

Third Quarter Financial Statement For The Period Ended 30 September 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		
	3rd Qtr of 2017	3rd Qtr of 2016	Increase / (Decrease)	9 Months of 2017	9 Months of 2016	Increase / (Decrease)
	S\$'000	S\$'000		S\$'000	S\$'000	
Revenue	10,254	18,379	(44%)	42,774	56,543	(24%)
Cost of sales	(10,285)	(13,843)	(26%)	(34,543)	(41,574)	(17%)
Gross (loss) / profit	(31)	4,536	NM	8,231	14,969	(45%)
Other (losses) / gains, net	(39)	829	NM	(463)	(108)	329%
Expenses						
- Selling and distribution	(352)	(415)	(15%)	(1,023)	(1,200)	(15%)
- Administrative	(3,744)	(4,056)	(8%)	(10,784)	(10,975)	(2%)
- Finance	(746)	(719)	4%	(2,123)	(2,258)	(6%)
Loss / profit before income tax	(4,912)	175	NM	(6,162)	428	NM
Income tax expense	(11)	(142)	(92%)	(207)	(319)	(35%)
Net (loss) / profit	(4,923)	33	NM	(6,369)	109	NM
(Loss) / profit attributable to:						
Equity holders of the Company	(4,509)	(161)	2,701%	(6,626)	408	NM
Non-controlling interests	(414)	194	NM	257	(299)	NM
	(4,923)	33	NM	(6,369)	109	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 2017 S\$'000	3rd Qtr of 2016 S\$'000	Increase / (Decrease)	9 Months of 2017 S\$'000	9 Months of 2016 S\$'000	Increase / (Decrease)
Net (loss) / profit after tax	(4,923)	33	NM	(6,369)	109	NM
Currency translation differences arising from consolidation	(521)	349	NM	(1,575)	151	NM
Other comprehensive (loss) / profit, net of	(521)	349	NM	(1,575)	151	NM
Total comprehensive (loss) / profit	(5,444)	382	NM	(7,944)	260	NM
Total comprehensive (loss) / income attributable to:						
Equity holders of the Company	(4,947)	137	NM	(7,886)	563	NM
Non-controlling interests	(497)	245	NM	(58)	(303)	(81%)
	(5,444)	382	NM	(7,944)	260	NM

	GROUP		GROUP	
	3rd Qtr of 2017 S\$'000	3rd Qtr of 2016 S\$'000	9 Months of 2017 S\$'000	9 Months of 2016 S\$'000
Notes				

The Group's profit from operations is arrived at after (charging) / crediting

Interest Income	2	2	4	6
Interest expense on borrowings	(746)	(719)	(2,123)	(2,258)
Foreign exchange (loss) / profit	(208)	479	(1,103)	(913)
Gain on disposal of property, plant and equipment	41	18	204	65
Property, plant and equipment written off	(19)	-	(19)	(5)
Depreciation of property, plant and equipment	(2,724)	(2,439)	(6,972)	(7,162)
Allowance for impairment of trade receivables	(110)	(99)	(125)	(165)
Inventories written back	-	166	6	167
Write-back of allowance for impairment of trade receivables	8	30	18	37

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-17	31-Dec-16	30-Sep-17	31-Dec-16
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Current assets				
Cash and bank balances	4,128	4,985	51	74
Trade and other receivables	33,412	38,190	70,598	66,995
Inventories	11,571	14,219	-	-
	<u>49,111</u>	<u>57,394</u>	<u>70,649</u>	<u>67,069</u>
Non-current assets				
Investment in subsidiaries	-	-	12,519	12,519
Intangible assets	64	64	-	-
Property, plant and equipment	99,272	105,563	513	593
Deferred income tax assets	1,076	1,076	15	15
	<u>100,412</u>	<u>106,703</u>	<u>13,047</u>	<u>13,127</u>
Total assets	149,523	164,097	83,696	80,196
LIABILITIES				
Current liabilities				
Trade and other payables	21,132	23,253	11,604	6,572
Deferred income	318	345	-	-
Current income tax liabilities	497	526	-	-
Borrowings and overdrafts	26,848	31,626	13,864	15,119
	<u>48,795</u>	<u>55,750</u>	<u>25,468</u>	<u>21,691</u>
Non-current liabilities				
Deferred income	344	505	-	-
Borrowings	26,479	25,748	4,978	4,948
Deferred tax liabilities	245	245	-	-
	<u>27,068</u>	<u>26,498</u>	<u>4,978</u>	<u>4,948</u>
Total liabilities	75,863	82,248	30,446	26,639
NET ASSETS	73,660	81,849	53,250	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	(1,066)	194	163	163
Retained profits	20,496	27,122	3,436	3,743
	<u>69,081</u>	<u>76,967</u>	<u>53,250</u>	<u>53,557</u>
Non-controlling interests	4,579	4,882	-	-
Total equity	73,660	81,849	53,250	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-Sep-17		As at 31-Dec-16	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	-	20,565	1,001	21,465
Term loans	6,130	-	7,697	223
Finance lease liabilities	153	-	1,240	-

Amount repayable after one year

	As at 30-Sep-17		As at 31-Dec-16	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	18,246	3,000	20,437	-
Convertible bonds	-	4,930	-	4,899
Finance lease liabilities	303	-	412	-

Details of any collateral

Included in the Group's secured borrowings are:-

- (a) S\$8,700,000 as at 30 September 2017 (30 June 2017: S\$9,728,000) in respect of loans are secured by vessels, tugs and barges.
- (b) S\$15,676,000 as at 30 September 2017 (30 June 2017: S\$16,585,000) 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 2017	3rd Qtr of 2016
	S\$'000	S\$'000
Cash flows from operating activities		
Net (loss) / profit	(4,923)	33
<i>Adjustments for:</i>		
Income tax expense	11	142
Allowance for impairment for trade receivables	110	99
Inventories written back	-	(166)
Write-back of allowance for impairment of trade receivables	(8)	(30)
Gain on disposal of property, plant and equipment	(41)	(18)
Property, plant and equipment written off	19	-
Depreciation of property, plant and equipment	2,724	2,439
Interest income	(2)	(2)
Finance expenses	746	719
Unrealised currency translation loss	(1,908)	(440)
	<u>(3,272)</u>	<u>2,776</u>
<i>Changes in working capital</i>		
Inventories and construction work-in-progress	4,414	1,623
Trade and other receivables	730	2,083
Trade and other payables	(1,324)	(2,178)
Cash flows generated from operations	<u>548</u>	<u>4,304</u>
Interest received	2	2
Interest paid	(760)	(617)
Income taxes paid	(169)	(389)
Net cash flows (used in) / generated from operating activities	<u>(379)</u>	<u>3,300</u>
Cash flows from investing activities		
Addition to property, plant and equipment	(263)	(2,357)
Proceeds from disposal of property, plant and equipment	130	80
Interest paid	-	(59)
Net cash flows used in investing activities	<u>(133)</u>	<u>(2,336)</u>
Cash flows from financing activities		
Proceeds from borrowings, net	99	241
Repayment of finance lease liabilities	(380)	(676)
Bills payable	176	(60)
Interest paid	(34)	(30)
Net cash flows used in financing activities	<u>(139)</u>	<u>(525)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(651)</u>	<u>439</u>
Cash and cash equivalents		
Beginning of the period	1,107	2,500
Effects of currency translation on cash and cash equivalents	(25)	(21)
End of financial period	<u>431</u>	<u>2,918</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 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
Balance as at 1 July 2017	49,651	25,005	(739)	163	(52)	74,028	5,076	79,104
Total comprehensive loss for the quarter	-	(4,509)	(438)	-	-	(4,947)	(497)	(5,444)
Balance as at 30 September 2017	49,651	20,496	(1,177)	163	(52)	69,081	4,579	73,660
COMPANY								
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
Balance as at 1 July 2017	49,651	3,695	-	163	-	53,509	-	53,509
Total comprehensive loss for the quarter	-	(259)	-	-	-	(259)	-	(259)
Balance as at 30 September 2017	49,651	3,436	-	163	-	53,250	-	53,250

- 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 30 June 2017 and 30 September 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-Sep-17	As at 30-Sep-16
Outstanding option to subscribe new shares	No. of shares Nil	No. of shares Nil

Treasury Shares and Subsidiary Holdings

The Company did not have any treasury shares and subsidiary holdings as at 30 September 2017 and 30 September 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-Sep-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

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	
	9 Months 2017	9 Months 2016
a)	-4.91	0.30
Weighted no.of shares in issue	135,010,406	135,010,406
b)	-4.91	0.30

- 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-17	31-Dec-16	30-Sep-17	31-Dec-16
Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)	51.17	57.01	39.44	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

<u>Group Turnover</u>	3rd Quarter results			
	FY 2017	FY 2016	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	0.48	9.09	(8.61)	(94.7)
Corrosion Prevention ("CP")	4.53	4.63	(0.10)	(2.2)
Supply & Distribution ("SD")	2.37	2.21	0.16	7.2
Shipping & Others ("SH")	2.87	2.45	0.42	17.1
	10.25	18.38	(8.13)	(44.2)

The Group's revenue decreased by 44.2% or S\$8.13 million from S\$18.38 million in 3Q2016 to S\$10.25 million in 3Q2017 mainly due to the depressed marine and offshore oil and gas market.

Revenue for our IE division fell sharply by 94.7% or S\$8.61 million from S\$9.09 million in 3Q2016 to S\$0.48 million in 3Q2017 due to the lack of any sizeable marine or fabrication contract during 3Q2017. A commercial settlement in relation to variation orders on a major fabrication contract with a long standing customer resulted in the write down of accrual sales of the IE division. The drop in revenue of the IE division was also adversely affected by the re-scheduling and postponement of some major projects by customers.

Revenue for our CP division decreased slightly by S\$0.10 million from S\$4.63 million in 3Q2016 to S\$4.53 million in 3Q2017. Demand for our CP services remained low during the period because major Singapore shipyards continue to experience significantly reduced workload.

Revenue for our SD division increased marginally by S\$0.16 million from S\$2.21 million in 3Q2016 to S\$2.37 million in 3Q2017 as demand for marine and industrial hardware products remained weak.

Revenue for our SH division increased by S\$0.42 million from S\$2.45 million in 3Q2016 to S\$2.87 million in 3Q2017 due to some recovery in the demand for tugs and barges.

The Group reported gross loss of S\$0.03 million for 3Q2017 compared to gross profit of S\$4.54 million in 3Q2016. The poor results in 3Q2017 was attributable to the challenging market conditions that significantly affected IE division order book. In addition, there was a one-off financial impact due to the written down revenue on the above mentioned major fabrication contract upon commercial settlement of the variation orders in 3Q2017. This commercial settlement also resulted in Group's aforesaid gross loss of S\$0.03 million.

Due to the aforesaid factors, the Group's net loss attributable to shareholders was S\$4.51 million for 3Q2017 compared to loss of S\$0.16 million for 3Q2016.

Group Turnover	9 Months results			
	FY 2017	FY 2016	+ / (-)	+ / (-)
	S\$ million	S\$ million	S\$ million	%
Infrastructure & Engineering ("IE")	12.77	23.80	(11.03)	(46.3)
Corrosion Prevention ("CP")	14.66	17.18	(2.52)	(14.7)
Supply & Distribution ("SD")	7.15	7.27	(0.12)	(1.7)
Shipping & Others ("SH")	8.20	8.29	(0.09)	(1.1)
	42.78	56.54	(13.76)	(24.3)

The Group's revenue decreased by 24.3% or S\$13.76 million from S\$56.54 million in 9M2016 to S\$42.78 million in 9M2017 due mainly to the depressed marine and offshore oil and gas market.

Revenue for our IE division fell by 46.3% or S\$11.03 million from S\$23.80 million in 9M2016 to S\$12.77 million in 9M2017 as no sizeable marine or fabrication contract was secured during 9M2017. Some major projects have been re-scheduled, called off or postponed.

Revenue for our CP division decreased by S\$2.52 million from S\$17.18 million in 9M2016 to S\$14.66 million in 9M2017. This was because of lower demand from major shipyards due to fewer vessels being built.

Revenue from our SD division remained fairly constant at S\$7.27 million in 9M2016 and S\$7.15 million in 9M2017. The demand for marine and industrial hardware products remains weak.

Revenue from our SH division remained fairly constant at S\$8.29 million in 9M2016 and S\$8.20 million in 9M2017.

Our gross profit declined by S\$6.74 million from S\$14.97 million in 9M2016 to S\$8.23 million in 9M2017. 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\$6.63 million for 9M2017 compared to S\$0.41 million profit for 9M2016 and was mainly due to the weak market conditions and very competitive pricing expectation from customers.

CASHFLOW STATEMENT

During 3Q2017, the Group reported net cash flow used in operating activities of S\$0.38 million mainly due to 3Q2017 net loss of S\$4.92 million.

Net cash outflow in investing activities was S\$0.13 million during 3Q2017. This was mainly due to cost incurred on drydocking.

Net cash outflow in financing activities was S\$0.14 million during 3Q2017. This was mainly due to repayment of hire purchase liabilities.

As a result of the above, the Group registered a net decrease in cash and cash equivalent of S\$0.65 million for 3Q2017.

ASSETS AND LIABILITIES

The Group registered total assets of S\$149.52 million as at 30 September 2017.

The Group's current assets decreased from S\$57.39 million as at 31 December 2016 to S\$49.11 million as at 30 September 2017 because of reduction in cash and bank balances, receivables and inventories as a result of reduced business during the period.

The Group's non current assets decreased from S\$106.70 million as at 31 December 2016 to S\$100.41 million as at 30 September 2017 because of fixed asset depreciation in 9M2017.

Total liabilities for the Group were S\$75.86 million at 30 September 2017 as compared to S\$82.25 million at end of FY2016. This was mainly attributable to repayment of bank loans and trade payables due to slowdown in business activities.

The Group registered net current assets of S\$0.32 million as at 30 September 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 September 2017 save for the profit warning announcement released on 1 November 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.

While there are recent positive news on demand for jack up rigs and improvement in oil prices, uncertainty on the state of marine and offshore oil and gas markets remains. The Group will continue to tighten cost control on projects and maintain strict cash flow discipline to endure through the challenging market environment.

The Group expects to make a loss for FY2017.

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 2017.

13 Summary of Interested Person Transactions for the financial period ended 30 September 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 September 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 September 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
8 Nov 2017

Chua Meng Hua
Managing Director and Chief Executive Officer