BENG KUANG MARINE LIMITED
Registration No. 199400196M

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNOUNCEMENTS DATED 21 JANUARY 2023, 27 NOVEMBER 2022, 3 NOVEMBER 2022 AND 5 OCTOBER 2022 REGARDING THE DISCONTINUATION OF THE GROUP'S CATTLE LINE BUSINESS

The Board of Directors of Beng Kuang Marine Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to inform shareholders that the Company has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Company's announcements dated 21 January 2023, 27 November 2022, 3 November 2022 and 5 October 2022, regarding the discontinuation of the Group's cattle line business (the "**Announcements**").

The Company sets out its responses as follows:

Query 1:

Please explain the implications and quantify the financial impacts on the Group regarding the:

I. The court order dated 17 January 2023 for CL2 to be wound up under section 125 of Part 8 of IRDA.
II. The events of default triggered under certain Facility Agreements taken by CL2 and CLO with UOB, pursuant to the winding-up of CL2.
III. Proposed discontinuation of CLO.

Company's Response:

1. As disclosed in the Announcements:

   1.1 the Group announced its plan to discontinue its operations of its two livestock vessels (the "**Cattle Line Business**"). The two livestock vessels (collectively, the "**Livestock Vessel Assets**") were each taken off charter in October 2020 and October 2021 respectively, the first due to an accident and the second as it was detained by the Indonesian Navy for anchoring at an unauthorized area. Both Livestock Vessel Assets are currently docked at the Group's Batam Shipyard (as defined below) and require extensive repair and maintenance works to regain seaworthiness;

   1.2 the discontinuation of the Cattle Line Business was initially contemplated to involve the voluntary winding up of the relevant entities within the Group which holds the Livestock Vessel Assets relating to the Group's cattle line business, through the Group's joint venture companies, being Cattle Line One Pte Ltd ("**CLO**") and Cattle Line Two Pte Ltd ("**CL2**"). The Group has a 70.0% effective interest in each of CLO and CL2;

   1.3 it was then announced that KPI OceanConnect Pte. Ltd" ("**KPIOC**") had filed a winding up application with the High Court of Republic of Singapore to wind up CL2. The Group ultimately did not object to KPIOC's winding up application. In this regard, certain

companies of the Group are also creditors of CL2 and as such, would be entitled to participate in the winding up proceedings as a creditor;

1.4 the Court has now ordered for CL2 to be wound up under section 125 of Part 8 of IRDA and Tan Wei Cheong and Lim Loo Khoon have been appointed as joint and several liquidators of CL2; and

1.5 the Group received a Notice of Event of Default from UOB, which entitles UOB to certain rights under the security agreements entered into between the Group and UOB, including taking steps to preserve or enforce any security, including the Livestock Vessel Assets.

2. The Company wishes to update shareholders that UOB has since appointed receivers over CL2's Livestock Vessel Assets and have commenced the process to dispose of the Livestock Vessel Asset held by CL2. The specific financial impact on the Group as a result of such disposal is wholly dependent on the amounts realised by the UOB's receiver under such sale. The Group will keep shareholders updated on all material developments relating to such sale.

3. The Group has also carried out an assessment on the impairments of the Livestock Vessel Assets and the Cattle Line Business. While the value of the impairment losses has yet to be determined, based on a preliminary review on the Group's unaudited results for the financial year ended 31 December 2022 ("**FY2022**"), the Group is expected to report a net loss for FY2022 as a result of the discontinued operations of the Livestock Vessel Assets.

4. The borrowings from UOB and other banks and financial institutions (including OCBC, RHB and DBS, being the banks whose standard terms and conditions include cross default provisions as mentioned in the Company's response to Query 4 below) are current borrowings for this financial year ended 31 December 2022. As such, the event of default is not expected to require a reclassification of the Group's borrowings.

5. As the Company has also granted a corporate guarantee in favour of UOB, the Company will also recognise the exposure of the loans granted by UOB to CLO and CL2 (the "**UOB Loans**"), net of estimated sales proceeds from the discontinued operations of the Livestock Vessel Assets, as at 31 December 2022.

6. The Group continues to engage with UOB regarding (i) repayment plans to address the occurrence of the event of default under the UOB Loans; and (ii) the disposal plans relating to the Livestock Vessel Assets in order to optimise recovery.

Subject to the quantum of the realised sale proceeds from the discontinued operations of the Livestock Vessel Assets, the management is confident of agreeing repayment plans with UOB for the following reasons:

6.1 expected future positive operating cashflow generation and profits from the continuing operations of the Group's other continuing business segments;

6.2 the Group has had a good track record in meeting its financing and repayment obligations with UOB. Over the past seven years, the Group has repaid a substantial amount of the outstanding principal under the facility agreements dated 24 May 2011, 29 October 2012 and 18 December 2014 and entered into with UOB. The discontinuation of the Cattle Line Business will allow the Group to accelerate its deleveraging initiative;

6.3 the Group remains active in seeking new opportunities to finance and/or monetise its 32.8 hectares waterfront shipyard in Batam, Indonesia (the "**Batam Shipyard**"). The Batam Shipyard is unencumbered. The lease for the Batam Shipyard has been fully paid in advance till 2037; and

6.4 the Group maintains good banking relationships and has continued support from the Group's existing bankers in providing banking, working capital lines and other trade finance facilities.

7. Details of the Group's financial performance for FY2022 will be disclosed when the Company announces its unaudited consolidated financial results for the relevant years, which is scheduled to be released on or around 28 February 2023.

Query 2:

Is the estimated value of the secured assets sufficient to cover the outstanding amounts under the UOB facility agreements in default?

Company's Response:

The Group expects the amounts to be recovered by the Group from the sale proceeds of the Livestock Vessel Assets to be sufficient to satisfy the amounts owed by CLO and CL2 to UOB under the Facility Agreements. However, such amount is not likely to be sufficient to satisfy the aggregate amount owed by the Group to UOB (including amounts owed by the Company to UOB). In this regard, the Group continues to engage with UOB regarding (i) repayment plans to address the occurrence of the event of default under the UOB Loans; and (ii) the disposal plans relating to the Livestock Vessel Assets in order to optimise recovery. Please see paragraph 6 of the Company's response to Query 1 for more information.

Query 3:

Based on the latest financials, what is the percentage of the carrying value of the secured assets as compared to the carrying value of the total assets of CL2 and CLO respectively?

Company's Response:

As at 30 June 2022, the carrying value of the Livestock Vessel Assets as compared to the total assets of CL2 and CLO is 45% and 86% respectively.

Query 4:

Please clarify whether the defaults under the UOB facility agreements will trigger any other cross defaults, corporate guarantees or contingent liabilities across the Group.

Company's Response:

As disclosed above, the Company has granted a corporate guarantee to UOB and the Company will recognise the exposure of the loans granted by UOB to CLO and CL2 (the "**UOB Loans**"), net of estimated sales proceeds from the discontinued operations of the Livestock Vessel Assets, as at 31 December 2022.

The Group's financing arrangements with each of OCBC, RHB and DBS contain cross default clauses as part of the standard terms and conditions of the respective banks. The Group has informed each of the aforementioned banks of the notice of default received from UOB. To-date, the Group has not received any notice of event of default from any of its other bankers (save for UOB). The Company will update shareholders if and when it receives a notice of event of default from its other bankers.

As disclosed in paragraph 6.4 of the Company's response to Query 1, the Company continues to maintain good relationships with its bankers and has continued support from the Group's existing bankers in providing banking, working capital lines and other trade finance facilities.

Query 5:

Please also clarify whether CL2 and CLO are insolvent, and if the Group intends to place CLO into members' voluntary liquidation.

Company's Response:

Due to the expected impairment arising from the events discussed in the Company's response to Query 1 above, both CL2 and CLO are expected to be in net liability positions as at 31 December 2022 and as such will be insolvent. The Company intends to liaise with the liquidators of CL2 in relation to a dissolution of CLO upon the completion of the disposal of the Livestock Vessel Asset held by CLO. Further updates will be provided upon placing CLO into dissolution.

Query 6:

In the event that CL2 and/or CLO are insolvent, does the Group have any obligations/ or is it liable to fully repay the outstanding debts and creditors of CL2 and/or CLO?

Company's Response:

As disclosed above, the Company has extended a corporate guarantee in favour of UOB. As such, the Company is obliged to fully repay and recognise the exposure of the UOB loans granted to the Group, net of estimated sales proceeds from the discontinued operations of the Livestock Vessel Assets. Save for the aforementioned, the Group is under no other contractual obligation to repay the outstanding debts and creditors of CL2 and CLO. Please see the Company's response to Query 1 and Query 4 above for further information.

Query 7:

Please provide the contributions of CL2 and CLO to the Group's revenue, net profits and net assets for the latest financial year.

Company's Response:

CL2 and CLO did not contribute any revenue to the Group for FY2022. In addition, CL2 and CLO were major contributors to the Group's losses for FY2021 and FY2020. The contributions arise primarily from non-cash impairment and depreciation expenses.

CL2's and CLO's revenue, net profits and net assets for the financial 6 months period ended 30 June 2022 are as follows ("**1H2022**"):

	CL2	**CLO**	**Beng Kuang Group**
	SGD[(1)]	**SGD[(1)]**	**SGD**
Revenue	0	0	29,045,157
Net profits / (losses)	(961,076)	1,496,678	110,864
Net assets / (liabilities)	(12,140,437)	(13,270,019)	17,036,803

Note

(1) Based on an exchange rate of USD1:SGD0.7305.

Query 8:

Please also disclose the Board's opinion on whether the court liquidation of CL2 and the proposed discontinuation of CLO will have a material impact on the Group's financials, and if so, whether the Group can continue to operate as a going concern and the bases for the Board's opinion.

Company's response:

The Board and management expects the discontinuation of the Cattle Line Business and the liquidation of CL2 to give rise to a significant net loss for FY2022 due to one-off impairment losses.

Notwithstanding the abovementioned, the Board and management expects the Group to continue to operate as a going concern, subject to repayment plans being agreed with UOB. In this regard, the Board and the management are confident of agreeing repayment plans with UOB due to the reasons set out in the Company's response to Query 1.

In the event the Group is able to agree repayment plans with UOB, the Board and management expects the Group to continue to operate as a going concern for the following reasons:

(a) expected future positive operating cashflow generation and profits from the continuing operations of the Group's other continuing business segments;

(b) the Group remains active in seeking new opportunities to finance and/or monetise the Batam Shipyard, which is unencumbered. The lease for the Batam Shipyard has been fully paid in advance till 2037; and

(c) the Group maintains good banking relationships and has continued support from the Group's existing bankers in providing banking, working capital lines and other trade finance facilities.

Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Chua Beng Yong
Executive Chairman
31 January 2023