BENG KUANG MARINE LIMITED
(Company Registration No.:199400196M)
(Incorporated in the Republic of Singapore)

PROPOSED DISPOSAL OF A 1,700HP TUGBOAT – DRAKO GALLANT

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1. Introduction

1.1 The Board of Directors (the "**Board**") of Beng Kuang Marine Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 30 May 2023 regarding the disposal (the "**First Tugboat Disposal**") by the Group of a 1,700hp tugboat (the "**First Tugboat**") pursuant to a sale and purchase agreement dated 30 May 2023 (the "**First SPA**") entered into between PT Marina Shipping (the "**Seller**"), a wholly-owned subsidiary of the Company, and PT Pelayaran Sinar Varuna Sentosa (the "**Purchaser**", and, together with the Seller, the "**Parties**" and each a "**Party**").

1.2 The Board is pleased to announce that following the entry into the First SPA, the Purchaser and the Seller have, on 26 June 2023, entered into a second sale and purchase agreement (the "**Second SPA**"), for the sale by the Seller and the purchase by the Purchaser of a second 1,700HP tugboat (*The Drako Gallant*) (the "**Second Tugboat**", and such disposal the "**Second Tugboat Disposal**", and together with the First Tugboat Disposal, the "**Proposed Transactions**").

1.3 As the relative figure for the Proposed Transactions on an aggregated basis computed under Rule 1006(a) of the Mainboard Listing Rules of the SGX-ST (the "**Mainboard Rules**") exceeds 20.0%, the Proposed Transactions collectively constitutes a "major transaction" under Chapter 10 of the Mainboard Rules and accordingly, completion of the Second Tugboat Disposal ("**Completion**") is conditional upon the approval by the Company's shareholders ("**Shareholders**") in general meeting.

1.4 The Company will convene an extraordinary general meeting ("**EGM**") to seek Shareholders' approval for the Second Tugboat Disposal in due course.

2. Information on the Parties

2.1 The Seller is a wholly-owned subsidiary of the Company. The principal assets of the Seller (excluding the First Tugboat) includes the Second Tugboat and one special purpose crane work barge, all of which are utilized by the Group at the Group's waterfront fabrication on the eastern side of Batam Island, Kabil (the "**Batam Shipyard**"), including as a tugboat for ship berthing purposes and periodical *ad hoc* spot charters.

2.2 As disclosed by the Company on 30 May 2023, the Purchaser is a company incorporated in Indonesia. None of the Purchaser or its directors or shareholders are "interested persons" for purposes of Chapter 9 of the Mainboard Rules.

2.3 No broker or introducer was involved in the Proposed Transactions.

3. Principal terms of the Second Tugboat Disposal

3.1 Aggregate value of the consideration

Under the terms of the Second SPA, the consideration payable by the Purchaser for the Second Tugboat is IDR 10,684,800,000 (approximately S$967,000, based on an exchange rate of IDR11,053:SGD1 (the "**Applicable Rate**")) to be satisfied in cash by the Purchaser on Completion.

The consideration shall be paid to the Seller in the following manner:

(i) the first down payment in the amount of IDR 556,500,000 (approximately S$50,348, based on the Applicable Rate) was paid by the Purchaser on the signing of the SPA;

(ii) the second down payment in the amount of IDR 5,008,500,000 (approximately S$453,135, based on the Applicable Rate) no later than 24 July 2023; and

(iii) the remaining balance amounting to IDR 5,119,800,000 (approximately S$463,205, based on the Applicable Rate) at the time of signing a notarized sale and purchase deed in respect of the Second Tugboat.

The consideration was arrived at on a willing buyer willing seller basis, after arm's length negotiations between the Seller and the Purchaser, taking into account, among others, the following factors:

(a) prevailing market conditions;

(b) the Group's immediate and future business needs, including the Group's move towards a capital asset-light business model, as well as the operational needs of the Batam Shipyard; and

(c) the extent to which the Second Tugboat contributes to the business of the Group. Loss attributable to the Second Tugboat amounted to S$51,000 for the three-month period ended 31 March 2023 ("**1Q2023**") and loss attributable to the Second Tugboat amounted to S$0.22 million for the financial year ended 31 December 2022 ("**FY2022**").

3.2 Conditions precedent

Completion of the Second Tugboat Disposal is conditional upon the Seller obtaining the necessary approvals from the Board and its Shareholders. Save for this, there are no material conditions attaching to the Second Tugboat Disposal.

3.3 **Value of the Second Tugboat**

The net book value of the Second Tugboat as at 31 December 2022 was S$1.0 million. As such, the Second Tugboat Disposal represents a loss of S$33,000 over book value. The Company expects to record a loss of S$51,000 in relation to the Second Tugboat Disposal for FY2023.

4. Rationale

Following the First Tugboat Disposal, the Second Tugboat Disposal is in line with the Group's strategy to move towards a capital asset-light business model and the Group's intention to exit the shipping business, following the discontinuation of its cattle line business.

In addition, the Second Tugboat Disposal marks an opportunity for the Group to reduce its borrowings, reduce interest, improve net current liability position and free up cash for the Group's other business segments that are generating positive returns and to reduce the risk of potential vessel impairment in view of prevailing market conditions.

5. Use of proceeds

The Company intends to use the net proceeds of the Second Tugboat Disposal to repay its bank and other borrowings and for the general working capital of the Group.

6. Relative figures under Chapter 10 of the Mainboard Rules

The relative figures of the Proposed Transactions on an aggregated basis under Rule 1006 of the Mainboard Rules based on the audited consolidated financial statements of the Group for FY2022, are set out below.

Rule 1006	**Basis**	**Relative Figures (%)**
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	32.55 (1)
(b)	Net loss attributable to the assets dispose of, compared with the Group's net loss	2.06 (2)
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	12.63 (3)
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not applicable
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with theaggregate of the Group’s proven and probable reserves	Not applicable

Notes:

(1) The net asset value of the First Tugboat and the Second Tugboat is approximately S$1.0 million and S$1.0 million respectively, as at 31 December 2022, for an aggregate of approximately S$2.0 million. The Group's net asset value attributable to Shareholders as at 31 December 2022 was S$6.14 million.

(2) The net loss attributable to the First Tug Boat and the Second Tugboat for FY2022 was S$0.23 million and S$0.22 million respectively, for an aggregate of approximately S$0.45 million. The Group's net loss attributable to Shareholders as at 31 December 2022 was S$21.83 million.

(3) The aggregate value of the consideration for the First Tugboat Disposal and the Second Tugboat Disposal is S$0.97 million and S$0.97 million respectively, for an aggregate of approximately S$1.94 million. Under Rule 1002(5), the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the sale and purchase agreement. Based on such shares transacted on 26 June 2023, the market capitalisation was S$15.40 million.

As the relative figures for the Proposed Transactions on an aggregated basis computed under Rule 1006(a) of the Mainboard Rules exceeds 20.0%, the Proposed Transactions collectively constitutes a "major transaction" under Chapter 10 of the Mainboard Rules and accordingly, Completion of the Second Tugboat Disposal is conditional upon the approval by the Shareholders at the EGM.

7. Financial Effects

7.1 Net Tangible Asset (NTA)

For illustrative purposes only, the *proforma* financial effects of the Proposed Transactions on the Group's NTA per share, assuming that the Proposed Transactions had been completed on 31 December 2022, being the end of the most recently completed financial year, are set out below:

	Before the Proposed Transactions (1)	**After the First Tugboat Disposal (1)**	**After the First Tugboat Disposal and the Second Tugboat Disposal (1)**
NTA (S$'000)	6,144	6,114	6,081
Number of issued shares (excluding treasury shares) ('000)	199,210	199,210	199,210
NTA per Share (cents)	3.08	3.07	3.05

Note:

(1) This excludes the financial effects of the Group's disposal of (i) 100,970 sqm forming part of the Batam Shipyard, as disclosed by the Company on 23 June 2023; and (ii) 90,000 sqm forming part of its Batam Shipyard, as disclosed by the Company on 12 April 2023.

7.2 **Loss Per Share (LPS)**

For illustrative purposes only, the proforma financial effects of the Proposed Transactions on the consolidated losses of the Group, assuming that the Proposed Transactions had been completed on 1 January 2022, being the beginning of the most recently completed financial year, are set out below:

	Before the Proposed Transactions (1)	**After the First Tugboat Disposal (1)**	**After the First Tugboat Disposal and the Second Tugboat Disposal (1)**
Loss for the year attributable to owners of the Company (S$'000)	(21,829)	(21,763)	(21,705)
Weighted average number of issued shares ('000)	199,210	199,210	199,210
LPS - Basic (cents)	(10.96)	(10.92)	(10.90)

Note:

(1) This excludes the financial effects of the Group's disposal of (i) 100,970 sqm forming part of its Batam Shipyard, as disclosed by the Company on 23 June 2023; and (ii) 90,000 sqm forming part of its Batam Shipyard, as disclosed by the Company on 12 April 2023.

8. Interests of Directors and Substantial Shareholders

None of the directors or controlling shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Disposal, other than through their shareholding interests in the Company.

9. Other information

No person has been or is proposed to be appointed as director of the Company in connection with the Proposed Disposal. Accordingly, no service contract has been or is proposed to be entered into between the Company and any such person.

10. Documents available for inspection

Copies of the SPA are available for inspection during normal business hours at the registered office of the Company at 2 Venture Drive, #14-15, Vision Exchange, Singapore 608526 for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

Chua Beng Yong
Executive Chairman
28 June 2023