BENG KUANG MARINE LIMITED

Registration No. 199400196M

First Half Financial Statement For The Period Ended 30 June 2011

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.

		GROUP			GROUP		
	Notes	2nd Qtr of 2011 S$'000	2nd Qtr of 2010 S$'000	Increase / (Decrease)	1st half of 2011 S$'000	1st Half of 2010 S$'000	Increase / (Decrease)
Revenue		40,826	21,850	87%	72,470	43,327	67%
Cost of sales		(33,404)	(16,371)	104%	(60,338)	(31,365)	92%
Gross profit		7,422	5,479	35%	12,132	11,962	1%
Other (loss) / gains, net	(A)	(113)	214	NM	(76)	184	NM
Expenses							
- Selling and distribution		(353)	(378)	(7%)	(731)	(800)	(9%)
- Administrative		(4,140)	(3,077)	35%	(7,330)	(6,707)	9%
- Finance		(553)	(363)	52%	(949)	(686)	38%
Share of loss of associated companies		(81)	(71)	14%	(156)	(125)	25%
Profit before income tax	(B)	2,182	1,804	21%	2,890	3,828	(25%)
Income tax expense		(361)	(444)	(19%)	(456)	(882)	(48%)
Net profit		1,821	1,360	34%	2,434	2,946	(17%)
Profit attributable to:							
Equity holders of the Company		1,926	1,284	50%	2,612	2,830	(8%)
Non-controlling interests		(105)	76	NM	(178)	116	NM
		1,821	1,360	34%	2,434	2,946	(17%)

NM - Not meaningful

A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediate preceding financial year.

	Notes	GROUP 2nd Qtr of 2011 S$'000	GROUP 2nd Qtr of 2010 S$'000	Increase / (Decrease)	GROUP 1st half of 2011 S$'000	GROUP 1st Half of 2010 S$'000	Increase / (Decrease)
Profit after tax		1,821	1,360	34%	2,434	2,946	(17%)
Currency translation differences arising from consolidation		(51)	7	NM	(92)	45	NM
Other comprehensive income, net of tax		(51)	7	NM	(92)	45	NM
Total comprehensive income		1,770	1,367	29%	2,342	2,991	(22%)
Total comprehensive income attributable to:							
Equity holders of the Company		1,905	1,291	48%	2,550	2,875	(11%)
Non-controlling interests		(135)	76	NM	(208)	116	NM
		1,770	1,367	29%	2,342	2,991	(22%)

Notes

(A) The Group's other operating gain / (loss), net includes:

	GROUP 2nd Qtr of 2011 S$'000	GROUP 2nd Qtr of 2010 S$'000	GROUP 1st half of 2011 S$'000	GROUP 1st Half of 2010 S$'000
Gain on disposal of Property, vessel, plant and equipment	23	31	23	24
Property, vessel, plant and equipment written off	-	-	(7)	-
Foreign exchange loss	(235)	(6)	(327)	(79)
Interest Income	3	2	26	7
Other Income	96	187	209	232

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

	GROUP 2nd Qtr of 2011 S$'000	GROUP 2nd Qtr of 2010 S$'000	GROUP 1st half of 2011 S$'000	GROUP 1st Half of 2010 S$'000
Interest expense on borrowings	(553)	(363)	(949)	(686)
Depreciation of Property, vessel, plant and equipment	(1,452)	(1,512)	(2,859)	(2,990)
Amortisation of intangible asset	(14)	(14)	(29)	(29)
Write-back of allowance for doubtful debts	43	16	137	23
Allowance for doubtful debts	(24)	(418)	(76)	(502)

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-11	31-Dec-10	30-Jun-11	31-Dec-10
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and cash equivalents	20,711	24,067	6,451	10,164
Trade and other receivables	86,690	52,717	61,387	55,558
Inventories	13,003	9,824	-	-
	120,404	86,608	67,838	65,722
Non-current assets				
Investment in associated companies	3,539	3,695	-	-
Investment in subsidiaries	-	-	12,022	12,022
Intangible assets	2,655	2,621	-	-
Property, vessel, plant and equipment	78,876	54,924	1,244	1,401
	85,070	61,240	13,266	13,423
Total assets	205,474	147,848	81,104	79,145
LIABILITIES				
Current liabilities				
Trade and other payables	58,652	25,976	3,192	3,118
Current income tax liabilities	1,517	1,202	-	-
Borrowings	51,797	30,624	24,386	23,336
	111,966	57,802	27,578	26,454
Non-current liabilities				
Borrowings	8,772	6,618	3,455	2,304
Deferred tax liabilities	989	990	37	37
	9,761	7,608	3,492	2,341
Total Liabilities	121,727	65,410	31,070	28,795
NET ASSETS	83,747	82,438	50,034	50,350
EQUITY				
Capital and reserves attributable to equity holders of the				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(76)	(13)	-	-
Retained profits	29,973	28,171	383	699
	79,548	77,809	50,034	50,350
Non-controlling interests	4,199	4,629	-	-
Total equity	83,747	82,438	50,034	50,350

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-11		As at 31-Dec-10	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Bank Borrowings	-	46,683	-	26,548
Term loans	937	2,424	941	1,753
Lease Obligations	1,753	-	1,382	-

Amount repayable after one year

	As at 30-Jun-11		As at 31-Dec-10	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	1,814	3,035	2,270	2,691
Lease Obligations	3,923	-	1,657	-

Details of any collateral

Included in the Group's secured borrowings are:-
(a) S$2,751,000 (31 Mar 2011: S$3,012,000) in respect of a loan secured by a leasehold property.
(b) Lease obligations are secured by the underlying equipment.

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 2011 S$'000	2nd Qtr of 2010 S$'000
Cash flows from operating activities		
Net profit	1,821	1,360
Adjustments for:		
Income tax expense	361	444
Allowance for impairment for trade receivables	24	418
Write-back of allowance for impairment of trade receivables	(43)	(16)
Gain on disposal of property, vessel, plant and equipment	(23)	(31)
Property, vessel, plant and equipment written off	-	-
Depreciation of property, vessel, plant and equipment	1,452	1,512
Amortisation of intangible assets	14	14
Allowance for impairment of inventories	(11)	0
Share of losses of associated companies	81	71
Interest income	(3)	(2)
Interest expenses	553	363
	4,226	4,133
Changes in working capital		
Inventories and construction work-in-progress	(20,606)	2,225
Trade and other receivables	2,038	(651)
Trade and other payables	20,187	(3,312)
Bills payable	2,075	477
Cash flows generated from operations	7,920	2,872
Interest received	3	2
Interest paid	(623)	(335)
Income taxes paid	(99)	(451)
Net cash flows generated from operating activities	7,201	2,088
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(64)	-
Acquisition of a associated company	-	(10)
Acquisition of sole-proprietorship, net of cash acquired	-	(38)
Proceeds from disposal of property, vessel, plant and equipment	34	112
Addition to property, vessel, plant and equipment	(15,809)	(2,080)
Net cash flows used in investing activities	(15,839)	(2,016)
Cash flows from financing activities		
Repayment of lease liabilities	(317)	(652)
Proceeds from borrowings, net	15,067	822
Dividends paid to equity holders of the Company	(810)	(2,250)
Dividends paid to a non-controlling interest	(222)	(98)
Net cash flows generated from / (used in) financing activities	13,718	(2,178)
Net increase / (decrease) in cash and cash equivalents	5,080	(2,106)
Cash and cash equivalents		
Beginning of the period	15,699	14,975
Effects of currency translation on cash and cash equivalents	(68)	9
End of financial period	20,711	12,878

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**
GROUP						
Balance as at 31 March 2010	31,154	29,242	4	29,246	3,937	64,337
Dividends paid to shareholders	-	(2,250)	-	(2,250)	(98)	(2,348)
Total comprehensive income for the quarter	-	1,284	7	1,291	76	1,367
Balance as at 30 June 2010	**31,154**	**28,276**	**11**	**28,287**	**3,915**	**63,356**
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**

	Share Capital S$'000	**Revenue Reserve S$'000**	**Translation Reserves S$'000**	**Total Reserves S$'000**	**Minority Interests S$'000**	**Total S$'000**
COMPANY						
Balance as at 31 March 2010	31,154	4,358	-	4,358	-	35,512
Dividends paid to shareholders	-	(2,250)	-	(2,250)	-	(2,250)
Total comprehensive income for the quarter	-	172	-	172	-	172
Balance as at 30 June 2010	**31,154**	**2,280**	**-**	**2,280**	**-**	**33,434**
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**

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 2011, 22,000,000 Call Option shares have been exercised with 16,000,000 Call Option shares to be carried forward to the next period.

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

Issued and fully paid	**No.of ordinary shares**	**S$'000**
Balance as at 1 January 2011 and 30 June 2011	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 immediate preceding year.

	As at 30-Jun-11	As at 31-Dec-10
	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

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 2010.

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	Group	
	1st half 2011	1st half 2010
a) Based on weighted average number of ordinary shares on issue; and	0.48	0.63
Weighted no.of shares in issue	540,041,625	448,997,426
b) On a fully diluted basis	0.48	0.63

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.

	GROUP		COMPANY	
	30-Jun-11	31-Dec-10	30-Jun-11	31-Dec-10
Net asset value per ordinary share based on issued share capital at end of the period/year (in cents)	14.73	14.41	9.26	9.32

30-Jun-11

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$79.55 million and the Company's net asset value as at the end of the period of S$50.03 million divided by the share capital of 540,041,625 ordinary shares.

31-Dec-10

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$77.81 million and the Company's net asset value as at the end of the period of S$50.35 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

	2nd Quarter results			
Group Turnover	**FY 2011 S$'million**	**FY 2010 S$'million**	**+ / (-) S$'million**	**+ / (-) %**
Infrastructure & Engineering ("IE")	**29.54**	**4.01**	**25.53**	**636.7**
Corrosion Prevention ("CP")	**7.07**	**13.51**	**(6.44)**	**(47.7)**
Supply & Distribution ("SD")	**3.99**	**4.33**	**(0.34)**	**(7.9)**
Shipping and Others ("SH")	**0.23**	**-**	**0.23**	**NM**
	40.83	**21.85**	**18.98**	**86.9**

The Group's revenue increased 86.9% from S$21.85 million in 2Q2010 to S$40.83 million in 2Q2011. The revenue of IE division increased by 636.7%, while the revenue of CP and SD division declined by 47.7% and 7.9% respectively.

Revenue from our IE division increased S$25.53 million from S$4.01 million in 2Q2010 to S$29.54 million in 2Q2011. This was mainly attributed to the revenue recognition from on-going construction in relation to the patrol boat, submersible barges and crane barges projects. These contracts were secured in 4Q2010, 1Q2011 and 2Q2011 respectively with an estimated total value of S$113 million.

Revenue from our CP division decreased S$6.44 million from S$13.51 million in 2Q2010 to S$7.07 million in 2Q2011. This was mainly due to fewer projects secured from other shipyards as compared to the previous corresponding period.

Revenue from our SD division decreased S$0.34 million from S$4.33 million in 2Q2010 to S$3.99 million in 2Q2011. This was due to weaker market demand for hardware and consumables. However, SD division has made an improvement of S$0.40 million in sales for 2Q2011 as compared to 1Q2011.

The Group's net profit attributable to shareholders increased 50.0% from S$1.28 million in 2Q2010 to S$1.93 million in 2Q2011. This increase was mainly contributed from the above mentioned on-going shipbuilding contracts.

Group Turnover	1st Half results			
	FY 2011 S$'million	FY 2010 S$'million	+ / (-) S$'million	+ / (-) %
Infrastructure & Engineering ("IE")	**50.62**	**6.96**	**43.66**	**627.3**
Corrosion Prevention ("CP")	**14.04**	**27.19**	**(13.15)**	**(48.4)**
Supply & Distribution ("SD")	**7.58**	**9.18**	**(1.60)**	**(17.4)**
Shipping and Others ("SH")	**0.23**	**-**	**0.23**	**NM**
	72.47	**43.33**	**29.14**	**67.3**

The Group's turnover for the 6 months ended 30 June 2011 rose 67.3% to S$72.47 million as compared to the same period last year. The revenue for IE division increased by 627.3%, CP division decreased by 48.4% and SD division decreased by 17.4%. The SH division only commenced its shipping business in the fourth quarter of FY2010, thus we do not have comparative figures during this period.

Revenue from our IE division increased S$43.66 million from S$6.96 million in 1H2010 to S$50.62 million in 1H2011. During the period, the IE division continued to focus on marketing and has successfully secured new contracts. On top of the patrol vessel awarded end of 2010, the submersible barges and crane barges generated higher revenue for the Group in 1H2011.

Revenue from our CP division declined S$13.15 million from S$27.19 million in 1H2010 to S$14.04 million in 1H2011. This was mainly due to fewer projects secured.

Revenue from our SD division declined S$1.60 million from S$9.18 million in 1H2010 to S$7.58 million in 1H2011. This was due to weak demand for hardware in 1H2011 as compared to 1H2010.

The Group's net profits attributable to shareholders decreased by 7.7% to S$2.61 million for the six month ended 30 June 2011 as compared to S$2.83 million for the previous corresponding period. The decrease in profit attributable to shareholders was due to the increase in administrative overheads to support the expansion of IE division's activities and the lower profit margin achieved on the current projects.

CASHFLOW STATEMENT

The Group had recorded positive cashflow from operating activities in 2Q2011. This was attributable to positive operating profit and working capital changes.

Net outflow from investing activities for 2Q2011 was S$15.84 million. This outlay was mainly related to increases in fixed asset. The IE division added five heavy cranes, various welding machines and staging equipment to further enhance the shipyard facilities. The SH division is currently building two tug boats and four barges for its coal transportation business. The conversion of a vessel into a livestock carrier is in progress and will be due for delivery in the last quarter of the year.

The net cash inflow in financing activities of S$13.72 million in 2Q2011 was mainly contributed by banks support for the acquiring of yard equipment and vessels.

Overall, the Group registered cash and bank balances of S$20.71 million. The cash and bank balances improved by 60.8% as compared to the same corresponding quarter in previous year.

ASSETS AND LIABILITIES

In line with more shipbuilding contracts secured in the 1H2011, the operating activities has significantly increased that led to the rise in third parties' trade receivables and projects' work-in-progress.

During the quarter 2Q2011, the Group increased its investment on yard equipment to further enhance the shipyard's facilities. The Group has also added two tug boats and four barges.

The Group's Balance Sheet remains strong with S$205.47 million in "Total assets". The Group's cash and bank balances remain healthy at S$20.71 million at the end of 1H2011.

The Group's "Total Liabilities" was S$121.73 million at the end of 1H2011. This increase in trade creditors and bills payables on purchase of materials and equipment were in line with the increase in shipbuilding activities in our Batam yard. The increase in bank borrowings of S$15.1 million and lease obligation of S$3.0 million was to finance yard equipment, the additional tug boats and barges and the conversion of a livestock carrier.

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.

Demand for offshore construction projects remain positive. Construction activities in our yard is expected to be busy with the current order book committed until mid 2012.

Despite current uncertainties in the financial market and global economy, the Group remains cautiously optimistic and will continue to bid for new contracts while leveraging on our IE track record.

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 2011.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2011

	2nd Quarter of FY2011	
	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		
Procurement of steel materials		(220,364)
Labroy Offshore Engineering Pte Ltd		
Procurement of steel materials		(625,014)
Rental of machineries		49,787
Drydocks World-Singapore Pte Ltd		
Provision of corrosion prevention services		829,929
Procurement of steel materials		(553,823)
Transportation charges		(1,408)
PT Segara Gloria Anugrah Marine		
Charter expenses		(255,354)

14 Confirmation pursuant to Rule 705 (5) of the listing manual of the Singapore Exchange Securities Trading Limited

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 2011 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
10 Aug 2011

Chua Meng Hua
Managing Director