BENG KUANG MARINE LIMITED
(Incorporated in Singapore)
Registration No. 199400196M

RESPONSES TO SGX QUERIES

The Board of Directors of Beng Kuang Marine Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to queries raised by the Singapore Exchange Securities Trading Limited ("**SGX**") on the Company's announcement on 13 May 2019 in relation to the Group's financial statements for the first quarter ended 31 March 2019 ("**Financial Statements**") and the Company's responses are set out below.

Unless otherwise defined, all capitalized terms used herein shall bear the same meanings ascribed to them in the Announcement.

1. Query 1: Please provide the aging of the "trade and other receivables" in page 3 of the Financial Statements and set out the Company's efforts to collect these "trade and other receivables". In addition, please clarify if the Company has conducted impairment testing on these "trade and other receivables".

Company's responses:

i) Aging of the trade and other receivables

Trade and other receivables

	Group		Company	
	31 March 2019 S$'000	31 December 2018 S$'000	31 March 2019 S$'000	31 December 2018 S$'000
Trade receivables				
- Subsidiary corporations	-	-	2,701	2,338
- Non-related parties	19,104	19,487	-	164
	19,104	19,487	2,701	2,502
Less: loss allowance	(1,549)	(1,535)	-	-
Trade receivables – net	17,555	17,952	2,701	2,502
Non-trade receivables				
- Subsidiary corporations	-	-	81,034	74,750
- Non-related parties	7,505	7,707	-	48
	7,505	7,707	81,034	74,798
Retentions	616	605	-	-
Deposits	223	219	2	2
Prepayments	582	348	12	9
	8,926	8,879	81,048	74,809
	26,481	26,831	83,749	77,311

	Group		Company	
	31 March 2019 S$'000	31 December 2018 S$'000	31 March 2019 S$'000	31 December 2018 S$'000
Current	22,841	22,801	83,749	77,311
Non-current	3,640	4,030	-	-
	26,481	26,831	83,749	77,311

ii) Ageing of trade receivables as at 31 March 2019

	S$'000
Current	4,030
less than 90 days	4,816
91 to 150 days	2,346
151 to 365 days	2,813
More than 365 days	3,550
	17,555

iii) Collection and impairment of trade and other receivables

The Group has taken active steps to collect outstanding debts, including following up closely with all trade debtors via phone calls, reminder emails and letters as well as visiting their offices to expedite collection. If necessary, legal proceedings will be taken to pursue the receivables.

The Group carries out impairment loss testing on its trade receivables on a quarterly basis. As and when trade receivables are deemed uncollectable, the Company will make the necessary impairment loss provisions. The last impairment loss testing was done in May 2019 prior to the release of the Financial Statements on 13 May 2019. Based on the impairment loss testing done by the Company which was provided as an update to the Board by management on a quarterly basis, the Board is of the view that the trade receivables reflected in the Financial Statements presently remains collectable. However, the Board also notes that the shipping industry is facing challenging circumstances and accordingly the collectability of trade receivables may change in the future due to various factors such as the financial conditions of the relevant counterparties. In this regard, the Company is monitoring trade receivables amounting to approximately S$6.4 million (as at 31 March 2019) which is more than 150 days but which has not reached a stage which requires impairment, based on management's impairment loss testing. The Company will make the necessary provisions as and when required through its quarterly impairment loss testing process.

2. Query 2: On page 8 of the Financial Statements, the Company attributed the increase of approximately 20% in the "*cost of sales*" to an increase in the cost and materials and "*continuing operational costs incurred by* [the Company's] *cattle carrier despite being in mandatory drydock*".

Please provide us with a breakdown of the "*cost of sales*" and a detailed explanation for the material variance in the "*cost of sales*". In particular, please explain how the "*continuing operational costs incurred by* [the Company's] *cattle carrier despite being in mandatory drydock*" resulted in the increase of approximately 20% in the "*cost of sales*".

Company's responses:

Breakdown on cost of sales	1Q2019 S$'000	1Q2018 S$'000	Increase/ (Decrease)
Depreciation of property, plant and equipment	1,549	1,794	(14%)
Purchase of materials and subcontractor fees	3,651	2,077	76%
Employee compensation & foreign worker levies	1,811	1,872	(3%)
Insurance	123	28	342%
Maintenance, repair and rental of equipment & machinery	485	580	(16%)
Shipping related expenses	612	476	29%
Other expenses	206	184	13%
Total	**8,437**	**7,011**	20%

The increase in cost of sales of 20% or S$1.4 million from S$7.0 million in 1Q2018 to S$8.4 million 1Q2019 was due to:-

a) CP and IE division – Increase in cost of sales of approximately S$0.6m on purchase of project materials and sub-contractor costs in tandem with the increase in revenue.

b) SD division – There was an increase in cost on purchase of hardware by S$0.28m.

c) SH division – There was an increase in costs on marine fuel oil and vessel spare parts by approximately S$0.53m.

The continuing operational costs incurred by the Company's cattle carrier mandatory docking is one of the contributory factors to the approximately 20% increase in cost of sales. It is not the sole factor contributing to the 20% increase. The reason of it being a contributory factor is as stated below.

Although one of the cattle carriers is off charter and undergoing survey and mandatory drydocking, it continues to incur operational costs such as crew salaries and crew related expenses, ship management costs, marine fuel oil for powering the generators as well as depreciation. The crew are employed on long term for manning the vessel at all times. Accordingly, the cost of sales per dollar earned from the SH division increased.

By Order of the Board

Chua Meng Hua
Managing Director and Chief Executive Officer
22 May 2019