from the CP division increased by S$1.51 million from S$7.84 million in 2Q2006 to S$9.35 million in 2Q2007. This was due to an increase in demand for our ship repair activities from major shipyards in Singapore and Batam.

Revenue from the IE division increased by S$7.79 million from S$4.69 million in 2Q2006 to S$12.48 million in 2Q2007. This increase was largely due to revenue contributions from the conversion and upgrading works of a floating production storage and offloading ("FPSO") vessel in Indonesia.

The increase in shipyard and rig building activities had a positive effect on the SD division resulting in an increase in demand for our hardware products. As a result, the SD division's revenue increased by S$2.50 million from S$5.46 million in 2Q2006 to S$7.96 million in 2Q2007.

In view of the above, the Group's revenue increased by a total of S$11.80 million from S$17.99 million in 2Q2006 to S$29.79 million in 2Q2007. This revenue increase is the main reason for the improved 2Q2007 earnings. As a result, the Group's net profits attributable to shareholders for 2Q2006 increased by 72% from S$0.93 million in 2Q2006 to S$1.59 million in 2Q2007.

**1st Half FY2007**

| | 1st Half results | | | |
|---|---|---|---|---|
| **Group Turnover** | **FY 2007** | **FY 2006** | **+ / (-)** | **+ / (-)** |
| | **S$'million** | **S$'million** | **S$'million** | **%** |
| Corrosion Prevention ("CP") | **16.99** | **16.45** | **0.54** | **3.3** |
| Infrastructure & Engineering ("IE") | **18.76** | **8.00** | **10.76** | **134.5** |
| Supply & Distribution ("SD") | **14.33** | **10.24** | **4.09** | **39.9** |
| | **50.08** | **34.69** | **15.39** | **44.4** |

The Group's turnover for the six months ended 30 June 2007 increased by 44% to S$50.08 million from S$34.69 million for the six months ended 30 June 2006. The increase in the Group's turnover was mainly attributable to the securing of higher value projects by the IE division and improved sales performance from the SD division.

The Group's net profits attributable to shareholders increased by 62% to S$2.77 million for the six months ended 30 June 2007 as compared to S$1.71 million for the previous corresponding period. The improved performance arose from the upside in marine and offshore oil and gas activities while maintaining administrative, selling and distribution expenses which led to better net profit margins and net earnings for the current financial period.

**(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

## BALANCE SHEET REVIEW

Shareholders' funds increased from $21.93 million as at 30 June 2006 to $28.33 million as at 30 June 2007. This increase is due to the profits generated during the first six months of 2007 and the net proceeds raised through the issuance of 12 million new placement shares which was completed in February 2007.

Current assets and current liabilities as at 30 June 2007 increased by $9.42 million and $14.01 million respectively as compared to that of 31 December 2007. The current liabilities increased faster due to the short term bank borrowings for the acquisition of Water And Environmental Technologies (WET) Pte Ltd ("WET"). Excluding the investing activities, the increase in current assets and liabilities is in line with the rise in business activities during the financial period.

Non-current assets increased by $11.13 million to $20.96 million as at 30 June 2007 as compared to S$9.83 million as at 31 December 2006. This increase comprises mainly provisional goodwill on consolidation arising from the aquisition of WET, and the provisional intellectual property rights owned by WET and its subsidiaries.The increase in fixed assets was due to the recent acquisition of a 32.8 hectare leasehold land, and leasehold improvement in Batam by PT Nexus Engineering Indonesia. The newly added fleet of air compressors acquired to support the increasing operational needs also contributed to the increase in non-current assets.

## CASHFLOW STATEMENT

Of the S$4.37 million which have been raised from the placement of 12 million new shares, the following amounts have been utilised ;-
(a) approximately S$1.87 million for the acquisition of land in Batam, Indonesia;
(b) approximately S$1.5 million for the acquisition of 14,157,600 ordinary shares in the capital of WET; and
(c) the balance of S$1.0 million has been disbursed for working capital.

The Group's short-term bank loans increased during the quarter mainly to fund the Group's investments.

**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.**

The outlook for the marine and offshore oil and gas industries that we serve continue to remain positive for FY2007. Barring any unforeseen circumstances, the Group's financial performance is expected to be better than the last financial year.

**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 year?

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 2007.

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**

**(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13 **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable.

14 **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

15 **A breakdown of sales.**

Not applicable.

16 **A breakdown of total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not Applicable.

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details).

| | Latest Full Year() | Previous Full Year () |
|---|---|---|
| Ordinary | - | - |
| Preference | - | - |
| Total: | - | - |

17 **Summary of Interested Person Transactions for the financial period ended 30 June 2007**

| | 2nd Quarter of FY2007 | |
|---|---|---|
| | 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$ |
| **Labroy Shipbuilding & Engineering Pte Ltd** | | |
| Provision of Corrosion Prevention Services | | 799,849 |
| Provision of Infrastructure Engineering Services | | 371,775 |
| **PT Nanindah Mutiara Shipyard** | | |
| Sale of hardware equipment, tools and other consumables | | 1,241,096 |
| **Heng Huat Shipbuilding & Construction Pte Ltd** | | |
| Rental of property expenses | (105,000) | |

Our Shareholders' Mandate first came into effect from our admission to the Official List of the SGX SESDAQ on 15 October 2004 and was renewed during our previous Annual General Meeting held on 26 April 2006 and our recent Annual General Meeting held on 27 April 2007.

**BY ORDER OF THE BOARD**

**Chua Meng Hua**
**Executive Director**
**6 August 2007**

**CONFIRMATION**
**PURSUANT TO RULE 705(4) OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

**For the announcement of unaudited financial statements for the half-year ended 30 June 2007**

We, Chua Meng Hua and Chua Beng Kuang, 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 financial results for the half-year ended 30 June 2007 to be false or misleading.

For and on behalf of the Board of Directors
Beng Kuang Marine Limited

Chua Meng Hua
Executive Director

Chua Beng Kuang
Director

6 August 2007