



**BENG KUANG MARINE LIMITED**

(Company Registration No.:199400196M)  
(Incorporated in the Republic of Singapore)

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**THE PROPOSED DISPOSAL OF 90,000 SQUARE METRES FORMING PART OF THE GROUP'S SHIPYARD IN BATAM**

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**1. Introduction**

The Board of Directors (the "**Directors**") of Beng Kuang Marine Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary PT. Nexus Engineering Indonesia (the "**Seller**") has, on 12 April 2023 entered into a Conditional Land Sale & Purchase Agreement (the "**CLSPA**") with Oil States Industries (Asia) Pte. Ltd. (the "**Purchaser**") for the sale of 90,000 square metres of land (the "**Land**") forming part of the Group's 328,956 square metre waterfront fabrication yard on the eastern side of Batam Island, Kabil (the "**Batam Shipyard**", and such disposal the "**Proposed Transaction**").

**2. Information on the Proposed Transaction**

**2.1 Information on the Seller and Batam Shipyard**

The Seller is a wholly-owned subsidiary of the Company and holds the leasehold interest of the Batam Shipyard.

The Batam Shipyard is located at JL. Pattimura RT 01 / RW 04 Kampung Panau, Kelurahan Kabil, Kecamatan Nongsa, Batam 29467 and has a total area of 328,956 square metres, including sea frontage. The term of the lease for the Batam Shipyard expires on 18 April 2037, and has been fully paid in advance.

As a condition to completion of the Proposed Transaction ("**Completion**" and the date of Completion the "**Completion Date**"), the Batam Shipyard will be subdivided into smaller land parcels and the Purchaser will purchase the Land from the Seller. The Land has a total area of 90,000 square metres which is approximately one-third of the total land area comprising the Batam Shipyard.

**2.2 Information on the Purchaser**

The Purchaser is a subsidiary of Oil States Industries, Inc., a major global provider of integrated energy systems and solutions. They serve customers in the onshore, marine and industrial markets.

The Purchaser is not an "interested person" of the Company for purposes of Chapter 9 of the SGX-ST Listing Manual (the "**Mainboard Rules**").

### 3. Principal terms of the Proposed Transaction

#### 3.1 Aggregate value of consideration

The consideration payable under the Proposed Transaction is S\$8,640,000 to be satisfied in cash (the "**Consideration**") as follows:

- 3.1.1 4.0% of the Consideration (the "**Booking Deposit**") was paid by the Purchaser on the signing of the CLSPA (the "**Effective Date**");
- 3.1.2 8.0% of the Consideration ("**Initial Deposit**", and, together with the "Booking Deposit" the "**Deposits**") is payable by the Purchaser upon the fulfilment of the Conditions Precedent (as defined below); and
- 3.1.3 88% of the Consideration is payable by Purchaser to Seller's Account on the Completion Date.

Under the terms of the CLSPA, in the event (i) the Condition Precedent that the representations and warranties of the Purchaser are true, complete and correct as of Completion Date is not fulfilled as at Completion Date; or (ii) the Purchaser defaults in its Completion obligations, the Seller would be entitled to terminate the CLSPA and the Seller would not be obligated to return the Deposits to the Purchaser.

In all other termination events, including (i) a failure by the Seller to satisfy the Conditions Precedent that are applicable to the Seller, which includes the obtaining of the approval of the Company's shareholders for the consummation of the transaction and the obtaining of the new certificates resulting from the subdivision of the land comprising the Batam Shipyard; and (ii) a breach by the Seller of any term of the CLSPA and such breach not being rectified after 30 calendar days, the Deposits will be returned to the Purchaser.

The consideration payable for the Land was arrived at on a willing buyer and willing seller basis after arm's length negotiations between the Seller and the Purchaser, taking into account, *inter alia*, the following factors:

- (a) the prevailing market conditions;
- (b) the independent valuation report on the Batam Shipyard which was rendered and prepared for the Seller by KJPP Toto Suharto & Rekan dated 16 January 2023, which utilized a cost approach to determine the fair value of the Batam Shipyard at S\$35.30 million (the "**Valuation Report**"). As the Land comprises approximately one-third of the total land area comprising the Batam Shipyard, the Valuation Report imputes an approximately \$7.23 million value on the Land; and
- (c) the fact that the Land comprises part of the Batam Shipyard that has remained under-utilised since 2014 due to downturn in the offshore oil and gas sector; and
- (d) the Group's immediate and future business needs.

#### 3.2 Conditions precedent to Completion

Completion of the Proposed Transaction is conditional upon the fulfilment of the following material conditions (the "**Conditions Precedent**"):

#### Seller's Conditions Precedent

- (a) All the representations and warranties of the Seller made in the CLSPA will be true, complete and correct as at the Effective Date and as at Completion Date and the Seller having performed or complied in all respects with all obligations and covenants required by this Agreement to be performed or complied with by the Seller;
- (b) there being no material adverse change as of the Effective Date and Completion;
- (c) all governmental authorisations having been obtained by the Seller and delivered to the Purchaser;
- (d) the Seller delivering a zoning confirmation letter that evidences that the Land can be utilised for the operation of an oil and gas industry and its supporting facilities;
- (e) the Seller having obtained new *Hak Guna Bangunan* (Right to Build) ("**HGB**") certificates resulting from the subdivision and/or split of the existing HGB certificates to cover the Land;
- (f) the Seller having obtained approvals from the Board and the Company's shareholders for the consummation of the Proposed Transaction; and
- (g) the Seller having obtain any necessary approvals from the SGX-ST.

#### Purchaser's Conditions Precedent

- (a) All the representations and warranties of the Purchaser made in the CLSPA will be true, complete and correct as at the Effective Date and as at Completion Date and the Purchaser having performed or complied in all material respects with the obligations and covenants required by this Agreement to be performed or complied with by the Purchaser;
- (b) the Purchaser having paid the Deposits; and
- (c) the Purchaser being satisfied with the results of the legal, tax, financial, and technical due diligence on the Seller and the Land in so far as all relevant information has been disclosed by the Seller.

### **3.3 Value of the Land**

Based on the unaudited management accounts of the Seller for 31 December 2022, the net book value of the Land is S\$631,282. The Consideration represents a S\$7,692,718 excess over the net book value of the Land as at 31 December 2022. As the Land comprises part of the Batam Shipyard that has remained under-utilised since FY2014 due to downturn in the offshore oil and gas sector.

### **3.4 Use of proceeds**

The Company intends to use the net proceeds of the Proposed Transaction to repay its bank borrowings and for general working capital of the Group.

#### 4. Rationale for the Proposed Transaction

The Board believes that the Proposed Transaction will be beneficial to and is in the best interests of the Company and the Group for the following reasons:

- 4.1 The Land comprises part of the Batam Shipyard that has remained under-utilised since FY2014 due to downturn in the offshore oil and gas sector. The Company believes that the Proposed Transaction is an opportunity for the Company to realise the value of such unutilised portion of the Batam Shipyard at a reasonable premium to its investment costs, so as to mitigate the challenges of evolving economic market conditions for the marine and oil & gas industry as a whole.
- 4.2 The Proposed Transaction will enable the Group to substantially repay its bank borrowings and reap substantial interest savings as well as lowering the depreciation expenses as the Group transform towards asset light strategy.
- 4.3 It will strengthen the Group as an on-going concern, via the strengthening balance sheet and net current liabilities.

#### 5. Relative figures computed on the bases set out in Rule 1006 of the Listing Manual

The relative figures of the Proposed Transaction under Listing Rule 1006 of Mainboard Rules based on the unaudited consolidated financial statements of the Group for 31 December 2022 (being the latest announced consolidated accounts), are set out below.

| Rule 1006 | Bases  | Relative Figures (%)          |
|-----------|--|-------------------------------|
| (a)       | Net asset value of the assets to be disposed of, compared with the Group's net asset value   | 10.27 <sup>(1)</sup>          |
| (b)       | Net profits attributable to the assets acquired or dispose of, compared with the Group's net profits   | Not applicable <sup>(2)</sup> |
| (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 | 108.41 <sup>(3)</sup>         |
| (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 the aggregate of the Group's proven and probable reserves             | Not applicable                |

Notes:

- (1) The net asset value of the Land is approximately S\$0.63 million as at 31 December 2022 and Group's net asset value as at 31 December 2022 is S\$6.14 million.

- (2) The Proposed Transaction relates to a disposal of the Land, which is an utilized part of the land forming part of the Batam Shipyard. As such, it would not be possible to attribute profits to the Land.
- (3) Under Rule 1002(5), "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.

As certain of the relative figures under Rule 1006 of the Mainboard Rules exceeds 20%, the Proposed Transaction constitutes a "major transaction" as defined in Chapter 10 of the Mainboard Rules, and, is conditional upon the approval by shareholders in general meeting. The Company will be convening an extraordinary general meeting to obtain such approval in due course.

## 6. Financial effects of the Proposed Transaction

The proforma financial effects of the Proposed Transaction on the net tangible assets ("NTA") per share and the loss per share ("LPS") of the Group are set out below. The proforma financial effects have been prepared based on:-

- (a) the unaudited consolidated financial results of the Group for 31 December 2022 (being the most recently announced consolidated full-year financial statements of the Group); and
- (b) the management unaudited accounts of the Seller for 31 December 2022.

The proforma financial effects are purely for illustration purposes only and are therefore not necessarily indicative of the actual financial position of the Group after the Proposed Transaction has been completed.

### 6.1 Net Tangible Asset ("NTA")

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

| NTA                     | Before the Proposed Transaction | After the Proposed Transaction |
|-------------------------|---------------------------------|--------------------------------|
| NTA (S\$'000)           | 6,144                           | 13,836                         |
| Number of issued shares | 199,210,406                     | 199,210,406                    |
| NTA per share (cents)   | 3.08                            | 6.95                           |

### 6.2 Loss per Share

For illustrative purposes only, the proforma financial effects of the Proposed Transaction on the consolidated losses of the Group, assuming that the Proposed Transaction had been completed on 31 December 2022, being the beginning of the most recently completed financial year, are set out below:

| <b>LPS</b>   | <b>Before the Proposed Transaction</b> | <b>After the Proposed Transaction</b> |
|--|--|---------------------------------------|
| Loss attributable to the owners of the Company (S\$'000) | (21,829)                               | (14,136)                              |
| Weighted average number of issued shares                 | 199,210,406                            | 199,210,406                           |
| LPS - Basic (cents)                                      | (10.95)                                | (7.09)                                |

#### **7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save as disclosed in this announcement, none of the directors or controlling shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Transaction.

#### **8. DIRECTORS' SERVICE CONTRACTS**

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

#### **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the CLSPA and the Valuation Report are available for inspection during normal business hours at the Company's registered office at 2 Venture Drive #14-15, Vision Exchange Singapore 608526, for a period of three (3) months commencing from the date of this announcement.

#### **By Order of the Board**

Chua Beng Yong  
Executive Chairman  
12 April 2023