BENG KUANG MARINE LIMITED

Registration No. 199400196M

Second Quarter Financial Statement For The Period Ended 30 June 2015

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		
	2nd Qtr of 2015	**2nd Qtr of 2014**	**Increase / (Decrease)**	**1st half of 2015**	**1st half of 2014**	**Increase / (Decrease)**
	S$'000	**S$'000**		**S$'000**	**S$'000**	
Revenue	20,258	18,880	7%	39,856	36,483	9%
Cost of sales	(15,271)	(16,292)	(6%)	(29,889)	(29,125)	3%
Gross profit	4,987	2,588	93%	9,967	7,358	35%
Other gains , net	119	905	(87%)	80	1,095	(93%)
Expenses						
- Selling and distribution	(361)	(533)	(32%)	(864)	(1,023)	(16%)
- Administrative	(3,958)	(3,883)	2%	(7,778)	(7,727)	1%
- Finance	(727)	(621)	17%	(1,301)	(1,134)	15%
Profit / (loss) before income tax	60	(1,544)	NM	104	(1,431)	NM
Income tax credit / (expense)	110	(11)	NM	206	(113)	NM
Net profit / (loss)	170	(1,555)	NM	310	(1,544)	NM
Profit / (loss) attributable to:						
Equity holders of the Company	163	(1,739)	NM	277	(1,615)	NM
Non-controlling interests	7	184	(96%)	33	71	(54%)
	170	(1,555)	NM	310	(1,544)	NM

NM - Not meaningful

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

	GROUP			GROUP		
	2nd Qtr of 2015 S$'000	2nd Qtr of 2014 S$'000	Increase / (Decrease)	1st half of 2015 S$'000	1st half of 2014 S$'000	Increase / (Decrease)
Net profit / (loss) after tax	170	(1,555)	NM	310	(1,544)	NM
Currency translation differences arising from consolidation	(154)	(106)	45%	(206)	9	NM
Other comprehensive (loss) / income, net of tax	(154)	(106)	45%	(206)	9	NM
Total comprehensive income / (loss)	16	(1,661)	NM	104	(1,535)	NM
Total comprehensive income / (loss) attributable to:						
Equity holders of the Company	33	(1,818)	NM	103	(1,606)	NM
Non-controlling interests	(17)	157	NM	1	71	(99%)
	16	(1,661)	NM	104	(1,535)	NM

	GROUP		GROUP	
	2nd Qtr of 2015 S$'000	2nd Qtr of 2014 S$'000	1st half of 2015 S$'000	1st half of 2014 S$'000
Notes				
The Group's profit from operations is arrived at after (charging) / crediting				
Interest Income	1	4	3	7
Interest expense on borrowings	(727)	(597)	(1,301)	(1,110)
Foreign exchange (loss) / gain	(113)	250	(394)	150
Gain on disposal of property, plant and equipment	103	566	128	606
Property, plant and equipment written off	-	-	-	(2)
Depreciation of property, plant and equipment	(2,465)	(2,576)	(4,809)	(4,852)
Write-back of allowance for impairment of trade receivables	14	23	19	37

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-15	31-Dec-14	30-Jun-15	31-Dec-14
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and bank balances	6,513	6,495	184	175
Trade and other receivables	48,688	47,320	19,555	68,087
Inventories	13,693	12,751	-	-
	68,894	66,566	19,739	68,262
Non-current assets				
Trade and other receivables	-	-	51,956	-
Investment in subsidiaries	-	-	10,827	10,827
Intangible assets	64	64	-	-
Property, plant and equipment	104,109	106,902	675	772
Deferred income tax assets	339	373	8	8
	104,512	107,339	63,466	11,607
Total assets	173,406	173,905	83,205	79,869
LIABILITIES				
Current liabilities				
Trade and other payables	26,179	28,282	10,927	10,499
Deferred income	601	408	-	-
Provision for warranty	-	68	-	-
Current income tax liabilities	596	733	-	-
Borrowings and overdrafts	34,948	45,960	14,445	17,298
	62,324	75,451	25,372	27,797
Non-current liabilities				
Trade and other payables	2,532	-	-	-
Deferred income	880	934	-	-
Borrowings	27,725	18,114	6,145	16
Deferred tax liabilities	762	794	-	-
	31,899	19,842	6,145	16
Total liabilities	94,223	95,293	31,517	27,813
NET ASSETS	79,183	78,612	51,688	52,056
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Other reserves	(407)	(396)	163	-
Retained profits	27,140	26,915	1,874	2,405
	76,384	76,170	51,688	52,056
Non-controlling interests	2,799	2,442	-	-
Total equity	79,183	78,612	51,688	52,056

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-15		As at 31-Dec-14	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	2,819	19,840	3,422	34,634
Term loans	7,996	3,033	5,638	903
Convertible bonds	6	-	-	-
Finance lease liabilities	1,254	-	1,363	-

Amount repayable after one year

	As at 30-Jun-15		As at 31-Dec-14	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	18,457	3,908	16,100	1,000
Convertible bonds	4,837	-	-	-
Finance lease liabilities	523	-	1,014	-

Details of any collateral

Included in the Group's secured borrowings are:-
(a) S$17,803,000 as at 30 June 2015 (31 December 2014: S$20,240,000) in respect of loans are secured by vessels, tugs and barges.
(b) S$11,469,000 as at 30 June 2015 (31 December 2014: S$4,920,000) in respect of loans are secured by property
(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 2015	**2nd Qtr of 2014**
	S$'000	**S$'000**
Cash flows from operating activities		
Net profit / (loss)	170	(1,555)
Adjustments for:		
Income tax (credit) / expense	(110)	11
Write-back of allowance for impairment of trade receivables	(14)	(23)
Gain on disposal of property, plant and equipment	(103)	(566)
Depreciation of property, plant and equipment	2,465	2,576
Interest income	(1)	(4)
Finance expenses	727	597
Amortisation of deferred income	53	53
Unrealised currency translation gain	(87)	(132)
	3,100	957
Changes in working capital		
Inventories and construction work-in-progress	(122)	(1,344)
Trade and other receivables	(287)	1,025
Trade and other payables	(1,310)	754
Cash flows generated from operations	1,381	1,392
Interest received	1	4
Interest paid	(644)	(633)
Income taxes refund / (paid)	169	(252)
Net cash flows generated from operating activities	907	511
Cash flows from investing activities		
Acquisition of non-controlling interests' share in a subsidiary	*	-
Addition to property, plant and equipment	(848)	(1,110)
Proceeds from disposal of property, plant and equipment	240	229
Interest paid	(35)	(4)
Net cash flows used in investing activities	(643)	(885)
Cash flows from financing activities		
Proceeds from share issue to non-controlling interest	-	98
Proceeds from convertible bonds	5,000	-
Repayment of borrowings, net	(4,108)	(629)
Repayment of finance lease liabilities	(346)	(548)
Bills payable	428	(394)
Interest paid	(84)	(57)
Net cash flows generated from / (used in) financing activities	890	(1,530)
Net increase / (decrease) in cash and cash equivalents	1,154	(1,904)
Cash and cash equivalents		
Beginning of the period	2,172	4,454
Effects of currency translation on cash and cash equivalents	12	(15)
End of financial period	3,338	2,535

* Amount less than S$1,000

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	Equity component of convertible bonds	Total	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
GROUP							
Balance as at 1 April 2014	49,651	32,060	(319)	-	81,392	2,514	83,906
Acquisition of subsidiary by non-controlling interest	-	-	-	-	-	98	98
Total comprehensive (loss) / income for the quarter	-	(1,739)	(79)	-	(1,818)	157	(1,661)
Balance as at 30 June 2014	**49,651**	**30,321**	**(398)**	-	**79,574**	**2,769**	**82,343**
Balance as at 1 April 2015	49,651	27,029	(440)	-	76,240	2,764	79,004
Changes in non-controlling interests	-	(52)	-	-	(52)	52	(0)
Total comprehensive income / (loss) for the quarter	-	163	(130)	-	33	(17)	16
Convertible bonds - equity component	-	-	-	163	163	-	163
Balance as at 30 June 2015	**49,651**	**27,140**	**(570)**	**163**	**76,384**	**2,799**	**79,183**

	Share capital	Retained profits	Translation reserves	Equity component of convertible bonds	Total	Non-controlling interests	Total equity
	S$'000	S$'000	S$'000		S$'000	S$'000	S$'000
COMPANY							
Balance as at 1 April 2014	49,651	2,888	-	-	52,539	-	52,539
Total comprehensive loss for the quarter	-	(206)	-	-	(206)	-	(206)
Balance as at 30 June 2014	**49,651**	**2,682**	**-**	-	**52,333**	**-**	**52,333**
Balance as at 1 April 2015	49,651	2,325	-	-	51,976	-	51,976
Total comprehensive loss for the quarter	-	(451)	-	-	(451)	-	(451)
Convertible bonds - equity component	-	-	-	163	163	-	163
Balance as at 30 June 2015	**49,651**	**1,874**	**-**	**163**	**51,688**	**-**	**51,688**

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 2015 and 30 June 2015	540,041,625	49,651

Convertibles

On 27 April 2015, the Company issued convertible bonds with a nominal value of $5 million bearing interest at 8% per annum. All or any part of the Bonds may be converted to new shares at $0.21 after 12 months from the date of issue or redeemable within 4 years from the date of issue.

	As at 30-Jun-15	As at 30-Jun-14
	No. of shares	No. of shares
Outstanding option to subscribe new shares	Nil	Nil

Treasury Shares

The Company did not have any treasury shares as at 30 June 2015 and 30 June 2014.

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-June-15	As at 31-Dec-14
	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 2014.

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 2015	1st Half 2014
a) Based on weighted average number of ordinary shares on issue; and	0.05	-0.30
Weighted no.of shares in issue	540,041,625	540,041,625
b) On a fully diluted basis	0.05	-0.30

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-15	31-Dec-14	30-Jun-15	31-Dec-14
Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)	14.14	14.10	9.57	9.64

30-Jun-15

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$76.38 million and the Company's net asset value as at the end of the period of S$51.69 million divided by the share capital of 540,041,625 ordinary shares.

31-Dec-14

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$76.17 million and the Company's net asset value as at the end of the year of S$52.06 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 2015**	**FY 2014**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	7.73	2.90	4.83	166.6
Corrosion Prevention ("CP")	6.15	8.87	(2.72)	(30.7)
Supply & Distribution ("SD")	3.47	4.28	(0.81)	(18.9)
Shipping & Others ("SH")	2.91	2.83	0.08	2.8
	20.26	**18.88**	**1.38**	**7.3**

The Group's revenue increased by 7.3% or S$1.38 million from S$18.88 million in 2Q2014 to S$20.26 million in 2Q2015.

Revenue for our IE division increased by 166.6% or S$4.83 million from S$2.90 million in 2Q2014 to S$7.73 million in 2Q2015. The improvement was generated from securing more orders for fabrication and offshore maintenance services.

Revenue for our CP division decreased by S$2.72 million from S$8.87 million in 2Q2014 to S$6.15 million in 2Q2015. This was due to lower demand from Singapore shipyards for CP services derived from construction of new vessels. However, demand for CP services for vessels undergoing repair remained stable.

Revenue for our SD division decreased by S$0.81 million from S$4.28 million in 2Q2014 to S$3.47 million in 2Q2015 due to lower demand for marine hardware products.

Our SH division reported stable revenue of S$2.91 million for 2Q2015 compared to S$2.83 million for 2Q2014.

Our gross profit margin improved from 13.71% in 2Q2014 to 24.62% in 2Q2015. This was contributed by better performance of IE division in 2Q2015, as compared to 2Q2014 when our Batam yard operated below optimal capacity and the revenue from small contracts was not able to cover fixed costs. The gross profit increased by S$2.40 million from $2.59 million in 2Q2014 to S$4.99 million in 2Q2015.

The Group's profit attributable to shareholders was $0.16 million for 2Q2015 compared to loss of S$1.74 million for 2Q2014.

	1st Half results			
Group Turnover	**FY 2015**	**FY 2014**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	13.21	6.71	6.50	96.9
Corrosion Prevention ("CP")	14.20	17.78	(3.58)	(20.1)
Supply & Distribution ("SD")	6.68	7.65	(0.97)	(12.7)
Shipping & Others ("SH")	5.77	4.34	1.43	32.9
	39.86	**36.48**	**3.38**	**9.3**

The Group's revenue increased by 9.3% or S$3.38 million from S$36.48 million in 1H2014 to S$39.86 million in 1H2015.

Revenue for our IE division increased by 96.9% or S$6.50 million from S$6.71 million to S$13.21 million. The improvement was generated from securing more orders for fabrication and offshore maintenance services.

Revenue for our CP division decreased by S$3.58 million from S$17.78 million in 1H2014 to S$14.20 million in 1H2015. This was due to lower demand from Singapore shipyards for CP services derived from construction of new vessels. However, demand for CP services for vessels undergoing repair remained stable.

Our SD division registered a decline in revenue of S$0.97 million from S$7.65 million in 1H2014 to S$6.68 million in 1H2015 due to weaker demand for marine hardware products.

Our SH division reported an increase in revenue of S$1.43 million for 1H2015 from S$4.34 million in 1H2014 to S$5.77 million in 1H2015. This can be attributed to the commencement of operations of our second livestock carrier in 2Q2014.

Our gross profit margin improved from 20.2% in 1H2014 to 25.0% in 1H2015 primarily due to better performance of IE division. This being the main reason for the improved gross profit of S$2.61 million from $7.36 million in 1H2014 to S$9.97 million in 1H2015.

The Group's profit attributable was shareholders of $0.28 million for 1H2015 compared to loss of S$1.62 million for 1H2014.

CASHFLOW STATEMENT

The Group registered a positive net cash flow of S$0.91 million in 2Q2015 from its operating activities.

Net cash outflow in investing activities for 2Q2015 was approximately S$0.64 million. This was mainly attributable to capital expenditure on scaffolding equipment for recurring projects in Batam.

Net cash inflow in financing activities was approximately S$0.89 million during 2Q2015. This was mainly due to the net proceeds from issuance of S$5 million convertible bonds in excess of repayment on bank borrowings and finance lease liabilities.

As a result of the above, the Group registered a net increase in cash and cash equivalent of approximately S$1.16 million for 2Q2015.

ASSETS AND LIABILITIES

The Group registered total assets of S$173.41 million as at 30 June 2015.

The Group's current assets increased from S$66.57 million as at 31 December 2014 to S$68.89 million as at 30 June 2015 mainly due to the increase of S$2.31 million in trade and other receivables and inventories in tandem with the increased business activities for 1H2015.

Total liabilities for the Group were S$94.22 million at end of 1H2015 as compared to S$95.29 million at end of FY2014. The reduction was mainly attributable to decrease in bank borrowings of S$1.40 million during 1H2015.

The Group registered net current assets of S$6.57 million as at 30 June 2015 as compared to net current liabilities of S$8.88 million as at 31 December 2014.

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 result for 30 June 2015. The Group's actual results for its second quarter ended 30 June 2015 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 2015.

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 general business environment of the Group remains challenging. The IE division has shown improvement in 1H2015. Going forward, the Group will continue its efforts to seek new job opportunities in current challenging environment and carry on with its cost reduction measures.

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 2015.

13 Summary of Interested Person Transactions for the financial period ended 30 June 2015.

	2nd Quarter of FY2015	
	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		
Procurement of materials and consumables		(1,087)
Provision of corrosion prevention services		313,250
PT Graha Trisaka Industri		
Provision of corrosion prevention services		249,018
Procurement of materials and consumables		(20,455)
DDW - PaxOcean Shipyard Pte Ltd		
Provision of corrosion prevention services		855,834
Procurement of materials and consumables		(38,658)
Transportation charges		(1,254)
PT. Drydocks World Pertama		
Provision of corrosion prevention services		452,871
Procurement of materials and consumables		(15,287)

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 2015 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
14 Aug 2015

Chua Meng Hua
Managing Director