



BENG KUANG MARINE LIMITED

Registration No. 199400196M

GRANT OF WAIVER FROM COMPLIANCE WITH RULE 1014 OF THE LISTING MANUAL IN RESPECT OF THE PROPOSED DISPOSAL OF FOUR SETS OF TUGS AND BARGES (THE “PROPOSED DISPOSAL”) (THE “WAIVER”)

1. INTRODUCTION

The Board of Directors of Beng Kuang Marine Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) is pleased to announce that the Company is currently in negotiations with potential unrelated third party purchaser(s) in relation to the Proposed Disposal. In connection with the negotiations pertaining to the Proposed Disposal, the Company had applied to the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for a waiver (the “**Waiver**”) of the requirement under Rule 1014(2) of the SGX-ST Listing Manual Section A: Rules of Mainboard (the “**Listing Manual**”) to seek shareholders’ approval in connection with the Proposed Disposal, and that the SGX-ST has granted the Waiver on 10 April 2018.

2. WAIVER GRANTED BY THE SGX-ST

2.1 Grant of Waiver and Waiver Conditions

Under Chapter 10 of the Listing Manual, where any of the relative figures under Rule 1006 exceeds 20%, the transaction will be considered a “major transaction” and must be made conditional upon approval by shareholders of the issuer in general meeting. Based on the calculations of the Company, the Company anticipates that the relative figure for Rule 1006(c) will likely exceed 20%, and the Proposed Disposal will therefore constitute a “major transaction” under Chapter 10 of the Listing Manual.

The Company has applied to the SGX-ST for a waiver of the requirement under Rule 1014(2) of the Listing Manual such that the Company shall not be required to seek shareholders’ approval for the Proposed Disposal and to make the relevant sale and purchase documentation conditional upon prior shareholders’ approval.

The Waiver granted by the SGX-ST is subject to the following conditions:

- (a) the Company is to consult the SGX-ST if the proposed consideration for the Proposed Disposal (the “**Consideration**”) is less than the market valuation of the four sets of tugs and barges (the “**Vessels**”) and/or the Proposed Disposal is made to an interested person(s); and
- (b) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met.

This announcement is for compliance with item (b) above.

In addition, the Company is required to make an immediate disclosure via SGXNet if it is/will be in contravention of any laws and regulations governing the Company and the constitution of the Company (or the equivalent in the Company's country of incorporation) arising from the Waiver.

2.2 Rationale for Waiver Application

The Company made the application for the Waiver for the following reasons:

- (a) shareholders of the Company who hold in aggregate more than 50% of the issued share capital of the Company have consented to the entry into the Proposed Disposal and will in due course and when necessary provide to the Company and the SGX-ST duly executed and addressed letters of undertaking confirming that if in the event an extraordinary general meeting (“EGM”) has to be convened for the purpose of approving the Proposed Disposal, such shareholders would vote in favour of the Proposed Disposal, on the basis that the Consideration is no less than S\$6,300,000;
- (b) as evidenced by the relative figure under Rule 1006(a) and Rule 1006(b) of the Listing Manual, the Proposed Disposal is not substantial when compared to the net asset value and the net losses of the Group. Further, the Proposed Disposal also does not result in a material change in the nature of the Group's business, nor does it result in any change in control of the Company. Accordingly, there is no material change in the core business of the Group. It is thus reasonable to expect shareholders not to be overly concerned with the Proposed Disposal of a non-core asset which does not affect the nature of the main business of the Group and which is carried out to free up cash and liquidity for the Group. As attested to in paragraph 4 of the Practice Note 10.1 of the Listing Manual, “...shareholders generally would not be concerned if the assets to be disposed of are non-core or loss making.” This is further supported by the shareholders' confirmation detailed in paragraph 2.2(a) above;
- (c) in light of the shareholders' confirmation in paragraph 2.2(a) above, the convening of an EGM is an unnecessary cost and time wastage, which would not affect the outcome of the resolution approving the Proposed Disposal;
- (d) indeed, if an EGM needs to be convened, this is actually detrimental to the Group and accordingly its shareholders as the delay caused by the convening of an EGM is a deal breaker for the Proposed Disposal. There is an interested third party purchaser, who is willing to pay a commercially attractive price, in urgent need of tugs and barges and has informed the Company that in the event an EGM needs to be convened, there would be delay with respect to the third party purchaser obtaining the use of the tugs and barges. Accordingly, the third party purchaser would pursue other tug and barge options from other sellers instead of waiting for the Proposed Disposal to be approved by shareholders and completed. If the Group is not able to sell the Vessels to this third-party purchaser, it may not be able to obtain a similar commercially attractive price in the near future. Indeed, in the view of the Group, obtaining such an attractive Consideration from other parties would be very difficult given the current state of the marine and offshore industry and the large availability of tugs and barges on the market; and
- (e) the only relative figure exceeding 20% under the bases of Rule 1006 of the Listing Manual is Rule 1006(c), which relates to the comparison of the aggregate value of the consideration received for the Vessels vis-à-vis the Company's market capitalisation. It should be noted that the Group's market capitalisation in financial year ending 31 December 2016 has come under pressure during a systematic downturn in the marine and offshore industry, affecting all companies in the marine

and offshore sector. Accordingly, the Group's market capitalisation is not reflective of the Group's aggregate value, which as an asset heavy business is more fairly and accurately reflected by its net asset value, and hence referencing the market capitalisation for the purpose of Rule 1006 determination is actually vastly inaccurate in reflecting the percentage value constitution of the Vessels vis-à-vis the Group. The Company's market capitalisation (based on the year end closing price of each financial year (and the first half closing price for that financial year, in the case of financial year ending 31 December 2015)) between financial year ending 31 December 2012 and the first half of financial year ending 31 December 2015 ranged between approximately S\$48.6 million and S\$106.9 million. The second half of financial year ending 31 December 2015 was approximately the time when the systematic down turn in the shipping industry began. Had the Proposed Disposal been undertaken in previous years, the relative figure under Rule 1006(c) would not have crossed the 20% threshold.

2.3 Extraordinary general meeting and shareholders' undertaking to vote in favour

As the SGX-ST has granted the Waiver, the Company will not be convening an EGM to seek shareholders' approval for the Proposed Disposal if it does materialise and definitive documentation is entered into. However, as per paragraph 2.2(a) above, the Company will procure delivery of duly executed undertakings from shareholders of the Company holding in aggregate more than 50% of the issued share capital of the Company confirming that if an extraordinary general meeting ("**EGM**") has to be convened for the purpose of approving the Proposed Disposal, such shareholders would vote in favour of the Proposed Disposal, on the basis that the Consideration is no less than S\$6,300,000.

3. **CAUTIONARY STATEMENT**

- 3.1 Notwithstanding that (i) the Company is currently in negotiations with potential unrelated third party purchaser(s) regarding the Proposed Disposal; and (ii) the grant of the Waiver by the SGX-ST, there is no assurance that (i) the Proposed Disposal would materialise and/or definitive documentation would be entered into; and/or (ii) in the event the Proposed Disposal does materialise and definitive documentation is entered into, the Proposed Disposal would be completed.
- 3.2 Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully and to exercise caution when trading or dealing in their shares of the Company. Shareholders and potential investors should seek advice from their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubts about the actions they should take.
- 3.3 The Company will make further announcement(s) in relation to the Proposed Disposal as and when there are any material developments on the same.

BY ORDER OF THE BOARD

Chua Meng Hua
Managing Director and Chief Executive Officer
11 April 2018