



BENG KUANG MARINE LIMITED

Registration No. 199400196M

Third Quarter Financial Statement For The Period Ended 30 September 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			GROUP		
	3rd Qtr of 2014	3rd Qtr of 2013	Increase / (Decrease)	9 Months of 2014	9 Months of 2013	Increase / (Decrease)
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	18,980	22,286	(15%)	55,463	63,514	(13%)
Cost of sales	(16,731)	(17,457)	(4%)	(45,856)	(48,391)	(5%)
Gross profit	2,249	4,829	(53%)	9,607	15,123	(36%)
Other gains , net	247	448	(45%)	1,342	5,975	(78%)
Expenses						
- Selling and distribution	(524)	(504)	4%	(1,547)	(1,593)	(3%)
- Administrative	(3,971)	(3,811)	4%	(11,698)	(11,565)	1%
- Finance	(621)	(508)	22%	(1,755)	(1,605)	9%
(Loss) / profit before income tax	(2,620)	454	NM	(4,051)	6,335	NM
Income tax expense	(44)	(172)	(74%)	(157)	(693)	(77%)
Net (loss) / profit	(2,664)	282	NM	(4,208)	5,642	NM
(Loss) / profit attributable to:						
Equity holders of the Company	(2,550)	171	NM	(4,165)	5,301	NM
Non-controlling interests	(114)	111	NM	(43)	341	NM
	(2,664)	282	NM	(4,208)	5,642	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		
	3rd Qtr of 2014 S\$'000	3rd Qtr of 2013 S\$'000	Increase / (Decrease)	9 Months of 2014 S\$'000	9 Months of 2013 S\$'000	Increase / (Decrease)
Net (loss) / profit after tax	(2,664)	282	NM	(4,208)	5,642	NM
Currency translation differences arising from consolidation	(2)	(282)	(99%)	7	(258)	NM
Other comprehensive (loss) / income, net of tax	(2)	(282)	(99%)	7	(258)	NM
Total comprehensive (loss) / income	(2,666)	-	NM	(4,201)	5,384	NM
Total comprehensive (loss) / income attributable to:						
Equity holders of the Company	(2,552)	(51)	4,903%	(4,158)	5,097	(182%)
Non-controlling interests	(114)	51	(324%)	(43)	287	(115%)
	(2,666)	-	NM	(4,201)	5,384	(178%)

	GROUP		GROUP	
	3rd Qtr of 2014 S\$'000	3rd Qtr of 2013 S\$'000	9 Months of 2014 S\$'000	9 Months of 2013 S\$'000
<u>Notes</u>				
The Group's profit from operations is arrived at after (charging) / crediting				
Interest Income	2	3	9	9
Interest expense on borrowings	(601)	(508)	(1,711)	(1,605)
Foreign exchange (loss) / gain	(111)	208	39	(76)
Gain / (loss) on disposal of property, plant and equipment	79	(62)	685	(36)
Gain on disposal of assets held-for-sale	-	-	-	5,632
Property, plant and equipment written off	-	-	(2)	(20)
Depreciation of property, plant and equipment	(1,816)	(2,298)	(6,668)	(6,686)
Write-back of allowance for impairment of trade receivables	27	35	64	249
Allowance for impairment of trade receivables	(45)	(83)	(45)	(189)

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-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and bank balances	6,727	8,403	219	226
Trade and other receivables	43,638	49,345	68,577	70,654
Inventories	15,148	14,579	-	-
	<u>65,513</u>	<u>72,327</u>	<u>68,796</u>	<u>70,880</u>
Non-current assets				
Investment in subsidiaries	-	-	10,827	4,257
Deferred income tax assets	191	191	-	-
Intangible assets	64	64	-	-
Property, plant and equipment	106,316	109,802	795	959
	<u>106,571</u>	<u>110,057</u>	<u>11,622</u>	<u>5,216</u>
Total assets	<u>172,084</u>	<u>182,384</u>	<u>80,418</u>	<u>76,096</u>
LIABILITIES				
Current liabilities				
Trade and other payables	28,963	30,695	10,499	6,114
Current income tax liabilities	692	976	-	-
Borrowings and overdrafts	46,734	47,791	17,928	17,552
	<u>76,389</u>	<u>79,462</u>	<u>28,427</u>	<u>23,666</u>
Non-current liabilities				
Other payables	1,094	1,148	-	-
Borrowings	14,356	17,385	24	49
Deferred tax liabilities	568	609	6	6
	<u>16,018</u>	<u>19,142</u>	<u>30</u>	<u>55</u>
Total Liabilities	<u>92,407</u>	<u>98,604</u>	<u>28,457</u>	<u>23,721</u>
NET ASSETS	<u>79,677</u>	<u>83,780</u>	<u>51,961</u>	<u>52,375</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Currency translation reserve	(400)	(407)	-	-
Retained profits	27,771	31,936	2,310	2,724
	<u>77,022</u>	<u>81,180</u>	<u>51,961</u>	<u>52,375</u>
Non-controlling interests	2,655	2,600	-	-
Total equity	<u>79,677</u>	<u>83,780</u>	<u>51,961</u>	<u>52,375</u>

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-Sep-14		As at 31-Dec-13	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	3,724	36,414	4,633	36,515
Term loans	4,310	944	4,210	556
Finance lease liabilities	1,342	-	1,877	-

Amount repayable after one year

	As at 30-Sep-14		As at 31-Dec-13	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	12,053	1,208	15,460	347
Finance lease liabilities	1,095	-	1,578	-

Details of any collateral

Included in the Group's secured borrowings are:-

- (a) S\$20,087,000 as at 30 September 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	
	3rd Qtr of 2014	3rd Qtr of 2013
	S\$'000	S\$'000
Cash flows from operating activities		
Net (loss) / profit	(2,664)	282
<i>Adjustments for:</i>		
Income tax expense	44	172
Allowance for impairment for trade receivables	45	83
Write down of inventory	9	-
Write-back of allowance for impairment of trade receivables	(27)	(35)
(Gain) / loss on disposal of property, plant and equipment	(79)	62
Depreciation of property, plant and equipment	1,816	2,298
Interest income	(2)	(3)
Interest expenses	601	508
	(257)	3,367
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	(315)	(3,533)
Trade and other receivables	421	2,679
Trade and other payables	1,817	(1,496)
Bills payable	673	(1,208)
Cash flows generated from / (used in) operations	2,339	(191)
Interest received	2	3
Interest paid	(544)	(456)
Income taxes paid	(128)	(185)
Net cash flows generated from / (used in) operating activities	1,669	(829)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,255	164
Addition to property, plant and equipment	(605)	(3,892)
Net cash flows generated from / (used in) investing activities	650	(3,728)
Cash flows from financing activities		
Repayment of finance lease liabilities	(431)	(552)
Repayment of borrowings, net	(546)	(811)
Net cash flows used in financing activities	(977)	(1,363)
Net increase / (used in) in cash and cash equivalents	1,342	(5,920)
Cash and cash equivalents		
Beginning of the period	2,538	13,423
Effects of currency translation on cash and cash equivalents	-	(231)
End of financial period	3,880	7,272

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				Non-controlling interests	Total equity interests
	Share capital	Retained profits	Translation reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
GROUP						
Balance as at 1 July 2013	49,651	31,484	(137)	80,998	2,460	83,458
Total comprehensive income / (loss) for the quarter	-	171	(222)	(51)	51	0
Balance as at 30 September 2013	49,651	31,655	(359)	80,947	2,511	83,458
Balance as at 1 July 2014	49,651	30,321	(398)	79,574	2,769	82,343
Total comprehensive loss for the quarter	-	(2,550)	(2)	(2,552)	(114)	(2,666)
Balance as at 30 September 2014	49,651	27,771	(400)	77,022	2,655	79,677
	Share capital	Retained profits	Translation reserves	Total	Non-controlling interests	Total equity interests
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
COMPANY						
Balance as at 1 July 2013	49,651	3,801	-	53,452	-	53,452
Total comprehensive loss for the quarter	-	(259)	-	(259)	-	(259)
Balance as at 30 September 2013	49,651	3,542	-	53,193	-	53,193
Balance as at 1 July 2014	49,651	2,682	-	52,333	-	52,333
Total comprehensive loss for the quarter	-	(372)	-	(372)	-	(372)
Balance as at 30 September 2014	49,651	2,310	-	51,961	-	51,961

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 30 June 2014 and 30 September 2014	540,041,625	49,651

Convertibles

	As at 30-Sep-14	As at 30-Sep-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 30 September 2014 and 30 September 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 30-Sep-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):

a) Based on weighted average number of ordinary shares on issue; and

Weighted no.of shares in issue

b) On a fully diluted basis

Group	
9 Months 2014	9 Months 2013
-0.77	0.98
540,041,625	540,041,625
-0.77	0.98

- 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.**

Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)

GROUP		COMPANY	
30-Sep-14	31-Dec-13	30-Sep-14	31-Dec-13
14.26	15.03	9.62	9.70

30-Sep-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\$77.02 million and the Company's net asset value as at the end of the period of S\$51.96 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

Group Turnover

	3rd Quarter results			
	FY 2014	FY 2013	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	4.09	7.91	(3.82)	(48.3)
Corrosion Prevention ("CP")	8.74	8.43	0.31	3.7
Supply & Distribution ("SD")	3.75	3.94	(0.19)	(4.8)
Shipping & Others ("SH")	2.40	2.01	0.39	19.4
	18.98	22.29	(3.31)	(14.8)

The Group's revenue decreased by 14.8% or S\$3.31 million from S\$22.29 million in 3Q2013 to S\$18.98 million in 3Q2014.

Revenue for our IE division decreased by 48.3% or S\$3.82 million in 3Q2013 from S\$7.91 million to S\$4.09 million in 3Q2014 as no sizeable shipbuilding or fabrication contract was secured in 3Q2014. The division, however, continues to secure recurring small value fabrication orders.

Revenue for our CP division increased by S\$0.31 million from S\$8.43 million in 3Q2013 to S\$8.74 million in 3Q2014. This was mainly due to stable demand for our corrosion prevention services in 3Q2014.

Our SD division registered a slight decline in revenue of S\$0.19 million from S\$3.94 million in 3Q2013 to S\$3.75 million in 3Q2014. Market demand for our hardware remained relatively stable.

Our SH division reported an increase in revenue of S\$0.39 million for 3Q2014 from S\$2.01 million in 3Q2013 to S\$2.40 million in 3Q2014 because of the revenue contribution from the second livestock carrier which commenced charter in April 2014.

Our gross profit margin deteriorated from 21.7% in 3Q2013 to 11.9% in 3Q2014 as the Batam yard continues to operate below optimal capacity and existing revenue from small contracts was not able to cover fixed costs. Hence, the gross profit declined by S\$2.58 million from \$4.83 million in 3Q2013 to S\$2.25 million in 3Q2014.

The Group's profit / (loss) attributable to shareholders fell to a loss of \$2.55 million for 3Q2014 from profit of S\$0.17 million for 3Q2013. The loss in 3Q2014 was mainly attributable to the IE division. As disclosed in paragraph 10 of 2Q2014 results announcement, the IE division's performance is expected to remain challenging in the current financial year.

Group Turnover	9 Months results			
	FY 2014	FY 2013	+ / (-)	+ / (-)
	S\$ million	S\$ million	S\$ million	%
Infrastructure & Engineering ("IE")	10.80	20.87	(10.07)	(48.3)
Corrosion Prevention ("CP")	26.52	24.91	1.61	6.5
Supply & Distribution ("SD")	11.40	11.86	(0.46)	(3.9)
Shipping & Others ("SH")	6.74	5.87	0.87	14.8
	55.46	63.51	(8.05)	(12.7)

The Group's revenue decreased by 12.7% or S\$8.05 million from S\$63.51 million in 9M2013 to S\$55.46 million in 9M2014.

Revenue for our IE division decreased by 48.3% or S\$10.07 million from S\$20.87 million to S\$10.80 million as no sizeable shipbuilding or fabrication contract was secured in the past 2 years. The division continues to secure recurring small value fabrication contracts.

Revenue for our CP division increased by S\$1.61 million from S\$24.91 million in 9M2013 to S\$26.52 million in 9M2014. The increase in revenue was mainly due to increase in the demand for our corrosion prevention services in Batam during 9M2014.

Our SD division registered a slight decline in revenue of S\$0.46 million from S\$11.86 million in 9M2013 to S\$11.40 million in 9M2014. The demand for hardware remained relatively stable.

Our SH division reported increase in revenue of S\$0.87 million for 9M2014 from S\$5.87 million in 9M2013 to S\$6.74 million in 9M2014. This was attributed to the commencement of operations of our second livestock carrier in 2Q2014.

Our gross profit margin dropped from 23.8% in 9M2013 to 17.4% in 9M2014 due primarily to the inability of the IE division to secure sizeable contracts to cover its high fixed costs in the past two years. This is the main reason for the fall in the gross profit by S\$5.50 million from \$15.12 million in 9M2013 to S\$9.61 million in 9M2014.

The Group's profit / (loss) attributable to shareholders fell to a loss of \$4.17 million for 9M2014 compared to profit of S\$5.30 million, which was attributable to sale of the property at 38 Tuas View Square last year. The loss is mainly attributable to the weak performance of the IE division for 9M2014.

CASHFLOW STATEMENT

The Group registered net operating cash inflow of S\$1.67 million in 3Q2014 as a result of collections from trade and other receivables over payables.

Our additions to fixed asset for 3Q2014 was S\$0.61 million, arising from the purchase of additional equipment.

Net cash outflow in financing activities was approximately S\$0.98 million during 3Q2014. This was mainly due to repayment of hire purchase liabilities and bank borrowings.

As a result of the above, the Group registered a net increase in cash and cash equivalent of approximately S\$1.34 million for 3Q2014.

ASSETS AND LIABILITIES

The Group registered total assets of S\$172.08 million as at 30 September 2014.

The Group's current assets declined from S\$72.33 million as at 31 December 2013 to S\$65.51 million as at 30 September 2014 mainly due to outflow in net cash and bank balance by S\$1.67 million and reduction in net trade receivables by S\$5.71 million.

Total liabilities for the Group were S\$92.41 million at end of 9M2014 as compared to S\$98.60 million at end of FY2013. The reduction was mainly attributable to net repayment of bank borrowings of S\$4.09 million during 9M2014 and net payment to trade and other payables of S\$1.79 million.

The Group registered net current liabilities of S\$10.88 million as at 30 September 2014 as compared to S\$7.14 million as at 31 December 2013. The net current liabilities position registered in both periods was mainly due to the Group's utilisation of its short-term bank borrowings to finance the conversion of the second livestock carrier.

The Group has recently secured a long term bank loan to improve the current liabilities position and this will be reflected in the 31 December 2014 results announcement. The Group is nevertheless actively sourcing for long term funds to correct the current liabilities issue.

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 30 September 2014. The Group's actual results for its third quarter ended 30 September 2014 are in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the second quarter ended 30 June 2014.

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 IE division has been facing challenging times as mentioned in previous financial announcements and overall the Group is expected to register a loss in FY2014.

Meanwhile, the Company is continuing to intensify its marketing effort to secure sizeable marine and fabrication contracts for its Batam yard.

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 September 2014.

13 Summary of Interested Person Transactions for the financial period ended 30 September 2014.

3rd 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\$
<u>PT Nanindah Mutiara Shipyard</u>		
Procurement of materials and consumables		(82,093)
Provision of corrosion prevention services		191,606
Sale of Hardware Equipment, Tools and Other Consumables		4,922
<u>PT Graha Trisaka Industri</u>		
Provision of corrosion prevention services		521,598
Procurement of materials and consumables		(88,322)
Sale of hardware equipment, tools and other consumables		638
<u>DDW - Paxocean Shipyard Pte Ltd</u>		
Provision of corrosion prevention services		1,004,836
Procurement of materials and consumables		(38,855)
Transportation charges		(1,518)
<u>PT. Drydocks World Pertama</u>		
Provision of corrosion prevention services		672,096
Procurement of materials and consumables		(52,985)
Sale of hardware equipment, tools and other consumables		4,878

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 September 2014 to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
10 Nov 2014

Chua Meng Hua
Managing Director