BENG KUANG MARINE LIMITED

Registration No. 199400196M

Second Quarter Financial Statement For The Period Ended 30 June 2013

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

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

		GROUP			GROUP		
	Notes	2nd Qtr of 2013 S$'000	2nd Qtr of 2012 S$'000	Increase / (Decrease)	1st half of 2013 S$'000	1st half of 2012 S$'000	Increase / (Decrease)
Revenue		20,863	27,107	(23%)	41,228	52,122	(21%)
Cost of sales		(16,152)	(21,773)	(26%)	(30,934)	(40,610)	(24%)
Gross profit		4,711	5,334	(12%)	10,294	11,512	(11%)
Other gains / (losses), net	(A)	5,551	(98)	NM	5,527	302	1,730%
Expenses							
- Selling and distribution		(570)	(573)	(1%)	(1,089)	(1,064)	2%
- Administrative		(3,777)	(3,632)	4%	(7,754)	(8,143)	(5%)
- Finance		(530)	(699)	(24%)	(1,097)	(1,295)	(15%)
Share of loss of associated companies		-	(60)	NM	-	(64)	NM
Profit before income tax	(B)	5,385	272	1,880%	5,881	1,248	371%
Income tax expense		(272)	(112)	143%	(521)	(312)	67%
Net profit		5,113	160	3,096%	5,360	936	473%
Profit attributable to:							
Equity holders of the Company		4,853	248	1,857%	5,130	1,028	399%
Non-controlling interests		260	(88)	NM	230	(92)	NM
		5,113	160	3,096%	5,360	936	473%

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 2nd Qtr of 2013 S$'000	GROUP 2nd Qtr of 2012 S$'000	Increase / (Decrease)	GROUP 1st half of 2013 S$'000	GROUP 1st half of 2012 S$'000	Increase / (Decrease)
Net profit after tax		5,113	160	3,096%	5,360	936	473%
Other comprehensive income							
Items that may be classified subsequently to profit or loss:							
Currency translation differences arising from consolidation		(9)	84	NM	24	(45)	NM
Other comprehensive income, net of tax		(9)	84	NM	24	(45)	NM
Total comprehensive income		5,104	244	1,992%	5,384	891	504%
Total comprehensive income attributable to:							
Equity holders of the Company		4,844	274	1,668%	5,148	978	426%
Non-controlling interests		260	(30)	NM	236	(87)	NM
		5,104	244	1,992%	5,384	891	504%

	GROUP 2nd Qtr of 2013 S$'000	GROUP 2nd Qtr of 2012 S$'000	GROUP 1st half of 2013 S$'000	GROUP 1st half of 2012 S$'000
Notes				
(A) The Group's other gains / (losses), net includes:				
Gain on disposal of property, plant and equipment	13	351	26	360
Gain on disposal of assets held-for-sale	5,632	-	5,632	-
Property, plant and equipment written off	(10)	-	(20)	-
Foreign exchange losses, net	(157)	(551)	(284)	(236)
Interest income	3	3	6	13
Other income	70	99	167	165
(B) The Group's profit from operations is arrived at after (charging) / crediting				
Interest expense on borrowings	(530)	(699)	(1,097)	(1,295)
Depreciation of property, plant and equipment	(2,186)	(2,225)	(4,388)	(4,580)
Amortisation of intangible assets	-	(14)	-	(29)
Write-back of allowance for impairment of trade receivables	214	36	214	38
Allowance for impairment of trade receivables	(59)	(73)	(106)	(146)

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-13	31-Dec-12	30-Jun-13	31-Dec-12
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and bank balances	13,455	15,077	1,480	2,799
Trade and other receivables	51,812	50,257	66,587	66,974
Inventories	14,654	14,824	-	-
	79,921	80,158	68,067	69,773
Assets held-for-sale	-	7,854	-	-
	79,921	88,012	68,067	69,773
Non-current assets				
Investment in subsidiaries	-	-	4,515	4,515
Intangible assets	64	64	-	-
Property, plant and equipment	102,482	100,417	1,244	1,375
	102,546	100,481	5,759	5,890
Total assets	182,467	188,493	73,826	75,663
LIABILITIES				
Current liabilities				
Trade and other payables	30,161	34,267	5,043	4,164
Current income tax liabilities	833	834	-	-
Borrowings and overdrafts	45,791	55,963	15,156	18,086
	76,785	91,064	20,199	22,250
Non-current liabilities				
Other payables	1,255	-	-	-
Borrowings	20,288	18,677	159	270
Deferred income tax liabilities	681	678	16	16
	22,224	19,355	175	286
Total Liabilities	99,009	110,419	20,374	22,536
NET ASSETS	83,458	78,074	53,452	53,127
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(137)	(154)	-	-
Retained profits	31,484	26,353	3,801	3,476
	80,998	75,850	53,452	53,127
Non-controlling interests	2,460	2,224	-	-
Total equity	83,458	78,074	53,452	53,127

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-13		As at 31-Dec-12	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	5,237	35,087	7,841	37,733
Term loans	2,527	791	6,398	1,767
Finance lease liabilities	2,149	-	2,224	-

Amount repayable after one year

	As at 30-Jun-13		As at 31-Dec-12	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	17,995	153	15,037	459
Finance lease liabilities	2,140	-	3,181	-

Details of any collateral

Included in the Group's secured borrowings are:-
(a) S$Nil as at 30 June 2013 (31 December 2012: S$5,927,000) in respect of a loan secured by a leasehold property.
(b) S$25,759,000 as at 30 June 2013 (31 December 2012: S$23,349,000) in respect of loans secured by vessels, tugs and barges.
(c) Finance lease obligations are secured by the underlying equipment.

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

	GROUP	
	2nd Qtr of 2013	**2nd Qtr of 2012**
	S$'000	**S$'000**
Cash flows from operating activities		
Net profit	5,113	160
Adjustments for:		
Income tax expense	272	112
Allowance for impairment for trade receivables	59	73
Write-back of allowance for impairment of trade receivables	(214)	(36)
Gain on disposal of property, plant and equipment	(13)	(351)
Gain on disposal of asset held-for-sale	(5,632)	-
Property, plant and equipment written off	10	-
Depreciation of property, plant and equipment	2,186	2,225
Amortisation of intangible assets	-	14
Share of losses of associated companies	-	60
Interest income	(3)	(3)
Interest expenses	530	699
	2,308	2,953
Changes in working capital		
Inventories and construction work-in-progress	223	29,470
Trade and other receivables	3,033	(36,174)
Trade and other payables	(3,761)	6,813
Bills payable	1,134	(1,470)
Cash flows generated from operations	2,937	1,592
Interest received	3	3
Interest paid	(580)	(796)
Income taxes paid	(235)	(606)
Net cash flows generated from operating activities	2,125	193
Cash flows from investing activities		
Proceeds from disposal of asset held-for-sale, net	13,697	-
Proceeds from disposal of property, plant and equipment	122	1,095
Additions to property, plant and equipment	(4,303)	(4,075)
Net cash flows generated from / (used in) investing activities	9,516	(2,980)
Cash flows from financing activities		
Repayment of finance lease liabilities	(553)	(594)
Repayment of borrowings, net	(6,702)	4,778
Dividends paid to equity holders of the Company	-	(1,080)
Net cash flows (used in) / generated from financing activities	(7,255)	3,104
Net increase in cash and cash equivalents	4,386	317
Cash and cash equivalents		
Beginning of the period	9,041	6,525
Effects of currency translation on cash and cash equivalents	(4)	92
End of financial period	13,423	6,934

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	**Retained profits**	**Translation reserves**	**Total**	**Non-controlling interests**	**Total equity**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
GROUP						
Balance as at 1 April 2012	49,651	32,652	(147)	82,156	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)**	**81,350**	**3,323**	**84,673**
Balance as at 1 April 2013	49,651	26,631	(128)	76,154	2,200	78,354
Total comprehensive income for the quarter	-	4,853	(9)	4,844	260	5,104
Balance as at 30 June 2013	**49,651**	**31,484**	**(137)**	**80,998**	**2,460**	**83,458**

	Share capital	**Retained profits**	**Translation reserves**	**Total**	**Non-controlling interests**	**Total equity**
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
COMPANY						
Balance as at 1 April 2012	49,651	2,621	-	52,272	-	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**	**-**	**53,024**	**-**	**53,024**
Balance as at 1 April 2013	49,651	3,543	-	53,194	-	53,194
Total comprehensive income for the quarter	-	258	-	258	-	258
Balance as at 30 June 2013	**49,651**	**3,801**	**-**	**53,452**	**-**	**53,452**

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

Ordinary shares

	No. of ordinary shares	**S$'000**
Balance as at 31 March 2013 and 30 June 2013	540,041,625	49,651

Convertibles

	As at 30-Jun-13	**As at 30-Jun-12**
	No. of shares	**No. of shares**
Outstanding option to subscribe new shares	Nil	16,000,000

Treasury Shares

The Company did not have any treasury shares as at 30 June 2013 and 30 June 2012.

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-13	**As at 31-Dec-12**
	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.

Except as disclosed in paragraph 5 below, 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 2012.

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.

In current financial year, the Group adopted the new / revised Financial Reporting Standards ("FRS") and interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2013:

(i) Amendments to FRS 1 - Presentation of items of Other Comprehensive Income
(ii) FRS 19 (Revised) - Employee Benefits
(iii) FRS 113 (New) - Fair Value Measurement
(iv) Amendments to FRS 107 Disclosure - Offsetting Financial Assets and Financial Liabilities

The adoption of the above FRSs did not result in any substantial change to the Group's accounting policy nor any material impact on the financial statements of the Group.

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 2013	**1st Half 2012**
a) Based on weighted average number of ordinary shares on issue; and	0.95	0.19
Weighted number of shares in issue	540,041,625	540,041,625
b) On a fully diluted basis	0.95	0.19

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-13	31-Dec-12	30-Jun-13	31-Dec-12
Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)	15.45	14.46	9.90	9.84

30-Jun-13

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$83.46 million and the Company's net asset value as at the end of the period of S$53.45 million divided by the share capital of 540,041,625 ordinary shares.

31-Dec-12

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$78.07 million and the Company's net asset value as at the end of the year of S$53.13 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

Income statement review

	2nd Quarter results			
Group Turnover	**FY 2013**	**FY 2012**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	5.72	13.42	(7.70)	(57.4)
Corrosion Prevention ("CP")	8.85	7.89	0.96	12.2
Supply & Distribution ("SD")	4.17	3.75	0.42	11.2
Shipping & Others ("SH")	2.12	2.05	0.07	3.4
	20.86	**27.11**	**(6.25)**	**(23.1)**

The Group's revenue decreased by 23.1% or S$6.25 million from S$27.11 million in 2Q2012 to S$20.86 million in 2Q2013.

This decrease was largely due to the lower revenue recognised by our IE division during 2Q2013, which fell significantly by S$7.70 million from S$13.42 million to S$5.72 million as there were no significant projects secured to replenish the order book.

Revenue for our CP division increased by S$0.96 million from S$7.89 million in 2Q2012 to S$8.85 million in 2Q2013. The increase in revenue was mainly due to increase in demand for corrosion prevention services in 2Q2013.

Our SD division registered an increase in revenue of S$0.42 million from S$3.75 million in 2Q2012 to S$4.17 million in 2Q2013 as demand for our hardware products and consumables picked up gradually during the period.

Our SH division maintained stable chartering income during 2Q2013 from the fleet of operating vessels.

The Group has recognised S$5.63 million gain on disposal of a property at 38 Tuas View Square by wholly owned subsidiary, Picco Enterprise Pte Ltd ("Picco") in 2Q2013. On 10 May 2013, the purchaser and Picco entered into a leaseback agreement for the said property for a lease term of 7 years. The lease agreement also provides Picco with an option to renew the lease period for a further 5 years. The Group has accounted the sale and leaseback transaction as operating lease based on the applicable accounting standard.

Despite the fall in Group's gross profit from S$5.33 million in 2Q2012 to S$4.71 million in 2Q2013, the Group's overall gross profit margin improved from 19.7% in 2Q2012 to 22.6% in 2Q2013, mainly attributable to our SH division. The Group's profit attributable to shareholders increased substantially from S$0.25 million in 2Q2012 to S$4.85 million in 2Q2013 was largely contributed by the gain on disposal of the property as mentioned above.

Income statement review

	1st Half results			
Group Turnover	**FY 2013**	**FY 2012**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	12.96	25.20	(12.24)	(48.6)
Corrosion Prevention ("CP")	16.49	15.81	0.68	4.3
Supply & Distribution ("SD")	7.92	7.52	0.40	5.3
Shipping & Others ("SH")	3.86	3.59	0.27	7.5
	41.23	**52.12**	**(10.89)**	**(20.9)**

The Group's revenue decreased by 20.9% or S$10.89 million from S$52.12 million in 1H2012 to S$41.23 million in 1H2013.

This decrease was solely due to the lower revenue recognised by our IE division during 1H2013, which fell significantly by S$12.24 million from S$25.20 million in 1H2012 to S$12.96 million in 1H2013. There were no significant projects secured to replenish the order book.

Revenue for our CP division increased slightly by S$0.68 million from S$15.81 million in 1H2012 to S$16.49 million in 1H2013. The increase in revenue was mainly due to increase in demand for corrosion prevention services in 1H2013.

Our SD division registered a marginal increase in revenue of S$0.40 million from S$7.52 million in 1H2012 to S$7.92 million in 1H2013 as demand for our hardware products and consumables remained stable as compared to the corresponding period.

Compared with 1H2012, our vessels had lesser downtime during 1H2013. As a result, our SH division increased its revenue by S$0.27 million for 1H2013 from S$3.59 million in 1H2012 to S$3.86 million in 1H2013.

Although the Group's revenue suffered a steep drop of 20.9% from S$52.12 million in 1H2012 to S$41.23 million in 1H2013, the Group has been able to achieve a higher gross profit margin of 25.0% in 1H2013 compared to 22.1% in 1H2012, largely contributed by higher margin in SH division. The Group's profit attributable to shareholders registered an increase to S$5.13 million in 1H2013 as compared to S$1.03 million in 1H2012 mainly due to the gain on disposal of the property as mentioned above.

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:

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

CASHFLOW STATEMENT

The Group registered a net operating cash inflow of S$2.13 million in 2Q2013.

The Group incurred capital expenditure of approximately S$4.30 million for 2Q2013. This was largely related to costs incurred for the on-going conversion of our second livestock carrier in our yard. The outlay was set off by the net cash proceeds of S$13.70 million arising from the disposal of the above mentioned property by Picco during the quarter 2Q2013. Hence, the Group's net investing activities reflected a positive inflow of approximately S$9.52 million for 2Q2013.

Net cash outflow in financing activities was approximately S$7.26 million during 2Q2013. This was mainly due to repayment of lease liabilities and bank borrowings.

As a result of the above, the Group registered a net increase in cash and cash equivalents of approximately S$4.39 million for 2Q2013.

ASSETS AND LIABILITIES

The Group registered total assets of S$182.47 million as at 30 June 2013 as compared to S$188.49 million as at 31 December 2012.

The Group's current assets declined from S$88.01 million as at 31 December 2012 to S$79.92 million as at 30 June 2013 mainly due to the completion of sale on asset held-for-sale in 1H2013.

The Group's non-current assets as at 30 June 2013 increased by S$2.07 million to S$102.55 million as compared to S$100.48 million as at 31 December 2012 mainly due to additional capital expenditure incurred as explained above.

Total liabilities for the Group were S$99.01 million at end of 1H2013 as compared to S$110.42 million at end of FY2012. The reduction was mainly attributable to net repayment of borrowings of S$8.56 million during 1H2013.

Due to the sale and leaseback of its property at 38 Tuas View Square on 10 May 2013, the Group improved its net current liabilities of S$3.05 million as at 31 December 2012 to net current assets of S$3.14 million as at 30 June 2013.

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

The Company did not make any forecast and prospect statement in respect of its results for 30 June 2013. The Group's actual results for its second quarter ended 30 June 2013 are in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the first quarter ended 31 March 2013.

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.

Despite various streamlining measures undertaken by our IE division in the past year, its performance continues to be adversely impacted by its inability to secure sizeable projects to substantially replenish its order book and optimise the utilisation of its Batam Shipyard. Competition for new vessel building jobs remain intense. This is underpinned by the excess capacity faced by most shipyards worldwide, in particular those competing in the same market segment as our IE division, i.e.mid-size range of offshore vessels. Hence, our IE division's performance for the current year is expected to be challenging. We do not foresee the present challenging market conditions to improve in the short term. Nevertheless, we will continue to intensify our marketing efforts to secure jobs.

On the positive side, barring any unforeseen circumstances, we expect our other divisions to continue to contribute to our earnings as demand for their services is likely to remain stable for the rest of the 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 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 2013.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2013

	2nd Quarter of FY2013	
	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$
PT Nanindah Mutiara Shipyard		
Provision of corrosion prevention services		255,704
Procurement of materials and consumables		(28,642)
DDW - Paxocean Shipyard Pte Ltd (Formerly known as Drydocks World - Singapore Pte Ltd)		
Sales of hardware equipments, tools and other consumables		72
Provision of corrosion prevention services		1,103,437
Transportation charges		(4,513)
PT. Drydocks World Pertama		
Provision of corrosion prevention services		243,218
Procurement of materials and consumables		(18,207)

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 2013 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
7 Aug 2013

Chua Meng Hua
Managing Director