



BENG KUANG MARINE LIMITED

Registration No. 199400196M

Third Quarter Financial Statement For The Period Ended 30 September 2016

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 2016	3rd Qtr of 2015	Increase / (Decrease)	9 Months of 2016	9 Months of 2015	Increase / (Decrease)
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	18,379	21,946	(16%)	56,543	61,894	(9%)
Cost of sales	(13,843)	(17,926)	(23%)	(41,574)	(48,452)	(14%)
Gross profit	4,536	4,020	13%	14,969	13,442	11%
Other gains / (losses), net	829	1,997	(58%)	(108)	3,442	NM
Expenses						
- Selling and distribution	(415)	(619)	(33%)	(1,200)	(1,483)	(19%)
- Administrative	(4,056)	(4,780)	(15%)	(10,975)	(12,657)	(13%)
- Finance	(719)	(906)	(21%)	(2,258)	(2,207)	2%
Profit before income tax	175	(288)	NM	428	537	(20%)
Income tax expense	(142)	(295)	(52%)	(319)	(89)	258%
Net profit / (loss)	33	(583)	NM	109	448	(76%)
Profit / (loss) attributable to:						
Equity holders of the Company	(161)	(479)	(66%)	408	287	42%
Non-controlling interests	194	(104)	NM	(299)	161	NM
	33	(583)	NM	109	448	(76%)

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 2016 S\$'000	3rd Qtr of 2015 S\$'000	Increase / (Decrease)	9 Months of 2016 S\$'000	9 Months of 2015 S\$'000	Increase / (Decrease)
Net profit / (loss) after tax	33	(583)	NM	109	448	(76%)
Currency translation differences arising from consolidation	349	115	202%	151	(16)	NM
Other comprehensive income / (loss), net of tax	349	115	202%	151	(16)	NM
Total comprehensive income / (loss)	382	(468)	NM	260	432	(40%)
Total comprehensive income / (loss) attributable to:						
Equity holders of the Company	137	(407)	NM	563	310	82%
Non-controlling interests	245	(61)	NM	(303)	122	NM
	382	(468)	NM	260	432	(40%)

	GROUP		GROUP	
	3rd Qtr of 2016 S\$'000	3rd Qtr of 2015 S\$'000	9 Months of 2016 S\$'000	9 Months of 2015 S\$'000
<u>Notes</u>				
The Group's profit from operations is arrived at after (charging) / crediting				
Interest Income	2	2	6	5
Interest expense on borrowings	(719)	(906)	(2,258)	(2,207)
Foreign exchange gain / (loss)	479	875	(913)	1,846
Gain on disposal of property, plant and equipment	18	802	65	930
Property, plant and equipment written off	-	-	(5)	-
Depreciation of property, plant and equipment	(2,439)	(2,492)	(7,162)	(7,410)
Allowance for impairment of trade receivables	(99)	(23)	(165)	(23)
Write back of inventories	166	-	167	-
Write-back of allowance for impairment of trade receivables	30	92	37	111

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-16	31-Dec-15	30-Sep-16	31-Dec-15
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and bank balances	5,565	5,502	77	103
Trade and other receivables	38,244	47,059	66,728	69,764
Inventories	14,622	15,088	-	-
	<u>58,431</u>	<u>67,649</u>	<u>66,805</u>	<u>69,867</u>
Non-current assets				
Investment in subsidiaries	-	-	12,519	10,707
Intangible assets	64	64	-	-
Property, plant and equipment	104,589	105,168	623	597
Deferred income tax assets	314	314	17	17
	<u>104,967</u>	<u>105,546</u>	<u>13,159</u>	<u>11,321</u>
Total assets	<u>163,398</u>	<u>173,195</u>	<u>79,964</u>	<u>81,188</u>
LIABILITIES				
Current liabilities				
Trade and other payables	23,756	29,853	6,588	6,855
Deferred income	574	769	-	-
Current income tax liabilities	269	756	-	-
Borrowings and overdrafts	31,949	34,028	14,546	13,600
	<u>56,548</u>	<u>65,406</u>	<u>21,134</u>	<u>20,455</u>
Non-current liabilities				
Deferred income	666	719	-	-
Borrowings	26,247	27,393	4,943	6,115
Deferred tax liabilities	355	355	-	-
	<u>27,268</u>	<u>28,467</u>	<u>4,943</u>	<u>6,115</u>
Total liabilities	<u>83,816</u>	<u>93,873</u>	<u>26,077</u>	<u>26,570</u>
NET ASSETS	<u>79,582</u>	<u>79,322</u>	<u>53,887</u>	<u>54,618</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Other reserves	(149)	(304)	163	163
Retained profits	28,423	28,015	4,073	4,804
	<u>77,925</u>	<u>77,362</u>	<u>53,887</u>	<u>54,618</u>
Non-controlling interests	1,657	1,960	-	-
Total equity	<u>79,582</u>	<u>79,322</u>	<u>53,887</u>	<u>54,618</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-16		As at 31-Dec-15	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	1,301	21,187	2,201	19,696
Term loans	7,525	389	6,769	3,528
Finance lease liabilities	1,547	-	1,834	-

Amount repayable after one year

	As at 30-Sep-16		As at 31-Dec-15	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	20,980	-	18,392	2,983
Convertible bonds	-	4,889	-	4,861
Finance lease liabilities	378	-	1,157	-

Details of any collateral

Included in the Group's secured borrowings are:-

- (a) S\$11,870,000 as at 30 September 2016 (31 December 2015: S\$15,366,000) in respect of loans are secured by vessels, tugs and barges.
- (b) S\$16,099,000 as at 30 September 2016 (31 December 2015: S\$11,995,000) in respect of loans are secured by properties
- (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	
	3rd Qtr of 2016 S\$'000	3rd Qtr of 2015 S\$'000
Cash flows from operating activities		
Net profit / (loss)	33	(583)
<i>Adjustments for:</i>		
Income tax expense	142	295
Allowance for impairment for trade receivables	99	23
Write back of inventories	(166)	-
Write-back of allowance for impairment of trade receivables	(30)	(92)
Gain on disposal of property, plant and equipment	(18)	(802)
Depreciation of property, plant and equipment	2,439	2,492
Interest income	(2)	(2)
Finance expenses	719	906
Unrealised currency translation gain	(440)	(1,239)
	2,776	998
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	1,623	1,250
Trade and other receivables	2,083	(1,615)
Trade and other payables	(2,178)	1,235
	4,304	1,868
Cash flows generated from operations		
Interest received	2	2
Interest paid	(617)	(867)
Income taxes paid	(389)	(101)
	3,300	902
Net cash flows generated from operating activities		
Cash flows from investing activities		
Addition to property, plant and equipment	(2,357)	(4,028)
Proceeds from disposal of property, plant and equipment	80	5,061
Interest paid	(59)	(2)
	(2,336)	1,031
Net cash flows (used in) / generated from investing activities		
Cash flows from financing activities		
Proceeds / (repayment) of borrowings, net	241	(1,928)
Repayment of finance lease liabilities	(676)	(436)
Bills payable	(60)	968
Interest paid	(30)	(49)
	(525)	(1,445)
Net cash flows used in financing activities		
Net increase in cash and cash equivalents	439	488
Cash and cash equivalents		
Beginning of the period	2,500	3,338
Effects of currency translation on cash and cash equivalents	(21)	(26)
	2,918	3,800
End of financial period		

- 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
	Share capital	Retained profits	Translation reserves	Equity component of convertible bonds	Premium paid on acquisition of non-controlling interest	Total		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000		
GROUP								
Balance as at 1 July 2015 as previously reported	49,651	27,140	(570)	163	-	76,384	2,799	79,183
Effect of the change in functional currency	-	1,547	97	-	-	1,644	704	2,348
As restated	49,651	28,687	(473)	163	-	78,028	3,503	81,531
Total comprehensive (loss) / income for the quarter	-	(479)	72	-	-	(407)	(61)	(468)
Balance as at 30 September 2015	49,651	28,208	(401)	163	-	77,621	3,442	81,063
Balance as at 1 July 2016	49,651	28,584	(558)	163	(52)	77,788	1,412	79,200
Total comprehensive (loss) / income for the quarter	-	(161)	298	-	-	137	245	382
Balance as at 30 September 2016	49,651	28,423	(260)	163	(52)	77,925	1,657	79,582
	Share capital	Retained profits	Translation reserves	Equity component of convertible bonds	Premium paid on acquisition of non-controlling interest	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
COMPANY								
Balance as at 1 July 2015	49,651	1,874	-	163	-	51,688	-	51,688
Total comprehensive loss for the quarter	-	(381)	-	-	-	(381)	-	(381)
Balance as at 30 September 2015	49,651	1,493	-	163	-	51,307	-	51,307
Balance as at 1 July 2016	49,651	4,266	-	163	-	54,080	-	54,080
Total comprehensive loss for the quarter	-	(193)	-	-	-	(193)	-	(193)
Balance as at 30 September 2016	49,651	4,073	-	163	-	53,887	-	53,887

- 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 2016 and 30 September 2016	135,010,406	49,651

Share consolidation exercise was carried out by the Company, consolidating every 4 existing issued ordinary shares into 1 ordinary share in the capital of the Company. Subsequent to the EGM approval on 14 August 2015, the exercise was completed on 27 August 2015 with 135,010,406 as the new issued number of ordinary shares.

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-Sep-16	As at 30-Sep-15
	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 2016 and 30 September 2015.

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-16	As at 31-Dec-15
	No. of shares	No. of shares
Issued and fully paid	135,010,406	135,010,406

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 2015.

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 2016	9 Months 2015
	0.30	0.21
	135,010,406	135,010,406
	0.30	0.21

- 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-Sep-16	31-Dec-15	30-Sep-16	31-Dec-15
Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)	57.72	57.30	39.91	40.45

The Group and the Company's net assets value per ordinary share for the periods have been computed based on the share capital of 135,010,406 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 2016	FY 2015	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	9.09	9.52	(0.43)	(4.5)
Corrosion Prevention ("CP")	4.63	7.06	(2.43)	(34.4)
Supply & Distribution ("SD")	2.21	3.14	(0.93)	(29.6)
Shipping & Others ("SH")	2.45	2.23	0.22	9.9
	18.38	21.95	(3.57)	(16.3)

The Group's revenue decreased by 16.3% or S\$3.57 million from S\$21.95 million in 3Q2015 to S\$18.38 million in 3Q2016.

Revenue for our IE division decreased by 4.5% or S\$0.43 million from S\$9.52 million in 3Q2015 to S\$9.09 million in 3Q2016. The volume of fabrication work, repair and maintenance jobs on board vessels was comparable to 3Q2015 in the face of tighter margins. Despite reporting constant revenue for both corresponding periods, our IE division continues to face stiff competition on securing sizeable projects due to the challenging market conditions and vessel owners deferring capital expenditure.

Revenue for our CP division declined by 34.4% or S\$2.43 million from S\$7.06 million in 3Q2015 to S\$4.63 million in 3Q2016. The overall market conditions was depressing for 3Q2016, as all our shipyard customers faced with shrinking business, streamlined their operations and tightened their costs. This directly affected our sales and services.

Revenue for our SD division decreased by S\$0.93 million from S\$3.14 million in 3Q2015 to S\$2.21 million in 3Q2016 because of lower demand for marine hardware products.

Our SH division reported stable revenue of S\$2.45 million in 3Q2016 as compared to S\$2.23 million in 3Q2015.

The Group's gross profit increased by S\$0.52 million from S\$4.02 million in 3Q2015 to S\$4.54 million in 3Q2016 mainly due to contribution from higher value added IE projects and tight project cost control.

Despite making a Group net profit after tax of S\$33,000 for 3Q2016, the Group's loss attributable to shareholders was S\$161,000 for 3Q2016 after accounting for profit after tax of S\$194,000 for minority interests.

Group Turnover	9 Months results			
	FY 2016	FY 2015	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	23.80	22.73	1.07	4.7
Corrosion Prevention ("CP")	17.18	21.25	(4.07)	(19.2)
Supply & Distribution ("SD")	7.27	9.82	(2.55)	(26.0)
Shipping & Others ("SH")	8.29	8.09	0.20	2.5
	56.54	61.89	(5.35)	(8.6)

The Group's revenue decreased by 8.6% or S\$5.35 million from S\$61.89 million in 9M2015 to S\$56.54 million in 9M2016.

Revenue for our IE division increased by 4.7% or S\$1.07 million from S\$22.73 million to S\$23.80 million. The improvement was generated from securing more orders for fabrication and offshore maintenance services in 9M2016 as compared to 9M2015.

Revenue for our CP division decreased by S\$4.07 million from S\$21.25 million in 9M2015 to S\$17.18 million in 9M2016. This was due to the challenging market conditions in marine, offshore oil and gas sectors as the major shipyards in Singapore and Batam experienced significant drop in their order books.

Our SD division registered a decline in revenue of S\$2.55 million from S\$9.82 million in 9M2015 to S\$7.27 million in 9M2016 due to weaker demand for marine hardware products.

Our SH division generated relatively constant revenue of S\$8.29 million for 9M2016 as compared to S\$8.09 million in 9M2015.

Our gross profit margin improved from 21.7% in 9M2015 to 26.5% in 9M2016. Despite the decrease in the revenue, the group reported an increase in gross profit of S\$1.53 million from S\$13.44 million in 9M2015 to S\$14.97 million in 9M2016. This was due to contribution from higher value added IE projects and tight project cost control.

The Group's profit attributable to shareholders was S\$0.41 million for 9M2016 compared to S\$0.29 million for 9M2015.

CASHFLOW STATEMENT

The Group registered a positive net cash flow of S\$3.30 million in 3Q2016 generated from its operating activities.

Net cash outflow in investing activities for 3Q2016 was approximately S\$2.34 million. This was mainly attributable to the near-completion of the construction of the office building and waterfront yard upgrading works in Singapore.

Net cash outflow in financing activities was approximately S\$0.53 million during 3Q2016 because of net repayment of finance lease liabilities.

As a result of the above, the Group registered a marginal net increase in cash and cash equivalent of approximately S\$0.44 million for 3Q2016.

ASSETS AND LIABILITIES

The Group registered total assets of S\$163.40 million as at 30 September 2016.

The Group's current assets decreased from S\$67.65 million as at 31 December 2015 to S\$58.43 million as at 30 September 2016 owing to the decrease of S\$8.82 million in trade and other receivables, as well as the decrease of S\$0.47 million in inventories for the period 9M2016.

Total liabilities for the Group were S\$83.82 million at end of 9M2016 as compared to S\$93.87 million at end of FY2015. The key reduction was attributable to the decrease in current liabilities by S\$8.86 million, where trade and other payables were paid down by S\$6.10 million, current portion of bank borrowings paid down by S\$2.08 million, and remaining S\$0.68 million from deferred income and tax liabilities for the period ended 9M2016.

The Group registered net current assets of S\$1.88 million as at 30 September 2016.

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 2016. The Group's actual results for its third quarter ended 30 September 2016 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 2016.

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.

Due to the prolonged slump in oil prices and weak economic demand, the marine and offshore market sectors remain challenging. The Group will continue to focus on liquidity management and to seek new business opportunities to improve earnings going forward.

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 2016.

13 Summary of Interested Person Transactions for the financial period ended 30 September 2016.

3rd Quarter of FY2016

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)
S\$	S\$
[Revenue / (Expenses)]	
PT Nanindah Mutiara Shipyard	
Provision of corrosion prevention services	1,086,757
DDW - PaxOcean Shipyard Pte Ltd	
Provision of corrosion prevention services	250,839
Procurement of materials and consumables	(366)
Transportation charges	(7,061)

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 2016 to be false or misleading in any material aspect.

15 Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1).

The Group has obtained undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720 (1).

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
9 Nov 2016

Chua Meng Hua
Managing Director