

Second Quarter Financial Statement For The Period Ended 30 June 2017

**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		
	2nd Qtr of 2017	2nd Qtr of 2016	Increase / (Decrease)	1st half of 2017	1st half of 2016	Increase / (Decrease)
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	15,379	17,998	(15%)	32,520	38,164	(15%)
Cost of sales	(10,840)	(13,459)	(19%)	(24,258)	(27,731)	(13%)
Gross profit	4,539	4,539	0%	8,262	10,433	(21%)
Other gains / (losses), net	29	(183)	NM	(424)	(937)	(55%)
Expenses						
- Selling and distribution	(344)	(409)	(16%)	(671)	(785)	(15%)
- Administrative	(3,493)	(3,123)	12%	(7,040)	(6,919)	2%
- Finance	(721)	(748)	(4%)	(1,377)	(1,539)	(11%)
Profit / (loss) before income tax	10	76	(87%)	(1,250)	253	NM
Income tax expense	(2)	(64)	(97%)	(196)	(177)	11%
Net profit / (loss)	8	12	(33%)	(1,446)	76	NM
(Loss) / profit attributable to:						
Equity holders of the Company	(375)	299	NM	(2,117)	569	NM
Non-controlling interests	383	(287)	NM	671	(493)	NM
	8	12	(33%)	(1,446)	76	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		
	2nd Qtr of 2017 S\$'000	2nd Qtr of 2016 S\$'000	Increase / (Decrease)	1st half of 2017 S\$'000	1st half of 2016 S\$'000	Increase / (Decrease)
Net profit / (loss) after tax	8	12	(33%)	(1,446)	76	NM
Currency translation differences arising from consolidation	(270)	(24)	1,026%	(1,054)	(198)	432%
Other comprehensive loss, net of tax	(270)	(24)	1,026%	(1,054)	(198)	432%
Total comprehensive loss	<u>(262)</u>	<u>(12)</u>	2,086%	<u>(2,500)</u>	<u>(122)</u>	1,949%
Total comprehensive (loss) / income attributable to:						
Equity holders of the Company	(579)	280	NM	(2,939)	426	NM
Non-controlling interests	317	(292)	NM	439	(548)	NM
	<u>(262)</u>	<u>(12)</u>	2,086%	<u>(2,500)</u>	<u>(122)</u>	1,949%

	GROUP		GROUP	
	2nd Qtr of 2017 S\$'000	2nd Qtr of 2016 S\$'000	1st half of 2017 S\$'000	1st half of 2016 S\$'000
<u>Notes</u>				
The Group's profit from operations is arrived at after (charging) / crediting				
Interest Income	1	2	2	4
Interest expense on borrowings	(721)	(748)	(1,377)	(1,539)
Foreign exchange loss	(157)	(364)	(895)	(1,392)
Gain on disposal of property, plant and equipment	101	3	163	47
Property, plant and equipment written off	-	-	-	(5)
Depreciation of property, plant and equipment	(1,816)	(2,274)	(4,248)	(4,723)
Allowance for impairment of trade receivables	-	(51)	(15)	(66)
Inventories written back	6	1	6	1
Write-back of allowance for impairment of trade receivables	14	1	10	7

- 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-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and bank balances	4,131	4,985	35	74
Trade and other receivables	36,492	38,190	68,659	66,995
Inventories	13,724	14,219	-	-
	54,347	57,394	68,694	67,069
Non-current assets				
Investment in subsidiaries	-	-	12,519	12,519
Intangible assets	64	64	-	-
Property, plant and equipment	100,503	105,563	546	593
Deferred income tax assets	1,076	1,076	15	15
	101,643	106,703	13,080	13,127
Total assets	155,990	164,097	81,774	80,196
LIABILITIES				
Current liabilities				
Trade and other payables	22,352	23,253	8,807	6,572
Deferred income	353	345	-	-
Current income tax liabilities	655	526	-	-
Borrowings and overdrafts	29,777	31,626	14,497	15,119
	53,137	55,750	23,304	21,691
Non-current liabilities				
Deferred income	398	505	-	-
Borrowings	23,106	25,748	4,961	4,948
Deferred tax liabilities	245	245	-	-
	23,749	26,498	4,961	4,948
Total liabilities	76,886	82,248	28,265	26,639
NET ASSETS	79,104	81,849	53,509	53,557
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Other reserves	(628)	194	163	163
Retained profits	25,005	27,122	3,695	3,743
	74,028	76,967	53,509	53,557
Non-controlling interests	5,076	4,882	-	-
Total equity	79,104	81,849	53,509	53,557

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-Jun-17		As at 31-Dec-16	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	400	20,814	1,001	21,465
Term loans	8,052	-	7,697	223
Finance lease liabilities	511	-	1,240	-

Amount repayable after one year

	As at 30-Jun-17		As at 31-Dec-16	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	17,862	-	20,437	-
Convertible bonds	-	4,920	-	4,899
Finance lease liabilities	324	-	412	-

Details of any collateral

Included in the Group's secured borrowings are:-

(a) S\$9,728,000 as at 30 June 2017 (31 March 2017: S\$10,160,000) in respect of loans are secured by vessels, tugs and barges.

(b) S\$16,585,000 as at 30 June 2017 (31 March 2017: S\$17,518,000) 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	
	2nd Qtr of 2017	2nd Qtr of 2016
	S\$'000	S\$'000
Cash flows from operating activities		
Net profit	8	12
<i>Adjustments for:</i>		
Income tax expense	2	64
Allowance for impairment for trade receivables	-	51
Inventories written back	(6)	(1)
Write-back of allowance for impairment of trade receivables	(14)	(1)
Gain on disposal of property, plant and equipment	(101)	(3)
Depreciation of property, plant and equipment	1,816	2,274
Interest income	(1)	(2)
Finance expenses	721	748
Unrealised currency translation loss	194	182
	<u>2,619</u>	<u>3,324</u>
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	374	(754)
Trade and other receivables	1,683	4,578
Trade and other payables	(476)	(2,547)
Cash flows generated from operations	<u>4,200</u>	<u>4,601</u>
Interest received	1	2
Interest paid	(492)	(650)
Income taxes paid	(143)	(24)
Net cash flows generated from operating activities	<u>3,566</u>	<u>3,929</u>
Cash flows from investing activities		
Addition to property, plant and equipment	(995)	(2,583)
Proceeds from disposal of property, plant and equipment	203	22
Interest paid	-	(44)
Net cash flows used in investing activities	<u>(792)</u>	<u>(2,605)</u>
Cash flows from financing activities		
Repayment of borrowings, net	(1,736)	(827)
Repayment of finance lease liabilities	(390)	(402)
Bills payable	723	323
Dividend paid to non-controlling interest	(245)	-
Interest paid	(230)	(247)
Net cash flows used in financing activities	<u>(1,878)</u>	<u>(1,153)</u>
Net increase in cash and cash equivalents	896	171
Cash and cash equivalents		
Beginning of the period	153	2,302
Effects of currency translation on cash and cash equivalents	58	27
End of financial period	<u>1,107</u>	<u>2,500</u>

- 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	S\$'000	S\$'000
GROUP								
Balance as at 1 April 2016	49,651	28,285	(539)	163	(52)	77,508	1,704	79,212
Total comprehensive income / (loss) for the quarter	-	299	(19)	-	-	280	(292)	(12)
Balance as at 30 June 2016	49,651	28,584	(558)	163	(52)	77,788	1,412	79,200
Balance as at 1 April 2017	49,651	25,380	(535)	163	(52)	74,607	5,004	79,611
Dividend paid to non-controlling interest	-	-	-	-	-	-	(245)	(245)
Total comprehensive (loss) / income for the quarter	-	(375)	(204)	-	-	(579)	317	(262)
Balance as at 30 June 2017	49,651	25,005	(739)	163	(52)	74,028	5,076	79,104
	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 April 2016	49,651	4,502	-	163	-	54,316	-	54,316
Total comprehensive loss for the quarter	-	(236)	-	-	-	(236)	-	(236)
Balance as at 30 June 2016	49,651	4,266	-	163	-	54,080	-	54,080
Balance as at 1 April 2017	49,651	3,610	-	163	-	53,424	-	53,424
Total comprehensive income for the quarter	-	85	-	-	-	85	-	85
Balance as at 30 June 2017	49,651	3,695	-	163	-	53,509	-	53,509

- 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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 31 March 2017 and 30 June 2017	135,010,406	49,651

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-Jun-17	As at 30-Jun-16
	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 June 2017 and 30 June 2016.

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-June-17	As at 31-Dec-16
	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, cancellation and/or use of treasury shares as at the current financial period reported on.

None.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable.

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 2016.

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	
1st Half 2017	1st Half 2016
-1.57	0.42
135,010,406	135,010,406
-1.57	0.42

- 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-Jun-17	31-Dec-16	30-Jun-17	31-Dec-16
54.83	57.01	39.63	39.67

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

	2nd Quarter results			
	FY 2017	FY 2016	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	5.29	6.58	(1.29)	(19.6)
Corrosion Prevention ("CP")	4.56	6.21	(1.65)	(26.6)
Supply & Distribution ("SD")	2.42	2.54	(0.12)	(4.7)
Shipping & Others ("SH")	3.11	2.66	0.45	16.9
	15.38	17.99	(2.61)	(14.5)

The Group's revenue decreased by 14.5% or S\$2.61 million from S\$17.99 million in 2Q2016 to S\$15.38 million in 2Q2017.

Revenue for our IE division fell by 19.6% or S\$1.29 million from S\$6.58 million in 2Q2016 to S\$5.29 million in 2Q2017 as no sizeable marine or fabrication contract was secured during 2Q2017.

Revenue for our CP division decreased by S\$1.65 million from S\$6.21 million in 2Q2016 to S\$4.56 million in 2Q2017 because of lower demand for CP services as major Singapore shipyards experienced significantly reduced revenue because of the depressed oil prices.

Revenue for our SD division declined marginally by S\$0.12 million from S\$2.54 million in 2Q2016 to S\$2.42 million in 2Q2017 due to lower demand for marine and industrial hardware products.

Revenue for our SH division increased by S\$0.45 million from S\$2.66 million in 2Q2016 to S\$3.11 million in 2Q2017 due to some recovery in the demand for tugs and barges catering for the Indonesian coal mining industry.

Our gross profit was S\$4.54 million for both 2Q2017 and 2Q2016 despite decrease in revenue due to better contribution from our SH division.

The Group's net profit was S\$8,000 for 2Q2017 compared to profit of S\$12,000 for 2Q2016.

Group Turnover	1st Half results			
	FY 2017	FY 2016	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	12.29	14.71	(2.42)	(16.5)
Corrosion Prevention ("CP")	10.13	12.55	(2.42)	(19.3)
Supply & Distribution ("SD")	4.78	5.06	(0.28)	(5.5)
Shipping & Others ("SH")	5.32	5.84	(0.52)	(8.9)
	32.52	38.16	(5.64)	(14.8)

The Group's revenue decreased by 14.8% or S\$5.64 million from S\$38.16 million in 1H2016 to S\$32.52 million in 1H2017.

Revenue for our IE division fell by 16.5% or S\$2.42 million from S\$14.71 million to S\$12.29 million as no sizeable marine or fabrication contract was secured during 1H2017.

Revenue for our CP division decreased by S\$2.42 million from S\$12.55 million in 1H2016 to S\$10.13 million in 1H2017. This was because of lower demand from major shipyards due to fewer vessels being built.

Our SD division registered a decline in revenue of S\$0.28 million from S\$5.06 million in 1H2016 to S\$4.78 million in 1H2017 due to weaker demand for marine and industrial hardware products.

Revenue from our SH division decreased by 8.9% or S\$0.52 million from S\$5.84 million in 1H2016 to S\$5.32 million in 1H2017. One of the main reasons for the lower revenue was due to the livestock carriers being temporarily off-charter due to adverse weather condition in 1Q2017.

Our gross profit declined by S\$2.17 million from S\$10.43 million in 1H2016 to S\$8.26 million in 1H2017. This was due generally to the lower revenue of the IE and CP divisions which continued to be affected by the depressed offshore oil and gas and marine markets in the region and worldwide.

The Group's loss attributable to shareholders was S\$2.12 million for 1H2017 compared to S\$0.57 million profit for 1H2016 and was mainly due to the weak market conditions.

CASHFLOW STATEMENT

Net cash inflow generated from operating activities was S\$3.57 million during 2Q2017.

Net cash outflow in investing activities was S\$0.8 million during 2Q2017. This was mainly due to cost incurred on mandatory drydocking of one of the livestock carriers.

Net cash outflow in financing activities was S\$1.88 million during 2Q2017. This was mainly due to repayment of hire purchase liabilities and borrowings.

As a result of the above, the Group registered a net increase in cash and cash equivalent of S\$0.90 million for 2Q2017.

ASSETS AND LIABILITIES

The Group registered total assets of S\$155.99 million as at 30 June 2017.

The Group's current assets decreased from S\$57.39 million as at 31 December 2016 to S\$54.35 million as at 30 June 2017 because of reduction in cash and bank balances, receivables and inventories.

The Group's non current assets decreased from S\$106.70 million as at 31 December 2016 to S\$101.64 million as at 30 June 2017 because of fixed asset depreciation in 1H2017.

Total liabilities for the Group were S\$76.89 million at 30 June 2017 as compared to S\$82.25 million at end of FY2016. This was mainly attributable to repayment of bank loans.

The Group registered net current assets of S\$1.21 million as at 30 June 2017 as compared to S\$1.64 million as at 31 December 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 the quarter ended 30 June 2017.

- 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.**

There are still no positive signs of improvement in the offshore oil and gas and marine market and the Group will tighten cost control on current projects and maintain strict cash flow discipline to weather the current adverse market environment.

- 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 June 2017.

- 13 **Summary of Interested Person Transactions for the financial period ended 30 June 2017.**

The general mandate for interested person transactions was renewed at the Annual General Meeting of the Company held on 26 April 2017. On 18 April 2017, DDW-PaxOcean Asia Pte. Ltd. ceased to be a substantial shareholder of the Company and accordingly Kuok (Singapore) Limited Group and Drydocks World LLC Group will no longer be deemed to be Interested Persons.

During the quarter ended 30 June 2017, the Group did not enter into interested person transactions with aggregate value of more than S\$100,000.

- 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 June 2017 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
14 Aug 2017

Chua Meng Hua
Managing Director and Chief Executive Officer