



BENG KUANG MARINE LIMITED

(Company Registration No.:199400196M)

(Incorporated in the Republic of Singapore)

ENTRY INTO BINDING TERM SHEET RELATING TO THE PROPOSED DISPOSAL OF 100,970 SQUARE METRES FORMING PART OF THE GROUP'S SHIPYARD IN BATAM

1. Introduction

The Board of Directors (the "**Directors**") of Beng Kuang Marine Limited (the "**Company**" and, together with its subsidiaries, the "**Group**") refers to the Company's announcement dated 12 April 2023 under which the Company announced the disposal of 90,000 square metres of 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 "**First Disposal**").

The Board is pleased to announce that its wholly-owned subsidiary PT. Nexus Engineering Indonesia (the "**Seller**") had, on 21 June 2023, entered into a term sheet (the "**Term Sheet**") with PT. Bukit Batu Mulia (the "**Purchaser**") for the sale of a further 100,970 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**").

The Term Sheet constitutes legally binding obligations, subject to the fulfilment of conditions precedent as set out therein, including but not limited to the entry by the Purchaser and Seller into all necessary legal documentation (the "**Definitive Agreement**").

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.

The Land has a total area of 100,970 square metres which is approximately one-third of the total land area comprising the Batam Shipyard.

Under the First Disposal, the Seller has committed to selling 90,000 square metres of land forming part of the Batam Shipyard. Following completion of the First Disposal and the Proposed Transaction, the Group's Batam Shipyard will comprise 137,986 square metre of waterfront land.

2.2 Information on the Purchaser

The Purchaser is 51.0% and 49.0% owned by Summit Excellent Enterprises Ltd, BVI and Mr George Santos respectively.

Summit Excellent Enterprises Ltd is ultimately associated and affiliated with the Nanshan Group of China. The Nanshan Group is a large-scale private joint-stock enterprise listed in the Chinese Federation of Enterprises (CFE)'s Top 500 Chinese Enterprises. The Nanshan Group is in the business of aluminium processing, fabric and garment manufacturing and processing, real estate, finance, scientific research, education, tourism and health preservation.

George Santos is the founder/owner of the Indonesia Solid Group based out of Batam/Riau Indonesia and is engaged in various business activities spanning mining, shipping, constructions, concrete batching, asphalt and stone quarry.

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

2.3 Information on the introducer

The Company was introduced to the Purchaser by an independent third party, Andro Yeo (the "**Introducer**"). The Company has agreed to pay the Introducer an introducer fee on a success basis amounting to approximately 1.0% of the Consideration, which shall be paid to the Introducer within 14 days of completion of the Proposed Transaction. The Introducer is not related to any Director or substantial shareholder of the Company.

3. Principal terms of the Proposed Transaction

3.1 Aggregate value of consideration

The consideration payable under the Proposed Transaction is S\$9,895,060 (based on the rounded area of 100,970 square meters at S\$98.00 per square meter) to be satisfied in cash (the "**Consideration**") is as follows:-

- 3.1.1 1.0% of the Consideration or S\$98,951 (the "**Booking Fee**") was paid by the Purchaser upon the signing of the Term Sheet;
- 3.1.2 9.0% of the Consideration or S\$890,555 (together with the Booking Fee, the "**Downpayment**") is payable by the Purchaser within 14 days upon the signing of the Definitive Agreement; and
- 3.1.3 90.0% of the Consideration or S\$8,905,554 is payable upon the completion date of the Proposed Transaction.

Under the Term Sheet, in the event completion of the Proposed Transaction does not occur before 31 December 2023 due to the failure by the Vendor to obtain any necessary approval or consent from any parties applicable to the Vendor or the Land in respect of the Proposed Transaction, the Seller shall refund the Downpayment to the Purchaser without interest, and neither party shall thereafter have any claim against the other for the costs, damages, compensation or otherwise, save for any antecedent breach of the Term Sheet. The Booking Fee is also refundable by the Seller in the event the Definitive Agreement is not entered into within 60 days of the date of the Term Sheet.

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 fair value of the Land, based on the Valuation Report (as defined below); 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**

- (a) Completion of the Proposed Transaction is conditional upon the fulfilment of the following material conditions (the "**Conditions Precedent**") there being no material adverse change in the condition of the Land and no material contract to the Land being terminated or having its terms materially and adversely amended;
- (b) execution of the Definitive Agreements being a sale and purchase agreement in a form acceptable to the parties;
- (c) the Seller having obtained approvals from the Board and the Company's shareholders for the consummation of the Proposed Transaction;
- (d) the Seller having obtained all necessary governmental and regulatory approvals (including from the SGX-ST and relevant Indonesian authorities); and
- (e) the Purchaser conducting, to its satisfaction, a due diligence on the Land.

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\$4.68 million. The Consideration represents a S\$5.21 million excess over the net book value of the Land as at 31 December 2022. 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 **Independent Valuation**

The Company has commissioned KJPP Toto Suharto & Rekan (the "**Independent valuer**"), to perform a valuation of the Batam Shipyard.

The Independent Valuer is an official member of the Public Appraiser Service Office of the Republic of Indonesia (Kantor Jasa Penilai Publik (KJPP)). The valuation performed by the Independent Valuer is in accordance with the Indonesian Appraisal Code of Ethics (KEPI) and Indonesian Appraisal Standards (SPI) Edition VII-2018.

Based on the valuation report prepared for the Seller by the Independent Valuer dated 16 February 2023 (the "**Valuation Report**"), the fair value of the Batam Shipyard (comprising

the land and the buildings) as at 16 January 2023 is IDR 411,506,600,000 (being S\$35.30 million based on an exchange rate of [S\$1:IDR11,659]).

The Valuation Report valued the total land area of the Batam Shipyard at approximately S\$75.48 per square metre. This in turn values the Land at approximately S\$7.38 million. In addition, the Land includes two slip ways which, based on the Valuation Report, is valued at S\$1.0 million. Based on the foregoing, this imputes an approximately S\$8.38 million value on the Land.

The Valuation Report defines "fair value" as the price that will be received from the sale of asset or paid for the transfer of liabilities in an orderly transaction among market participants on the measurement date, which definition is in accordance with Indonesia Appraisal Standards.

The Independent Valuers utilized a cost approach to determine the fair value of the Batam Shipyard. The Independent Valuers have indicated that the cost approach is the most suitable approach to use, given the characteristics of the asset, among others. In comparison, the market approach was considered to be infeasible as the comparative data was not available on site while the income approach was not applicable as the asset does not result in direct income.

3.5 Use of proceeds

As the Batam Shipyard is presently unencumbered, the Company intends to apply up to S\$5.0 million of the net proceeds of the Proposed Transaction to repay its bank and other borrowings (including the 2024 Bonds, as defined in the Company's announcement dated 28 October 2021), with the remainder to be used for general working capital purposes of the Group.

As disclosed by the Company in its Annual Report, the Board is pursuing cost minimisation and deleveraging initiatives, while focusing on monetising fixed assets to achieve an asset light business. The Proposed Transaction is a step in this direction, and the Company intends to continue pursuing such a strategy, which may include the sale of its other assets in the future. In the event the Proposed Transaction is not approved by shareholders, the Company would have to seek alternative sources in order to repay its bank borrowings.

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 the 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 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 audited 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	76.23 ⁽¹⁾
(b)	Net profits attributable to the assets acquired or dispose of, compared with the Group's net profits	Not applicable ⁽²⁾
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	67.12 ⁽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 the aggregate of the Group's proven and probable reserves	Not applicable

Notes:

- (1) The net asset value of the Land is approximately S\$4.68 million as at 31 December 2022 and the Group's net asset value attributable to shareholders as at 31 December 2022 is S\$6.14 million.
- (2) The Proposed Transaction relates to a disposal of the Land. The Land comprises part of the Batam Shipyard that has remained under-utilised since 2014 and the Shipyard has since been reporting losses.
- (3) The aggregate value of the Consideration is S\$9.89 million. The market capitalisation of the Company on the Market Day preceding the date of the Term Sheet was S\$14.74 million.

As the relative figure under Rule 1006(c) of the Mainboard Rules exceeds 20.0%, the Proposed Transaction constitutes a "major transaction" as defined in Chapter 10 of the Mainboard Rules, and, and the Company will be seeking shareholder's approval for the Proposed Transaction at the upcoming EGM.

6. Financial effects of the Proposed Transaction

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

- (a) the audited consolidated financial results of the Group for 31 December 2022; and
- (b) the unaudited management 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 Company'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 First Disposal	After the Proposed Transaction
NTA ⁽²⁾ (S\$'000)	6,144	13,836 ⁽³⁾	18,383 ⁽⁴⁾
Number of issued Shares ⁽¹⁾	199,210,406	199,210,406	199,210,406
NTA per Share (cents)	3.08	6.95	9.23

Notes:

- (1) As at the Latest Practicable Date, the Company does not have any treasury shares or subsidiary holdings.
- (2) NTA attributable to the shareholders, excluding minority interests.
- (3) The increase in NTA is due to the net gain on disposal as a result of the First Disposal.
- (4) The increase in NTA is due to the net gain on disposal as a result of the Proposed Transaction.

6.2 Loss per Share (“LPS”)

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 1 January 2022, being the beginning of the most recently completed financial year, are set out below:

LPS	Before the Proposed Transaction	After the First Disposal	After the Proposed Transaction
Loss attributable to the owners of the Company (S\$'000)	(21,829)	(14,136)	(9,589)
Weighted average number of issued Shares ⁽¹⁾ ('000)	199,210	199,210	199,210
LPS - Basic (cents)	(10.95)	(7.09)	(4.81)

Note:

- (1) This is equal to the number of issued Shares as at 31 December 2022, as there were no changes in the number of the Company's issued shares in FY2022.

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 Valuation Report and the Term Sheet 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
23 June 2023