



BENG KUANG MARINE LIMITED
Registration No. 199400196M

PROPOSED DISPOSAL OF VESSELS

1. INTRODUCTION

The board of directors (the “**Board**”) of Beng Kuang Marine Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the announcement dated 11 April 2018 in relation to the grant of waiver (the “**Waiver**”) from compliance with Rule 1014 of the listing manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) in respect of the proposed disposal of four (4) sets of tugs and barges (the “**11 April 2018 Announcement**”). Further to the 11 April 2018 Announcement, the Board wishes to announce that PT Marina Shipping (“**PTMS**”), a wholly-owned subsidiary of the Company has on 5 June 2018 entered into four agreements (the “**Agreements**”) with an Indonesian Company, PT Quanta Indonesia (the “**Purchaser**”), an unrelated third party, for the sale of the four (4) Sets of Tugs and Barges (the “**Vessels**”) (the “**Proposed Disposal**”).

As the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a “major transaction” under Chapter 10 of the Listing Manual and accordingly, is subject to disclosure and announcement requirements under Chapter 10 of the Listing Manual but, by virtue of the Waiver granted by SGX-ST, is exempt from the shareholders’ approval requirement under Rule 1014(2) of the Listing Manual.

2. INFORMATION ON THE VESSELS

PT Marina Shipping (“**PTMS**”), a wholly-owned subsidiary of Beng Kuang Marine Limited is engaged in the business activities of chartering of tugs and barges mainly in Indonesia since 2011. Currently, the total fleet of vessels comprises eight (8) tugs and six (6) barges, all flagged in Indonesia.

3. PROPOSED DISPOSAL

3.1 Sale Consideration

The aggregate sale price for these Vessels is S\$6,300,000 (“**Sale Consideration**”) and was arrived at on a willing buyer-willing seller basis. The fair market value of approximately S\$5,580,000 is based on the valuation reports dated 5 May 2017 (the “**Valuation Reports**”) for three (3) sets of tugs & barges conducted by ALC Consulting Services Pte Ltd, an independent professional valuer engaged by the Company (the “**Valuation**”). These valuations were given after consideration of transactions done on or about the prevailing time in the open market on the basis of willing buyer and willing seller of similar vessels in “average condition”. The value of the remaining set of tugs and barges was derived from the foregoing valuation of sets with similar technical specifications.

The Sale Consideration shall be paid to PTMS in the following manner:-

- (i) Deposit of an aggregate of S\$200,000 upon the signing of the Agreements; and

- (ii) First (1) instalment of an aggregate of S\$107,500 to be paid within thirty (30) days after delivery of the Vessels; and
- (iii) Second (2) to Twelve (12) monthly instalments of an aggregate of S\$107,500; and
- (iv) Thirteenth (13) to Thirty-Six (36) monthly instalments of an aggregate of S\$130,000; and
- (v) Final payment of S\$1,690,000 on the completion of the sale and purchase of the Vessels.

Completion and transfer of vessels' title to the Purchaser shall take place when the full purchase price is received.

3.2 Condition Precedent

The Agreements are conditional upon the grant of waiver from the SGX-ST of the requirement for the Company to obtain approval from its shareholders for PTMS to proceed with the Agreements (the "**Condition Precedent**").

As at the date of this announcement, the Condition Precedent has been fulfilled.

4. RATIONALE

The Proposed Disposal marks an opportunity for the Company to realise the value of the vessels, and to free up cash and liquidity for the Group by monetising certain non-core and loss-making assets. The objective of the Group is to move towards a capital asset-light business model, and the proposed disposal represents a step in that direction in reducing the risk of potential vessel impairment in view of the weak marine and offshore industry.

In addition, as PTMS has been loss making for the past three (3) years, the management has made a strategic assessment to cut further losses as soon as possible and to realise the value of the vessel at a potential sale value that is higher than the Valuation conducted in 2017.

5. PROPOSED USE OF PROCEEDS

The Group will utilise the proceeds of the Proposed Disposal for working capital purposes.

6. FINANCIAL EFFECT

For illustrative purposes only, based on the latest audited consolidated financial statements of the Group for the year ended 31 December 2017 ("**FY2017**"), the financial effects of the Proposed Disposal are set out below:-

	Before the Proposed Disposal	After the Proposed Disposal
NTA per ordinary share in the capital of the Company for FY2017 ⁽¹⁾ (cents)	47.66	47.57
(Loss) / Earnings per Share for FY2017 ⁽²⁾ (cents)	(8.13)	(8.22)

	Before the Proposed Disposal	After the Proposed Disposal
Net Gearing (times)	0.69	0.69

Notes:

- (1) The impact on net tangible asset per share as illustrated in the table above is computed based on the announced unaudited balance sheet of the Group as at 31 December 2017, assuming that the Proposed Disposal had been completed on 31 December 2017.
- (2) The impact on earnings per share as illustrated in the table above is computed based on the audited profit and loss statement of the Group for the financial year ended 31 December 2017, assuming that the Proposed Disposal had been completed on 1 January 2017.

There is no impact on the share capital.

7. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

The relative figures for the Proposed Disposal computed on the bases set out in Rule 1006 of the Listing Manual based on the Company's latest announced unaudited consolidated financial statements of the Group for 31 March 2018 and audited FY2017 are as follows:-

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006	
		Based on 31-03-2018	Based on 31-12-2017
1006 (a)	Net asset ⁽¹⁾ value of the assets to be disposed of, compared with the Group's net asset value	The net asset value of the Vessels as at 31 March 2018 is approximately S\$6.42 million and this represents approximately 10.3% of the Group's net asset value of approximately S\$62.47 million as at 31 March 2018. ⁽²⁾	The net asset value of the Vessels as at 31 December 2017 is approximately S\$6.42 million and this represents approximately 10.0% of the Group's net asset value of approximately S\$64.41 million as at 31 December 2017. ⁽²⁾
1006 (b)	Net profits ⁽³⁾ attributable to the assets disposed of, compared with the Group's net profit	Net losses attributable to the Vessels is approximately S\$0.12 million as at 31 March 2018 compared with the Group's S\$1.56 million net loss before tax and exclude extraordinary items as at 31 March 2018 is approximately 7.7%.	Net losses attributable to the Vessels is approximately S\$1.03 million as at 31 December 2017 compared with the Group's S\$11.25 million net loss before tax and exclude extraordinary items as at 31 December 2017 is approximately 9.2%.

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006	
		Based on 31-03-2018	Based on 31-12-2017
1006 (c)	Aggregate value of the consideration received, compared with the Company's market capitalisation ⁽⁴⁾ based on the total number of issued shares excluding treasury shares	Based in the volume weighted average price of the Company's share transacted on 4 June 2018 at S\$0.085 per share (being the market day preceding the date of the Agreement), the aggregate value of the consideration to be received represents 54.9% of the Company's market capitalisation.	Based in the volume weighted average price of the Company's share transacted on 4 June 2018 at S\$0.085 per share (being the market day preceding the date of the Agreement), the aggregate value of the consideration to be received represents 54.9% of the Company's market capitalisation.
1006 (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 as the Proposed Disposal is not an acquisition.	Not applicable as the Proposed Disposal is not an acquisition.
1006 (e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable as the Proposed Disposal is not a disposal of mineral, oil, or gas assets by a mineral, oil and gas company.	Not applicable as the Proposed Disposal is not a disposal of mineral, oil, or gas assets by a mineral, oil and gas company.

Notes:

- (1) Under Rule 1002(3)(a), "**net asset**" means total assets less total liabilities.
- (2) As the net asset value of the Vessels is approximately S\$6.42 million and the proceed is S\$6.30 million, accordingly, the deficit of the proceeds vis a vis the book value of the Vessels is approximately S\$120,000.
- (3) Under Rule 1002(3)(b), "**net profit**" means profit or loss before income tax, minority interests and extraordinary items.
- (4) 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 the relative figure computed under Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a major transaction under Chapter 10 of the Listing Manual.

8. WAIVER GRANTED BY THE SGX-ST

On 10 April 2018, the Company was granted the Waiver from SGX-ST of the requirement under Rule 1014(2) of the Listing Manual 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 SGX-ST is subject to conditions, which have been disclosed in the 11 April 2018 Announcement, and Board wishes to announce that these conditions have been met.

In particular, shareholders holding an aggregate of approximately 51.37% shareholding interest in the Company has delivered undertakings to the Company and the Singapore Exchange Regulation Pte Ltd undertaking that in the event an extraordinary general meeting has to be convened for the purpose of approving the Proposed Disposal, they would vote in favour of the Proposed Disposal, on the basis that the consideration for the Proposed Disposal is no less than S\$6,300,000.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, controlling shareholders or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Agreements and the Valuation Reports are available for inspection during normal business hours at the registered office of the Company at 55 Shipyard Road, Singapore 628141 for three (3) months from the date of this Announcement.

11. FURTHER ANNOUNCEMENTS

The Company will make further announcements in relation to the Proposed Disposal as and when there are material developments.

12. CAUTIONARY STATEMENT

Shareholders and potential investors should note that the payment of the Sale Consideration is subject to the payment schedule set out in paragraph 3.1 above and there is no certainty or assurance as at the date of this announcement that the PTMS will receive payment of the Sale Consideration in full. Accordingly, Shareholders and potential investors should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Chua Meng Hua
Managing Director and
Chief Executive Officer
5 June 2018