BENG KUANG MARINE LIMITED

Registration No. 199400196M

First Quarter Financial Statement For The Period Ended 31 March 2014

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		
	1st Qtr of 2014	**1st Qtr of 2013**	**Increase / (Decrease)**
	S$'000	**S$'000**	
Revenue	17,603	20,365	(14%)
Cost of sales	(12,833)	(14,782)	(13%)
Gross profit	4,770	5,583	(15%)
Other gains / (losses), net	190	(24)	NM
Expenses			
- Selling and distribution	(490)	(519)	(6%)
- Administrative	(3,844)	(3,977)	(3%)
- Finance	(513)	(567)	(10%)
Profit before income tax	113	496	(77%)
Income tax expense	(102)	(249)	(59%)
Net profit	11	247	(96%)
Profit / (loss) attributable to:			
Equity holders of the Company	124	277	(55%)
Non-controlling interests	(113)	(30)	277%
	11	247	(96%)

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		
	1st Qtr of 2014 S$'000	**1st Qtr of 2013 S$'000**	**Increase / (Decrease)**
Net profit after tax	11	247	(96%)
Currency translation differences arising from consolidation	115	33	248%
Other comprehensive income, net of tax	115	33	248%
Total comprehensive income	126	280	(55%)
Total comprehensive income / (loss) attributable to:			
Equity holders of the Company	212	304	(30%)
Non-controlling interests	(86)	(24)	258%
	126	280	(55%)

	GROUP	
	1st Qtr of 2014 S$'000	**1st Qtr of 2013 S$'000**
Notes		
The Group's profit from operations is arrived at after (charging) / crediting		
Interest Income	3	3
Interest expense on borrowings	(513)	(567)
Foreign exchange loss	(100)	(127)
Gain on disposal of property, plant and equipment	40	13
Property, plant and equipment written off	(2)	(10)
Depreciation of property, plant and equipment	(2,276)	(2,202)
Write-back of allowance for impairment of trade receivables	14	-
Allowance for impairment of trade receivables	-	(47)

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	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and bank balances	6,847	8,403	182	226
Trade and other receivables	46,029	49,345	72,098	70,654
Inventories	14,308	14,579	-	-
	67,184	72,327	72,280	70,880
Non-current assets				
Investment in subsidiaries	-	-	4,257	4,257
Deferred income tax assets	191	191	-	-
Intangible assets	64	64	-	-
Property, plant and equipment	109,009	109,802	902	959
	109,264	110,057	5,159	5,216
Total assets	176,448	182,384	77,439	76,096
LIABILITIES				
Current liabilities				
Trade and other payables	27,574	30,695	7,788	6,114
Current income tax liabilities	975	976	-	-
Borrowings and overdrafts	46,399	47,791	17,065	17,552
	74,948	79,462	24,853	23,666
Non-current liabilities				
Other payables	1,094	1,148	-	-
Borrowings	15,891	17,385	41	49
Deferred tax liabilities	609	609	6	6
	17,594	19,142	47	55
Total Liabilities	92,542	98,604	24,900	23,721
NET ASSETS	83,906	83,780	52,539	52,375
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(319)	(407)	-	-
Retained profits	32,060	31,936	2,888	2,724
	81,392	81,180	52,539	52,375
Non-controlling interests	2,514	2,600	-	-
Total equity	83,906	83,780	52,539	52,375

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	As at 31-Mar-14		As at 31-Dec-13	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	4,374	35,622	4,633	36,515
Term loans	4,334	389	4,210	556
Finance lease liabilities	1,680	-	1,877	-

Amount repayable after one year

	As at 31-Mar-14		As at 31-Dec-13	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	14,324	264	15,460	347
Finance lease liabilities	1,303	-	1,578	-

Details of any collateral

Included in the Group's secured borrowings are:-
(a) S$23,031,000 as at 31 March 2014 (31 December 2013: S$24,303,000) in respect of loans secured by vessels, tugs and barges.
(b) 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	
	1st Qtr of 2014	**1st Qtr of 2013**
	S$'000	**S$'000**
Cash flows from operating activities		
Net profit	11	247
Adjustments for:		
Income tax expense	102	249
Allowance for impairment for trade receivables	-	47
Write-back of allowance for impairment of trade receivables	(14)	-
Gain on disposal of property, plant and equipment	(40)	(13)
Property, plant and equipment written off	2	10
Depreciation of property, plant and equipment	2,276	2,202
Interest income	(3)	(3)
Interest expenses	513	567
	2,847	3,306
Changes in working capital		
Inventories and construction work-in-progress	(1,131)	2,921
Trade and other receivables	6,029	(7,151)
Trade and other payables	(3,955)	(593)
Bills payable	(446)	(687)
Cash flows generated from / (used in) operations	3,344	(2,204)
Interest received	3	3
Interest paid	(482)	(561)
Income taxes paid	(103)	(284)
Net cash flows generated from / (used in) operating activities	2,762	(3,046)
Cash flows from investing activities		
Proceeds from assets held-for-sale	-	989
Proceeds from disposal of property, plant and equipment	93	13
Addition to property, plant and equipment	(1,966)	(2,237)
Net cash flows used in investing activities	(1,873)	(1,235)
Cash flows from financing activities		
Repayment of finance lease liabilities	(551)	(564)
Repayment of borrowings, net	(1,571)	(1,177)
Net cash flows used in financing activities	(2,122)	(1,741)
Net decrease in cash and cash equivalents	(1,233)	(6,022)
Cash and cash equivalents		
Beginning of the period	5,582	15,077
Effects of currency translation on cash and cash equivalents	105	(14)
End of financial period	4,454	9,041

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 January 2013	49,651	26,354	(155)	26,199	2,224	78,074
Total comprehensive income / (loss) for the quarter	-	277	27	304	(24)	280
Balance as at 31 March 2013	**49,651**	**26,631**	**(128)**	**26,503**	**2,200**	**78,354**
Balance as at 1 January 2014	49,651	31,936	(407)	31,529	2,600	83,780
Total comprehensive income / (loss) for the quarter	-	124	88	212	(86)	126
Balance as at 31 March 2014	**49,651**	**32,060**	**(319)**	**31,741**	**2,514**	**83,906**

	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 January 2013	49,651	3,476	-	3,476	-	53,127
Total comprehensive income for the quarter	-	67	-	67	-	67
Balance as at 31 March 2013	**49,651**	**3,543**	**-**	**3,543**	**-**	**53,194**
Balance as at 1 January 2014	49,651	2,724	-	2,724	-	52,375
Total comprehensive income for the quarter	-	164	-	164	-	164
Balance as at 31 March 2014	**49,651**	**2,888**	**-**	**2,888**	**-**	**52,539**

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 1 January 2014 and 31 March 2014	540,041,625	49,651

Convertibles

	As at 31-Mar-14	As at 31-Mar-13
	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 31 March 2014 and 31 March 2013.

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 31-Mar-14	As at 31-Dec-13
	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 2013.

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 Quarter 2014	1st Quarter 2013
a) Based on weighted average number of ordinary shares on issue; and	0.02	0.05
Weighted no.of shares in issue	540,041,625	540,041,625
b) On a fully diluted basis	0.02	0.05

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	
	31-Mar-14	31-Dec-13	31-Mar-14	31-Dec-13
Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)	15.07	15.03	9.73	9.70

31-Mar-14

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$81.39 million and the Company's net asset value as at the end of the period of S$52.54 million divided by the share capital of 540,041,625 ordinary shares.

31-Dec-13

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$81.18 million and the Company's net asset value as at the end of the year of S$52.37 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

	1st Quarter results			
Group Turnover	**FY 2014**	**FY 2013**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	3.81	7.24	(3.43)	(47.4)
Corrosion Prevention ("CP")	8.91	7.61	1.30	17.1
Supply & Distribution ("SD")	3.37	3.78	(0.41)	(10.8)
Shipping & Others ("SH")	1.51	1.74	(0.23)	(13.2)
	17.60	**20.37**	**(2.77)**	**(13.6)**

The Group's revenue decreased by 13.6% or S$2.77 million from S$20.37 million in 1Q2013 to S$17.60 million in 1Q2014.

Revenue for our IE division decreased by 47.4% or S$3.43 million from S$7.24 million to S$3.81 million as no sizeable shipbuilding and fabrication contract was secured in FY2013 and into 1Q2014. The division continues to secure recurring small value fabrication works.

Revenue for our CP division increased by S$1.30 million from S$7.61 million in 1Q2013 to S$8.91 million in 1Q2014. The increase in revenue was mainly due to increase in the demand from our corrosion prevention services in Batam during 1Q2014.

Our SD division registered a decline in revenue of S$0.41 million from S$3.78 million in 1Q2013 to S$3.37 million in 1Q2014 due to lower demand for hardware.

Our SH division reported lower revenue of S$0.23 million for 1Q2014 from S$1.74 million in 1Q2013 to S$1.51 million in 1Q2014 because of lower utilisation of four sets of tug and barges due to mandatory docking in 1Q2014.

Our gross profit margin remained stable for both quarters at approximately 27%. However, due to the lower revenue contributed by our IE division, the gross profit declined by S$0.81 million from $5.58 million in 1Q2013 to S$4.77 million in 1Q2014. As a result of the decrease in gross profit, the Group's profit attributable to shareholders fell to S$0.12 million for 1Q2014 from S$0.28 million for 1Q2013.

CASHFLOW STATEMENT

The Group registered net operating cash inflow of S$2.76 million in 1Q2014 as a result of positive earnings during the quarter and collections from trade and other receivables over payables.

Our additions to fixed asset for 1Q2014 was approximately S$1.97 million. This was mainly attributable to the additional costs for the completion of our second livestock carrier "Diamantina".

Net cash outflow in financing activities was approximately S$2.12 million during 1Q2014. This was mainly due to repayment of lease liabilities and bank borrowings.

As a result of the above, the Group registered a net decrease in cash and cash equivalents of approximately S$1.23 million for 1Q2014.

ASSETS AND LIABILITIES

The Group registered total assets of S$176.45 million as at 31 March 2014.

The Group's current assets declined from S$72.33 million as at 31 December 2013 to S$67.18 million as at 31 March 2014 mainly due to outflow in net cash and bank balance by S$1.56 million and reduced in net trade receivables by S$3.32 million.

Total liabilities for the Group were S$92.54 million at end of 1Q2014 as compared to S$98.60 million at end of FY2013. The reduction was mainly attributable to net repayment of bank borrowings of S$2.89 million during 1Q2014 and net payment to trade and other payables of S$3.18 million.

The Group registered net current liabilities of S$7.76 million as at 31 March 2014 as compared to S$7.14 million as at 31 December 2013. The net current liabilities position registered in both quarters was mainly due to the Group's utilisation of its short-term bank borrowings to finance the conversion of the second livestock carrier.

The Board is of the opinion that, after taking into consideration the Group’s existing cash and cash equivalents, and the available bank facilities, the Group is able to meet its short-term obligations as and when they fall due.

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 31 March 2014. The Group's actual results for its first quarter ended 31 March 2014 are in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the full year ended 31 December 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.

Competition for new vessel building jobs remains intense and our IE division's performance is expected to be challenging in the current financial year. The projects we have been able to secure recently are not sizeable enough for our Batam shipyard to achieve optimal operating capacity. We will intensify our marketing effort to secure more projects.

Our second livestock carrier "Diamantina" commenced operations in late March 2014 under long term charter and will contribute to our Group's earnings for financial year 2014.

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 31 March 2014.

13 Summary of Interested Person Transactions for the financial period ended 31 March 2014.

	1st Quarter of FY2014	
	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$
DDW - Paxocean Shipyard Pte Ltd (Formerly known as Drydocks World - Singapore Pte Ltd)		
Provision of corrosion prevention services		421,695
Transportation charges		(12,227)
PT. Drydocks World Pertama		
Provision of corrosion prevention services		1,026,773
Procurement of materials and consumables		(32,306)
Sale of hardware equipments, tools and other consumables		1,235

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 31 March 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
5 May 2014

Chua Meng Hua
Managing Director