BENG KUANG MARINE LIMITED

Registration No. 199400196M

Second Quarter Financial Statement For The Period Ended 30 June 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		
	2nd Qtr of 2016	2nd Qtr of 2015	Increase / (Decrease)	1st half of 2016	1st half of 2015	Increase / (Decrease)
	S$'000	S$'000		S$'000	S$'000	
Revenue	17,998	20,258	(11%)	38,164	39,856	(4%)
Cost of sales	(13,459)	(15,271)	(12%)	(27,731)	(29,889)	(7%)
Gross profit	4,539	4,987	(9%)	10,433	9,967	5%
Other (losses) / gains , net	(183)	119	NM	(937)	80	NM
Expenses						
- Selling and distribution	(409)	(361)	13%	(785)	(864)	(9%)
- Administrative	(3,123)	(3,958)	(21%)	(6,919)	(7,778)	(11%)
- Finance	(748)	(727)	3%	(1,539)	(1,301)	18%
Profit before income tax	76	60	27%	253	104	143%
Income tax (expense) / credit	(64)	110	NM	(177)	206	NM
Net profit	12	170	(93%)	76	310	(75%)
Profit / (loss) attributable to:						
Equity holders of the Company	299	163	83%	569	277	105%
Non-controlling interests	(287)	7	NM	(493)	33	NM
	12	170	(93%)	76	310	(75%)

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 2016 S$'000	2nd Qtr of 2015 S$'000	Increase / (Decrease)	1st half of 2016 S$'000	1st half of 2015 S$'000	Increase / (Decrease)
Net profit after tax	12	170	(93%)	76	310	(75%)
Currency translation differences arising from consolidation	(24)	(154)	(85%)	(198)	(206)	(4%)
Other comprehensive loss, net of tax	(24)	(154)	(85%)	(198)	(206)	(4%)
Total comprehensive (loss) / income	(12)	16	NM	(122)	104	NM
Total comprehensive (loss) / income attributable to:						
Equity holders of the Company	280	33	748%	426	103	315%
Non-controlling interests	(292)	(17)	NM	(548)	1	NM
	(12)	16	NM	(122)	104	NM

	GROUP		GROUP	
	2nd Qtr of 2016 S$'000	2nd Qtr of 2015 S$'000	1st half of 2016 S$'000	1st half of 2015 S$'000
Notes				
The Group's profit from operations is arrived at after (charging) / crediting				
Interest Income	2	1	4	3
Interest expense on borrowings	(748)	(727)	(1,539)	(1,301)
Foreign exchange loss	(364)	(113)	(1,392)	(394)
Gain on disposal of property, plant and equipment	3	103	47	128
Property, plant and equipment written off	-	-	(5)	-
Depreciation of property, plant and equipment	(2,274)	(2,465)	(4,723)	(4,809)
Allowance for impairment of trade receivables	(51)	-	(66)	-
Write down of inventories	1	-	1	-
Write-back of allowance for impairment of trade receivables	1	14	7	19

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-16	31-Dec-15	30-Jun-16	31-Dec-15
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Current assets				
Cash and bank balances	5,980	5,502	113	103
Trade and other receivables	41,809	47,059	70,697	69,764
Inventories	14,392	15,088	-	-
	62,181	67,649	70,810	69,867
Non-current assets				
Investment in subsidiaries	-	-	10,519	10,707
Intangible assets	64	64	-	-
Property, plant and equipment	103,198	105,168	654	597
Deferred income tax assets	314	314	17	17
	103,576	105,546	11,190	11,321
Total assets	165,757	173,195	82,000	81,188
LIABILITIES				
Current liabilities				
Trade and other payables	25,533	29,853	7,694	6,855
Deferred income	822	769	-	-
Current income tax liabilities	395	756	-	-
Borrowings and overdrafts	33,968	34,028	15,289	13,600
	60,718	65,406	22,983	20,455
Non-current liabilities				
Deferred income	666	719	-	-
Borrowings	24,818	27,393	4,937	6,115
Deferred tax liabilities	355	355	-	-
	25,839	28,467	4,937	6,115
Total liabilities	86,557	93,873	27,920	26,570
NET ASSETS	79,200	79,322	54,080	54,618
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	49,651	49,651	49,651	49,651
Other reserves	(447)	(304)	163	163
Retained profits	28,584	28,015	4,266	4,804
	77,788	77,362	54,080	54,618
Non-controlling interests	1,412	1,960	-	-
Total equity	79,200	79,322	54,080	54,618

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-16		As at 31-Dec-15	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Bank borrowings and overdrafts	1,601	24,485	2,201	19,696
Term loans	5,765	583	6,769	3,528
Finance lease liabilities	1,534	-	1,834	-

Amount repayable after one year

	As at 30-Jun-16		As at 31-Dec-15	
	S$'000		S$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	19,311	-	18,392	2,983
Convertible bonds	-	4,880	-	4,861
Finance lease liabilities	627	-	1,157	-

Details of any collateral

Included in the Group's secured borrowings are:-
(a) S$12,385,000 as at 30 June 2016 (31 December 2015: S$15,366,000) in respect of loans are secured by vessels, tugs and barges.
(b) S$14,292,000 as at 30 June 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	
	2nd Qtr of 2016	**2nd Qtr of 2015**
	S$'000	**S$'000**
Cash flows from operating activities		
Net profit	12	170
Adjustments for:		
Income tax expense / (credit)	64	(110)
Allowance for impairment for trade receivables	51	-
Write down of inventories	(1)	-
Write-back of allowance for impairment of trade receivables	(1)	(14)
Gain on disposal of property, plant and equipment	(3)	(103)
Depreciation of property, plant and equipment	2,274	2,465
Interest income	(2)	(1)
Finance expenses	748	727
Unrealised currency translation loss / (gain)	182	(87)
	3,324	3,047
Changes in working capital		
Inventories and construction work-in-progress	(754)	(122)
Trade and other receivables	4,578	(287)
Trade and other payables	(2,547)	(1,257)
Cash flows generated from operations	4,601	1,381
Interest received	2	1
Interest paid	(650)	(644)
Income taxes (paid) / refund	(24)	169
Net cash flows generated from operating activities	3,929	907
Cash flows from investing activities		
Acquisition of non-controlling interests' share in a subsidiary	-	*
Addition to property, plant and equipment	(2,583)	(848)
Proceeds from disposal of property, plant and equipment	22	240
Interest paid	(44)	(35)
Net cash flows used in investing activities	(2,605)	(643)
Cash flows from financing activities		
Proceeds from convertible bonds	-	5,000
Repayment of borrowings, net	(827)	(4,108)
Repayment of finance lease liabilities	(402)	(346)
Bills payable	323	428
Interest paid	(247)	(84)
Net cash flows (used in) / generated from financing activities	(1,153)	890
Net increase in cash and cash equivalents	171	1,154
Cash and cash equivalents		
Beginning of the period	2,302	2,172
Effects of currency translation on cash and cash equivalents	27	12
End of financial period	2,500	3,338

* Amount less than S$1,000

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	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
GROUP								
Balance as at 1 April 2015	49,651	27,029	(440)	-	-	76,240	2,764	79,004
Changes in non-controlling interests	-	(52)	-	-	-	(52)	52	(0)
Total comprehensive income / (loss) for the quarter	-	163	(130)	-	-	33	(17)	16
Convertible bonds - equity component	-	-	-	163	-	163	-	163
Balance as at 30 June 2015	**49,651**	**27,140**	**(570)**	**163**	-	**76,384**	**2,799**	**79,183**
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**

	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 2015	49,651	2,325	-	-	-	51,976	-	51,976
Total comprehensive loss for the quarter	-	(451)	-	-	-	(451)	-	(451)
Convertible bonds - equity component	-	-	-	163	-	163	-	163
Balance as at 30 June 2015	**49,651**	**1,874**	**-**	**163**	-	**51,688**	**-**	**51,688**
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**

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 31 March 2016 and 30 June 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-Jun-16	As at 30-Jun-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 June 2016 and 30 June 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-June-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):

	Group	
	1st Half 2016	1st Half 2015
a) Based on weighted average number of ordinary shares on issue; and	0.42	0.21
Weighted no.of shares in issue	135,010,406	135,010,406
b) On a fully diluted basis	0.42	0.21

The Group's earnings per ordinary share for 1H2015 have been computed based on the revised number of 135,010,406 shares as a result of the Share Consolidation.

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-Jun-16	31-Dec-15	30-Jun-16	31-Dec-15
Net asset value per ordinary share based on issued share capital at end of the period / year (in cents)	57.62	57.30	40.06	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

	2nd Quarter results			
Group Turnover	**FY 2016**	**FY 2015**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	6.58	7.73	(1.15)	(14.9)
Corrosion Prevention ("CP")	6.21	6.15	0.06	1.0
Supply & Distribution ("SD")	2.54	3.47	(0.93)	(26.8)
Shipping & Others ("SH")	2.66	2.91	(0.25)	(8.6)
	17.99	**20.26**	**(2.27)**	**(11.2)**

The Group's revenue decreased by 11.2% or S$2.27 million from S$20.26 million in 2Q2015 to S$17.99 million in 2Q2016.

Revenue for our IE division decreased by 14.9% or S$1.15 million from S$7.73 million in 2Q2015 to S$6.58 million in 2Q2016. This was due to fewer orders for marine deck equipment and lower revenue from site fabrication works in Malaysia.

Revenue for our CP division remained stable with marginal increase of S$0.06 million from S$6.15 million in 2Q2015 to S$6.21 million in 2Q2016. Demand for our CP services on construction of new vessels was weak, while demand for CP services for vessels undergoing repair remained stable.

Revenue for our SD division decreased by S$0.93 million from S$3.47 million in 2Q2015 to S$2.54 million in 2Q2016 because of lower demand for marine hardware products.

Revenue from our SH division decreased slightly by S$0.25 million from S$2.91 million in 2Q2016 to S$2.66 million in 2Q2016. This was because two sets of tug and barges underwent mandatory drydocking during the period.

The Group's gross profit decreased by S$0.45 million from S$4.99 million in 2Q2015 to S$4.54 million in 2Q2016 due mainly to lower revenue generated in 2Q2016.

The Group's profit attributable to shareholders was S$0.30 million for 2Q2016 compared to of S$0.16 million for 2Q2015.

	1st Half results			
Group Turnover	**FY 2016**	**FY 2015**	**+ / (-)**	**+ / (-)**
	S$'million	S$'million	S$'million	%
Infrastructure & Engineering ("IE")	14.71	13.21	1.50	11.4
Corrosion Prevention ("CP")	12.55	14.20	(1.65)	(11.6)
Supply & Distribution ("SD")	5.06	6.68	(1.62)	(24.3)
Shipping & Others ("SH")	5.84	5.77	0.07	1.2
	38.16	**39.86**	**(1.70)**	**(4.3)**

The Group's revenue decreased slightly by 4.3% or S$1.70 million from S$39.86 million in 1H2015 to S$38.16 million in 1H2016.

Revenue for our IE division increased by 11.4% or S$1.50 million from S$13.21 million to S$14.71 million. The improvement was generated from securing more orders for fabrication and offshore maintenance services.

Revenue for our CP division decreased by S$1.65 million from S$14.20 million in 1H2015 to S$12.55 million in 1H2016. This was because of lower demand from shipyards arising from fewer new vessels being constructed.

Our SD division registered a decline in revenue of S$1.62 million from S$6.68 million in 1H2015 to S$5.06 million in 1H2016 due to weaker demand for marine hardware products.

Our SH division reported stable revenue of S$5.84 million for 1H2016 as compared to S$5.77 million in 1H2015.

Our gross profit margin improved from 25.0% in 1H2015 to 27.3% in 1H2016. Despite the slight decrease in revenue, the increase in gross profit of S$0.46 million from S$9.97 million in 1H2015 to S$10.43 million in 1H2016 which was due to securing higher value added IE projects and tighter project cost management.

The Group's profit attributable to shareholders was S$0.57 million for 1H2016 compared to S$0.28 million for 1H2015.

CASHFLOW STATEMENT

The Group registered a positive net cash flow of S$3.93 million in 2Q2016 from its operating activities.

Net cash outflow in investing activities for 2Q2016 was approximately S$2.60 million. This was mainly attributable to construction of the office building and yard upgrading works in Singapore.

Net cash outflow in financing activities was approximately S$1.15 million during 2Q2016. This was mainly due to net repayment on bank borrowings and finance lease liabilities.

As a result of the above, the Group registered a marginal net increase in cash and cash equivalent of approximately S$0.17 million for 2Q2016.

ASSETS AND LIABILITIES

The Group registered total assets of S$165.76 million as at 30 June 2016.

The Group's current assets decreased from S$67.65 million as at 31 December 2015 to S$62.18 million as at 30 June 2016 owing to the decrease of S$5.25 million in trade and other receivables, as well as decrease of S$0.70 million in inventories in 1H2016.

Total liabilities for the Group were S$86.56 million at end of 1H2016 as compared to S$93.87 million at end of FY2015. The reduction was mainly attributable to decrease in trade and other payables by S$4.32 million and bank borrowings by S$2.63 million during 1H2016.

The Group registered net current assets of S$1.46 million as at 30 June 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 June 2016. The Group's actual results for its second quarter ended 30 June 2016 are in line with the commentary under paragraph 10 of the Group's previous results announcement in respect of the first quarter ended 31 March 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.

With low oil prices continuing and weak global market conditions, outlook for the second half is expected to be challenging. However, the Group will be taking measures to conserve cash to maintain positive cashflows and continue to seek business opportunities to achieve sustainable 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 June 2016.

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

	2nd 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$100,000)
[Revenue / (Expenses)]	S$	S$
PT Graha Trisaka Industri		
Provision of corrosion prevention services		1,403,169
DDW - PaxOcean Shipyard Pte Ltd		
Provision of corrosion prevention services		384,755
Procurement of materials and consumables		(5,991)
Transportation charges		(1,901)
PT. Drydocks World Pertama		
Provision of corrosion prevention services		383,302
Procurement of materials and consumables		(98,010)

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 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
10 Aug 2016

Chua Meng Hua
Managing Director