**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 8 August 2019 in relation to the Group's financial statements for the second quarter ended 30 June 2019 ("**Financial Statements**") and the Company's responses are set out below.

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

1. **Query 1: With regard to page 1 of the Financial Statements, please explain the material variance in "administrative expenses".**

**Company's response:**

| Continuing operations | 2Q2019 S$'000 | 2Q2018 S$'000 | Increase/ (Decrease) |
|---|---|---|---|
| Administrative expenses | 3,321 | 2,691 | 23% |

The increase in administrative expenses of 23% or S$0.63 million from S$2.69 million in 2Q2018 to S$3.32 million 2Q2019 was mainly due to:-

a) Increase of S$0.27 million on staff related and office expenses in CP division in tandem with increased business activities in 2Q2019.

b) Increase of S$0.54 million mainly as a result of new business activities in certain IE business units:

(i) re-activation of operations of a dormant Malaysian subsidiary, ASIC Engineering Sdn Bhd after the Company's entire shareholding was transferred to Asian Sealand Offshore & Marine Pte Ltd, a 51%-owned Singapore subsidiary on 22 June 2018;

(ii) Investment in October 2018 in an associated company, Asian Sealand Equipment Solutions Pte Ltd which is engaged in the business of general engineering design and rental of industrial equipment and machinery; and

(iii) fabrication services rendered in Singapore being taken over by a wholly-owned subsidiary, MTM (ASE) Metalization Pte Ltd after the Company agreed to sell its wholly-owned subsidiary, Asian Sealand Engineering Pte Ltd ("ASE") to a non-related party on 23 January 2019. Pursuant to the aforementioned agreement to sell, the administrative expenses of ASE were recorded under discontinued operations for the relevant period.

2. **Query 2: Please provide the aging of the "trade receivables" on page 3 of the Financial Statements and set out the Company's efforts to collect these "trade receivables". In addition, please clarify if the Company has conducted impairment testing on these "trade receivables" and provide us the Board's assessment of the recoverability of these "trade receivables" and the bases for their assessment.**

**Company's response:**

Aging of the trade receivables

**Trade receivables**

| | Group | |
|---|---|---|
| | **30-Jun-19** | **31-Dec-18** |
| | **S$'000** | **S$'000** |
| Trade receivables | | |
| - Non-related parties | 21,356 | 19,487 |
| | 21,356 | 19,487 |
| Less: loss allowance | (1,782) | (1,535) |
| Trade receivables – net | 19,574 | 17,952 |

Ageing of trade receivables as at 30 June 2019

| | **S$'000** |
|---|---|
| Current | 2,858 |
| less than 90 days | 8,095 |
| 91 to 150 days | 1,713 |
| 151 to 365 days | 1,756 |
| More than 365 days | 5,152 |
| | 19,574 |

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 August 2019 prior to the release of the Financial Statements on 8 August 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$6.9 million (as at 30 June 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 Board's view is based on (i) management's assessability of recovery based on historical billings and receipts, (ii) continuing business transactions with counterparties

owing trade receivables, and (iii) general outlook of the shipping industry. The Company will make necessary provisions as and when required through its monthly impairment loss testing process.

By Order of the Board

Chua Meng Hua
Managing Director and Chief Executive Officer
16 August 2019