

**BENG KUANG MARINE LIMITED**

Registration No. 199400196M

First 9 months financial statement for the period ended 30 September 2010

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Notes	GROUP			GROUP		
		3rd Qtr of 2010	3rd Qtr of 2009	Increase / (Decrease) %	9 Months 2010	9 Months 2009	Increase / (Decrease) %
		S\$'000	S\$'000		S\$'000	S\$'000	
Revenue		18,639	35,143	(47%)	61,966	111,613	(44%)
Cost of sales		(14,242)	(27,851)	(49%)	(45,607)	(87,939)	(48%)
Gross profit		4,397	7,292	(40%)	16,359	23,674	(31%)
Other operating income (net)	(A)	19	23	(17%)	196	383	(49%)
Administrative expenses		(3,152)	(4,348)	(28%)	(9,818)	(11,549)	(15%)
Selling & distribution expenses		(343)	(567)	(40%)	(1,143)	(1,642)	(30%)
Profit from operations		921	2,400	(62%)	5,594	10,866	(49%)
Financial Income		3	1	200%	10	3	233%
Financial expenses		(367)	(421)	(13%)	(1,093)	(1,145)	(5%)
Share of results of associates, net of tax		(81)	(44)	84%	(206)	(202)	2%
Profit before taxation	(B)	476	1,936	(75%)	4,305	9,522	(55%)
Taxation		(182)	(426)	(57%)	(1,064)	(2,347)	(55%)
Profit after taxation		294	1,510	(81%)	3,241	7,175	(55%)
Attributable to :							
Equity holders of the Company		431	1,567	(72%)	3,262	7,030	(54%)
Minority Interests		(137)	(57)	140%	(21)	145	NM
		294	1,510	(81%)	3,241	7,175	(55%)

NM - Not meaningful

A statement of comprehensive income (for the group), together with a comparative statement for the corresponding period of the immediate preceding financial year.

	GROUP			GROUP		
	3rd Qtr of 2010	3rd Qtr of 2009	Increase / (Decrease) %	9 Months 2010	9 Months 2009	Increase / (Decrease) %
	S\$'000	S\$'000		S\$'000	S\$'000	
Profit after taxation	294	1,510	(81%)	3,241	7,175	(55%)
Foreign currency translation	(11)	(7)	57%	-	(15)	(100%)
Total comprehensive income	283	1,503	(81%)	3,241	7,160	(55%)
Total comprehensive income attributable to:						
Equity holders of the Company	420	1,560	(73%)	3,262	7,015	(53%)
Minority Interests	(137)	(57)	140%	(21)	145	NM
	283	1,503	(81%)	3,241	7,160	(55%)

Notes

(A) The Group's other operating income (net) includes:

(Loss) / gain on disposal of property, plant and equipment	(56)	15		(32)	(14)	
Property, plant and equipment written off	-	-		-	(53)	
Foreign exchange gain / (loss)	6	10		(73)	(48)	
Other income / (expense)	69	(2)		301	498	

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

Interest income	3	1		10	3	
Interest expense on borrowings	(348)	(350)		(1,034)	(1,045)	
Depreciation of property, plant and equipment	(1,550)	(1,556)		(4,540)	(4,273)	
Amortisation of intangible asset	(25)	(12)		(54)	(35)	
Write-back of allowance for doubtful debts	376	-		399	241	
Allowance for doubtful debts	(79)	(94)		(581)	(282)	

NM - Not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	30-Sep-10	31-Dec-09	30-Sep-10	31-Dec-09
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
property, plant and equipment	50,066	45,792	1,473	1,017
Intangible assets	2,635	2,663	-	-
Investment in subsidiaries	-	-	10,212	9,392
Investment in associates	3,780	4,152	-	200
Due from subsidiaries (non-trade)	-	-	82	51
Current assets				
Inventories	9,574	9,020	-	-
Work-in-progress in excess of progress billings	12,672	9,243	2,565	2,280
Trade debtors	20,212	22,313	10	-
Other debtors	3,018	2,041	1,466	452
Prepayment	1,200	1,000	74	1
Due from subsidiaries (trade)	-	-	3,911	3,701
Due from subsidiaries (non trade)	-	-	40,770	33,631
Due from related parties (trade)	17,759	22,423	4,414	6,480
Due from related parties (non trade)	134	17	17	17
Due from associates (non-trade)	23	82	-	68
Fixed deposits	10,646	982	8,002	-
Cash and bank balances	16,652	18,286	8,201	5,865
	91,890	85,407	69,430	52,495
Current liabilities				
Trade creditors	12,633	19,711	17	88
Bills payable to banks	2,273	956	313	-
Other creditors and accruals	11,039	15,282	1,883	3,119
Due to subsidiaries (trade)	-	-	206	3,667
Due to subsidiaries (non-trade)	-	-	1,441	386
Due to related parties (trade)	561	1,853	306	306
Due to related parties (non trade)	220	289	-	-
Provision for income tax	2,015	3,017	253	-
Lease obligations	1,559	1,643	192	50
Bank overdrafts	211	-	-	-
Short-term bank loans	24,343	22,814	21,512	20,000
Term loans	2,732	2,678	1,256	1,258
	57,586	68,243	27,379	28,874
Net current assets	34,304	17,164	42,051	23,621

	GROUP		COMPANY	
	30-Sep-10	31-Dec-09	30-Sep-10	31-Dec-09
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current liabilities				
Lease obligations	2,018	817	478	81
Deferred taxation	915	866	-	-
Term loans	5,627	7,620	2,188	3,125
	8,560	9,303	2,666	3,206
Net assets	82,225	60,468	51,152	31,075
Equity attributable to equity holders of the Company				
Share capital	49,651	28,909	49,651	28,909
Revenue reserves	28,707	27,696	1,501	2,166
Translation reserves	-	(34)	-	-
	78,358	56,571	51,152	31,075
Minority interests	3,867	3,897	-	-
Total equity	82,225	60,468	51,152	31,075

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-10		As at 31-Dec-09	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Short-term bank loans	-	26,827	-	23,770
Term loans	982	1,750	935	1,743
Lease obligations	1,559	-	1,643	-

Amount repayable after one year

	As at 30-Sep-10		As at 31-Dec-09	
	S\$'000		S\$'000	
	Secured	Unsecured	Secured	Unsecured
Term loans	2,498	3,129	3,182	4,438
Lease obligations	2,018	-	817	-

Details of any collateral

Included in the Group's secured borrowings are:-

- (a) S\$3,480,000 (31 Dec 2009: S\$4,117,000) in respect of a loan secured by a leasehold property.
- (b) Lease obligations are secured by the underlying equipment.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	GROUP	
	3rd Qtr of 2010	3rd Qtr of 2009
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	476	1,936
<u>Adjustments for:</u>		
Allowance for doubtful debts	79	94
Write-back of allowance for doubtful debts	(376)	-
Gain on disposal of property, plant and equipment	55	(15)
Property, plant and equipment written off	-	-
Depreciation of property, plant and equipment	1,550	1,556
Amortisation of intangible assets	25	12
Allowance for stock obsolescence	-	23
Grant of equity-settled share to employees	-	1,037
Share of results of associates	67	44
Interest income	(3)	(1)
Interest expenses	348	350
Operating profit before working capital changes	2,221	5,036
<u>(Increase) / decrease in:</u>		
Stocks	30	468
Work-in-progress in excess of progress billings	(465)	6,344
Trade debtors	2,053	(386)
Other debtors	(1,082)	681
Prepayments	(8)	(110)
Due from related parties, net	50	(675)
Due from associates, net	43	10
<u>Increase / (decrease) in:</u>		
Trade creditors	(3,047)	3,572
Other creditors and accruals	26	(3,944)
Due to related parties, net	12	(532)
Net cash (used) / generated from operations	(167)	10,464
Interest received	3	1
Interest paid	(436)	(421)
Income taxes paid	(787)	(391)
Net cash (used) / generated from operating activities	(1,387)	9,653

	GROUP	
	3rd Qtr of 2010	3rd Qtr of 2009
	S\$'000	S\$'000
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	129	81
Purchase of property, plant and equipment	(1,795)	(4,186)
Net cash outflow on acquisition of minority interests' share in subsidiaries	(153)	(285)
Net cash used in investing activities	(1,819)	(4,390)
Cash flows from financing activities		
Repayment of finance lease liabilities	(524)	(567)
Net proceeds from issue of new ordinary shares	18,497	8,517
Decrease / (Increase) in bills payable to banks	986	(114)
(Repayments) / proceeds from short term bank loans	(959)	2,000
Repayment of term loans	(665)	(561)
Proceeds from Minority Interest in shares	90	-
Net cash generated from financing activities	17,425	9,275
Net effect of exchange rate changes in consolidating subsidiaries	(11)	(8)
Net increase in cash and cash equivalents	14,208	14,530
Cash and cash equivalents at beginning of the period	12,879	10,413
Cash and cash equivalents at end of the period	27,087	24,943

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				Minority Interests	Total equity
	Share Capital	Revenue Reserve	Translation Reserves	Total Reserves		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
GROUP						
Balance as at 30 June 2009	16,111	24,596	(28)	24,568	4,113	44,792
Issuance of new shares	8,550	-	-	-	-	8,550
Grant of equity-settled shares to employees	1,066	-	-	-	-	1,066
Share issue expense	(61)	-	-	-	-	(61)
Acquisition of minority interest	-	-	-	-	(282)	(282)
Goodwill realised to revenue reserve upon acquisition of minority interest	-	(2)	-	(2)	-	(2)
Total comprehensive income for the quarter	-	1,567	(7)	1,560	(57)	1,503
Balance as at 30 September 2009	25,666	26,161	(35)	26,126	3,774	55,566
Balance as at 30 June 2010	31,154	28,276	11	28,287	3,914	63,355
Issuance of new shares	18,900	-	-	-	90	18,990
Share issue expense	(403)	-	-	-	-	(403)
Total comprehensive income for the quarter	-	431	(11)	420	(137)	283
Balance as at 30 September 2010	49,651	28,707	-	28,707	3,867	82,225
COMPANY						
Balance as at 30 June 2009	16,111	1,520	-	1,520	-	17,631
Issuance of new shares	8,550	-	-	-	-	8,550
Grant of equity-settled shares to employees	1,066	-	-	-	-	1,066
Share issue expense	(61)	-	-	-	-	(61)
Total comprehensive income for the quarter	-	404	-	404	-	404
Balance as at 30 September 2009	25,666	1,924	-	1,924	-	27,590
Balance as at 30 June 2010	31,154	2,280	-	2,280	-	33,434
Issuance of new shares	18,900	-	-	-	-	18,900
Share issue expense	(403)	-	-	-	-	(403)
Total comprehensive income for the quarter	-	404	-	404	-	404
Balance as at 30 September 2010	49,651	2,684	-	2,684	-	52,335

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.

Pursuant to the Call Option Agreement dated 7 September 2009, the new subscribers were granted a Call Option to subscribe 38,000,000 new shares in the Company at an exercise price of \$0.25 per share. This Call Option is exercisable at the sole discretion of the subscribers within the period of 3 years from the date of the Call Option Agreement.

As at 30 September 2010, 22,000,000 Call Option shares have been exercised with 16,000,000 Call Option shares to be carried forward to the next quarter.

On 25 August 2010, the Company issued 90,000,000 new ordinary shares at \$0.21 each with net proceeds of S\$18.5 million pursuant to a Placement Agreement dated 16 August 2010.

The details of changes in the Company's share capital were as follows:

Issued and fully paid	No. of ordinary shares	S\$'000
Balance as at 30 June 2010	450,041,625	31,154
Issue of new shares pursuant to the placement	90,000,000	18,497
Balance as at 30 September 2010	540,041,625	49,651

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-10	As at 31-Dec-09
	No. of shares	No. of shares
Issued and fully paid	540,041,625	441,041,625

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 2009.

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	
	9 Months 2010	9 Months 2009
a) Based on weighted average number of ordinary shares on issue; and	0.71	1.82
Weighted no. of shares in issue	461,547,119	386,624,804
b) On a fully diluted basis	0.71	1.82

N/A - not applicable

- 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-10	31-Dec-09	30-Sep-10	31-Dec-09
14.51	12.83	9.47	7.05

30-Sep-10

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\$78.36 million and the Company's net asset value as at the end of the period of S\$51.15 million divided by the share capital of 540,041,625 ordinary shares.

31-Dec-09

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\$56.57 million and the Company's net asset value as at the end of the period of S\$31.08 million divided by the share capital of 441,041,625 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

3rd Quarter of FY2010

	3rd Quarter results			
	FY 2010	FY 2009	+ / (-)	+ / (-)
<u>Group Turnover</u>	S\$'million	S\$'million	S\$'million	%
Infrastructure & Engineering ("IE")	5.34	16.82	(11.48)	(68.2)
Corrosion Prevention ("CP")	8.75	12.50	(3.75)	(30.0)
Supply & Distribution ("SD")	4.54	5.82	(1.28)	(22.0)
	18.64	35.14	(16.50)	(47.0)

The Group's revenue for 3Q2010 decreased by 47.0% from S\$35.14 million to S\$18.64 million as compared to 3Q2009. The revenue of IE division dropped by 68.2%, the revenue of CP division declined by 30.0% and the revenue of SD division dropped by 22.0%.

Revenue from our IE division decreased S\$11.48 million from S\$16.82 million in 3Q2009 to S\$5.34 million in 3Q2010. No major contracts were secured due to the laggard effect of the slowdown in the marine industry in 2009. In May 2010, the Group only secured one crane barge contract of value S\$6.4 million.

Our CP and SD divisions performed below expectation due to poor market conditions.

The Group gross profit decreased by 40% to S\$4.4 million in 3Q2010 as compared to S\$7.3 million in 3Q2009. However, the Group's achieve higher gross profit margin of 23.6% in 3Q2010 as compared to 20.8% in 3Q2009. The higher gross profit margin was mainly contributed from the reduction in operating cost and various cost-cutting measures taken by the Group.

In anticipating of the slowdown in revenue and earnings, the management took steps to reduce its administrative overheads, selling and distribution expenses.

The Group net profit attributable to shareholders decreased by 73.0% to S\$0.43 million in 3Q2010 as compared to S\$1.57 million in 3Q2009. This decrease was in tandem with the reduction in revenue for the period.

9 Months FY2010

<u>Group Turnover</u>	9 Months results			
	FY 2010	FY 2009	+ / (-)	+ / (-)
	S\$'million	S\$'million	S\$'million	%
Infrastructure Engineering ("IE")	12.30	48.23	(35.93)	(74.5)
Corrosion Prevention ("CP")	35.94	45.29	(9.35)	(20.6)
Supply & Distribution ("SD")	13.72	18.09	(4.37)	(24.2)
	61.97	111.61	(49.64)	(44.5)

The Group's turnover for the nine months ended 30 September 2010 decreased by S\$49.64 million to S\$61.97 million from S\$111.61 million for the nine months ended 30 September 2009. The revenue of IE division dropped by 74.5%, the revenue of CP division declined by 20.6% and the revenue of SD division dropped by 24.2%.

Revenue from our IE division declined S\$35.93 million from S\$48.23 million in 9 months FY2009 to S\$12.30 million in 9 months FY2010. For the first half of the year 2010, IE division's business were slow due to the weak market demand. The IE division has only secured one major contract value S\$6.4 million crane barge in May 2010 compared to S\$30 million for FY2009.

Revenue from our CP division declined S\$9.35 million from S\$45.29 million in 9 months FY2009 to S\$35.94 million in 9 months FY2010. The recurring business from the hullside blasting and painting activities for the various shipyards in Singapore remain stable. However we experience reduced business in Batam.

Revenue from our SD division declined S\$4.37 million from S\$18.09 million in 9 months FY2009 to S\$13.72 million in 9 months FY2010. Our SD division performed below expectation due to decrease in demand, given the weak recovery of the global offshore marine, oil and gas industries.

The Group's net profits attributable to shareholders decreased by 53.6% to S\$3.26 million for the nine months ended 30 September 2010 as compared to S\$7.03 million for the previous corresponding period. The decrease in profit attributable to shareholders was in tandem with the reduction in revenue for the period.

CASHFLOW STATEMENT

The Group recorded a negative cashflow from operating activities in 3Q2010. This was attributable to the lower operating profit generated and decrease in balances due to settlement of trade creditors.

Net outflow from investing activities for 3Q2010 was S\$1.82 million. The outlay was mainly related to purchase of machineries, and yard improvements for our Batam yard.

The net cash inflow from financing activities of S\$17.43 million was due to proceeds from issuance of new shares pursuant to a placement agreement dated 16 August 2010. During the 3Q2010, the Company raised S\$18.5 million through the issuance of 90 million new placement shares.

The cash and cash equivalents amounted to S\$27.09 million as at 30 September 2010, representing an increase of 40.6% compared to S\$19.27 million as at 31 December 2009.

ASSETS AND LIABILITIES

The Group's Balance Sheet remains strong with S\$148.37 million in "Total assets". The Group maintains a healthy net cash and bank balance of S\$27.09 million after deducting overdrafts of S\$0.21 million at the end of 3Q2010.

The Group's "Total Liabilities" was S\$66.15 million at end of 3Q2010 as compared to S\$77.55 million at end of 31 December 2009. The significant reduction in liabilities were mainly attributable to the reduction in trade payables and accrual expenses with the completion of the accommodation pipe-laying barge and in tandem with the reduction in projects on hand.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

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.

As indicated in the previous 2nd quarter results announcement on 13 August 2010, the Group continued to face a challenging and competitive operating environment. The IE and CP division continued to underperform in the 3rd quarter as market conditions remain difficult.

On 1st October 2010, the Group secured a contract to construct one petrol vessel of value approximately S\$19 million and this project is expected to contribute significantly to our revenue in FY2011 on the percentage of completion method. Total new building contracts secured in FY2010 for our fabrication yard amounted to approximately S\$26 million.

Going forward, the Group continues to maintain a cautious outlook although there are indications of improvement in the offshore oil and gas sector.

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 year?

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 2010.

13 Summary of Interested Person Transactions for the financial period ended 30 September 2010**3rd Quarter of FY2010**

	Aggregate value of all interested person transactions during the financial period 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\$
<u>Labroy Shipbuilding & Engineering Pte Ltd</u>		
Provision of corrosion prevention services		510,047
Provision of infrastructure engineering services		2,608
Sale of hardware equipments, tools and other consumables		300
Rental of machineries		42,543
<u>Labroy Offshore Engineering Pte Ltd</u>		
Provision of corrosion prevention services		(1,940,413)
Provision of infrastructure engineering services		7,800
<u>PT Graha Trisaka Industri</u>		
Provision of corrosion prevention services		1,080,000
Provision of infrastructure engineering services		1,479,924
Sale of hardware equipments, tools and other consumables		90,047
<u>Drydocks World-Singapore Pte Ltd</u>		
Provision of corrosion prevention services		614,203
Sale of hardware equipments, tools and other consumables		1,944
Transportation charges		(1,528)
<u>PT Drydocks World Pertama</u>		
Provision of corrosion prevention services		173,976
Provision of infrastructure engineering services		(3,355)
Sale of hardware equipments, tools and other consumables		5,821

14 Confirmation pursuant to Rule 705(5) of the listing manual of the Singapore Exchange Securities Trading Limited

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 3rd quarter ended 30 September 2010 to be false or misleading.

BY ORDER OF THE BOARD

Chua Beng Kuang
Executive Chairman
10 November 2010

Chua Meng Hua
Managing Director