

APPENDIX

11 April 2005

This Appendix is circulated to Shareholders of Beng Kuang Marine Limited (“the Company”) together with the Company’s annual report. Its purpose is to explain to Shareholders the rationale and provide information to the Shareholders for proposed renewal of the Interested Person Transactions Mandate to be tabled at the Annual General Meeting to be held on 28 April 2005 at 11:00am at 55 Shipyard Road, Singapore 628141.

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

The Singapore Exchange Securities Trading Limited takes no responsibility for the correctness of any of the statements made, reports contained/referred to, or opinions expressed, in this Appendix.



BENG KUANG MARINE LIMITED

(Company Registration Number : 199400196M)
(Incorporated in the Republic of Singapore)

APPENDIX

IN RELATION

**TO DETAILS OF THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR
INTERESTED PERSON TRANSACTIONS**

DEFINITIONS

In this appendix ("Appendix"), the following definitions apply throughout unless otherwise stated:-

"AGM"	:	The annual general meeting of the Company to be convened on 28 April 2005, notice of which is set out in the Annual Report 2004 dispatched together with this Appendix
"Company"	:	Beng Kuang Marine Limited
"Group"	:	The Company and its subsidiaries
"Labroy"	:	Labroy Marine Limited
"Labroy Group"	:	Labroy and its subsidiaries
"Act"	:	The Companies Act (Chapter 50) of Singapore
"Board" or "Directors"	:	The directors of our Company as at the date of this Appendix
"Controlling Shareholder"		A person who holds directly or indirectly 15% or more of the nominal amount of our Shares, or in fact exercises control over our Company
"Executive Director"	:	The executive Director of our Company as at the date of this Appendix, unless otherwise stated, and "Non-Executive Director" refers to our non-executive Director.
"Executive Officers"	:	The executive officers of our Group as at the date of this Appendix, unless otherwise stated
"Independent Directors"	:	The independent Directors of our Company as at the date of this Appendix, unless otherwise stated
"Interested Person"	:	A director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder
"Interested Person Transaction"	:	Transactions proposed to be entered into between the Group and any interested person
"Latest Practicable Date"	:	March 14, 2005, being the latest practicable date prior to the printing of this Appendix
"Listing Manual"		The listing manual of the SGX-ST
"NTA"	:	Net tangible assets
"Securities Account"	:	Securities account maintained by a Depositor with CDP
"SGX SESDAQ"	:	Stock Exchange of Singapore Dealing and Automated Quotation System
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares of par value \$0.08 each in the capital of our Company

- “Shareholders” : Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the Depositors whose Securities Accounts are credited with Shares
- “Substantial Shareholder” : A person who owns directly or indirectly 5% or more of the total issued share capital in our Company or in a company, as the case may be
- “S\$” or “\$” and “cents” : Singapore dollars and cents, respectively
- “%” or “per cent.” : Per centum or percentage

The terms “Depositor”, “Depository Agent” and “Depository Register” shall have the same meanings ascribed to them respectively in Section 130A of the Act.

The expressions “our”, “ourselves”, “us”, “we” or other grammatical variations thereof shall, unless otherwise stated, mean our Company and subsidiaries.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and not otherwise defined in this Appendix shall have the same meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be.

Any reference to a time of day in this Appendix is made by reference to Singapore time unless otherwise stated.

BENG KUANG MARINE LIMITED

(Company Registration Number : 199400196M)

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1. Introduction

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM to renew the general mandate ("Shareholders' Mandate") that will enable the Group to enter into transactions with the Interested Person in compliance with Chapter 9 of the Listing Manual.

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its unlisted subsidiaries or unlisted associated companies proposes to enter with an interested person of the listed company. An "interested person" is defined as a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

Chapter 9 of the Listing Manual allows a listed company to seek a general mandate from its Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations which may be carried out with the listed company's interested persons, but not the purchase or sale of assets, undertakings or businesses provided such transactions are entered into at arm's length basis and on normal commercial terms and are not prejudicial to the interests of the listed company and its minority shareholders.

Pursuant to Chapter 9 of the Listing Manual, the general mandate, which was approved by the Shareholders on 25 August 2004, will continue in force until the forthcoming AGM. Accordingly, the Directors propose that the general mandate be renewed at the AGM to be held on 28 April 2005, to take effect until the next AGM of the Company.

General information relating to Chapter 9 of the Listing Manual, including the meanings of terms such as "interested person", "associate", "associated company" and "controlling shareholder", are set out in the annexure of this Appendix.

2. Shareholders' Mandate For Interested Person Transactions

2.1 Categories of Interested Persons

The renewed Shareholders' Mandate will apply to our transactions (as identified below) with:-

- a) Labroy Marine Limited, our controlling shareholder, and its subsidiaries ("Labroy Group"); and
- b) Hwah Hong Lorry Crane Service ("HHL partnership"). Mr Chua Beng Hock, an Executive Officer of our Group and the brother of our Executive Directors, Mr Chua Beng Kuang and Mr Chua Meng Hua, is a co-owner of the HHL partnership.

Transactions with the Labroy Group, HHL partnership or any other Interested Person of the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Mandate.

2.2 Categories of Interested Person Transactions

The Interested Person Transactions with the Labroy Group and/or HHL partnership which will be covered by the Shareholders' Mandate ("Mandate Transactions") includes the following:

- a) our provision of corrosion prevention services and infrastructure engineering services to the Labroy Group;
- b) our engagement of services and sub-contract work from the Labroy Group to fulfill our contractual commitments relating to our infrastructure engineering projects including but not limited to pipe

fabrication services and steel welding services, and our purchase of items necessary from the Labroy Group to carry out such work including steel materials, angle bars and electrodes ;

- c) our supply of hardware equipment and tools (such as electrode holders, welding cables, wire brushes) and other consumables (such as electrodes and gloves) to the Labroy Group;
- d) our engagement of sea transportation services from the Labroy Group for our projects and products; and
- e) our engagement of lorry and crane services from HHL partnership.

The Shareholders' Mandate will not cover any Mandate Transaction that is below S\$100,000 in value as the threshold and aggregation requirements of Chapter 9 of the Listing Manual would not apply to such transactions. Interested Person Transactions entered or to be entered into by the Group that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 of the Listing Manual.

2.3 Rationale for and Benefits of the Shareholders' Mandate

The Mandate Transactions are entered into or are to be entered into by our Group in its ordinary course of business. The Mandate Transactions are recurring transactions which are likely to occur with some degree of frequency and may arise at any time and from time to time. Our Directors are of the view that it will be beneficial to our Group to transact with the Labroy Group and HHL partnership. It is intended that the Mandate Transactions shall continue in the future as long as the Labroy Group and/or HHL partnership (as the case may be) are Interested Persons of our Group and so long as the transactions are at arm's length basis and on normal commercial terms and are not prejudicial to our Company and our minority Shareholders.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to announce and/or convene separate general meetings on each occasion in order to seek Shareholders' prior approval for the entry by our Group into Mandate Transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficiency, and allow resources and time of the Group to be focused towards other corporate and business opportunities.

The Shareholders' Mandate is intended to facilitate the Mandate Transactions, provided that they are carried out at arm's length basis and on normal commercial terms and are not prejudicial to our Company and minority Shareholders.

2.4 Review Procedures for Mandate Transactions

To ensure that Mandate Transactions are undertaken at arm's length basis and on normal commercial terms and are consistent with our Group's usual business practices and policies, which are generally no more favourable to the Labroy Group and HHL partnership than those extended to unrelated third parties, we will adopt the specific guidelines and procedures as set out below:-

- (i) All Mandate Transactions of which are S\$100,000 and above in value shall not be entered into unless the terms are determined as follows:-
 - (a) In relation to the sale of products to Labroy Group, the selling price or fee shall not be more favourable to the Labroy Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship and potential for future repeated business;
 - (b) In relation to the supply of services to Labroy Group, the fee shall not be more favourable to the Labroy Group than that offered to the Group's unrelated third party customers in recent transactions after taking into consideration non-price factors as

mentioned in (a) above and additional factors such as the type of facilities available and material requirements; and

- (c) In relation to the purchase of items and the engagement of services from Labroy Group and HHL partnership, our Group shall obtain two other quotations from non-Interested Persons for comparison. The purchase price or fee shall not be less favourable to our Group than the most competitive price or fee of the other quotations from non-Interested Persons. In determining the most competitive price or fee, non-price factors such as quality, delivery time, credit terms granted and track record will be taken account.
- (ii) In the event that it is not possible for external quotations to be obtained (for instance, if there is no unrelated third party who is able to provide the same products or perform the same function) or there are no relevant successful sales of products or services to unrelated third party customers for our comparison, our Group will adopt the following procedures to determine whether the prices or fees offered by or to the Labroy Group and HHL partnership are in accordance with the industry norms, at arm's length basis and on normal commercial terms:-
- (a) For purchases of products and/or engagement of services from the Labroy Group and HHL partnership, our purchase price must be no less favourable to the Group than that charged by the Labroy Group and/or HHL partnership to their other unrelated customers after taking into consideration other non-price factors such as quality, delivery time, track record, and credit terms granted. We will obtain from the Labroy Group, HHL partnership and elsewhere, the necessary evidence to satisfy ourselves that the basis set out herein have been adhered to in our purchases from them. We will also consider the cost and benefits of such transactions to our Group; and
 - (b) For sale of products and services to the Labroy Group, the price charged by our Group shall be determined in accordance with the Group's usual business practices and consistent with the Group's profit margin to be obtained by the Group for the same or substantially the same products and services after taking into consideration non-price factors such as customers' credit standing, volume of transactions, delivery requirements, length of business relationship, type of working facilities and equipment available, scope of supply of materials and potential for future repeat business.
- (iii) In addition, the following review and approval procedures will be implemented by our Group.
- (a) Any Mandate Transaction which equals or exceeds more than S\$100,000 but less than or equal to 3% of our Group's latest audited NTA in value will be reviewed and approved by either a Director, the Financial Controller or an Executive Officer of our Group (each of whom shall not be an Interested Person in respect of the particular transaction) prior to entering into the transaction;
 - (b) Any Mandate Transaction which exceeds 3% of our Group's latest audited NTA in value will be reviewed and approved by the Audit Committee prior to entering into the transaction.
- (iv) Our Group has also implemented the following procedures for the identification of Interested Persons and the recording of Interested Person Transactions (including the Mandate Transactions):-
- (a) The Company will maintain a list of Interested Persons (which is to be updated immediately if there are any changes), and disclose the list to relevant key personnel of each subsidiary to enable identification of Interested Persons. The master list of Interested Persons which is maintained shall be reviewed on at least a quarterly basis;

- (b) The Company will maintain a register of transactions carried out with Interested Persons (recording the basis, including the quotations obtained to support such basis, on which they are entered into); and
- (v) Our Audit Committee will review the Interested Person Transactions on at least a quarterly basis as part of its standard procedures while examining the adequacy of the Group's internal controls including those relating to Interested Person Transactions. Our Board will also ensure that all disclosures, approvals and other requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.
- (vi) In the event that the Financial Controller, Executive Officer, Director or a member of our Audit Committee (where applicable) is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction. Our Board will also ensure that all disclosure requirements on Interested Person Transactions, including those required by prevailing legislation, the Listing Manual and accounting standards, are complied with.
- (vii) Our Audit Committee shall review from time to time the above guidelines and procedures to determine if they are adequate and/or commercially practicable in ensuring that Mandate Transactions are conducted at arm's length basis and on normal commercial terms and are not prejudicial to our Company and minority Shareholders. Further, if during these periodic reviews by our Audit Committee, our Audit Committee is of view that the guidelines and procedures as stated above are inappropriate or are not sufficient to ensure that the Mandate Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to our Company and minority Shareholders, our Company will (pursuant to Rule 920(1)(B)(IV) and (VII) of the Listing Manual) revert to Shareholders for a fresh mandate based on new guidelines and procedures.

2.5 Audit Committee's Statements

- a) The Audit Committee (currently comprising Mr Goh Chee Wee, Dr Wong Chiang Yin and Mr Yong Thiam Fook) has reviewed the terms of the Shareholders' Mandate and is satisfied that the review procedures for the Interested Person Transactions, as well as the reviews to be made periodically by the Audit Committee in relation thereto, are sufficient to ensure that the Interested Person Transactions will be made with the relevant categories of Interested Persons at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee confirms that the methods and procedures for determining the transaction prices have not changed since the last Shareholders' approval which took place on 25 August 2004.
- b) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are not sufficient to ensure that the Interested Person Transactions will be at arm's length basis and on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek our Shareholders for a fresh mandate based on new guidelines and procedures for transactions with Interested Persons.
- c) The Audit Committee will also ensure that all disclosure and approval requirements for Interested Person Transactions, including those required by the prevailing legislation, the Listing Manual and the applicable accounting standards, as the case may be, are complied with.

3. Directors' And Substantial Shareholders' Interests

The interests of the Directors and the Substantial Shareholders in shares as at Latest Practicable Date are set out below:

	Direct interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Tan Boy Tee ⁽²⁾	100,000	0.09	48,570,875	41.78
Chua Beng Kuang ⁽¹⁾	11,766,500	10.12	—	—
Chua Meng Hua ⁽¹⁾⁽⁵⁾	11,666,500	10.04	84,000	0.07
Yong Thiam Fook ⁽⁴⁾	50,000	0.04	—	—
Goh Chee Wee	100,000	0.09	—	—
Wong Chiang Yin	100,000	0.09	—	—
Substantial Shareholders				
Labroy Marine Limited ⁽³⁾	48,570,875	41.78	—	—
Chua Beng Yong ⁽¹⁾	11,666,500	10.04	—	—
Chua Beng Hock ⁽¹⁾	11,666,500	10.04	—	—

In the event that any of the above Directors and Substantial Shareholders is interested in any Interested Person Transaction, he will abstain from reviewing and/or approving that particular transaction.

Notes:-

- (1) Chua Beng Kuang (our Managing Director), Chua Meng Hua (our Executive Director), Chua Beng Yong (our Executive Officer) and Chua Beng Hock (our Executive Officer) are brothers.
- (2) Tan Boy Tee is deemed to be interested in 48,570,875 Shares held by Labroy Marine Limited in our Company by virtue of his interest in shares representing 59.79% of the total issued share capital in Labroy at the Latest Practicable Date.
- (3) Labroy Marine Limited is a company incorporated in Singapore and is listed on the Main Board of the SGX-ST. Its business activities are mainly shipping, shipbuilding and repair, and technology. Its directors are Tan Boy Tee, Chan Sew Meng @ Chan Kwan Bian, Ong Lian Choon, Sitoh Yih Pin and Peter Chen Siow Hsing. Our Non-Executive Directors, Tan Boy Tee and Yong Thiam Fook, are nominated by Labroy as its representatives.
- (4) Yong Thiam Fook is the Chief Financial Officer of Labroy Marine Limited.
- (5) Chua Meng Hua is deemed to be interested in the shares of his spouse, Mdm Won Siew Wan, who has an interest in 84,000 Shares.

4. Directors' Recommendations

The Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate are Mr Goh Chee Wee and Dr Wong Chiang Yin (the "Independent Directors"). The Independent Directors are of the opinion that the entry into the Interested Person Transactions by the Group in the ordinary course of business will enhance the efficiency of the Group and is in the best interests of the Company. For reasons set out in paragraph 2.3 of this Appendix, the Independent Directors recommend that Shareholders vote in favour of Resolution 9, being the Ordinary Resolution relating to the proposed renewal of the Shareholders' Mandate at the forthcoming AGM.

5. Annual General Meeting

The AGM, notice of which is set out in the Annual Report 2004 of the Company, will be held on 28 April 2005 at 11.00 a.m. at 55 Shipyard Road, Singapore 628141 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

6. Action to be taken by shareholders

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his or her behalf, he or she should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with instructions printed thereon as soon as possible and, in any event, so as to reach the Company at 55 Shipyard Road, Singapore 628141 not later than 48 hours before the time fixed for the AGM. Completion and return of the Proxy Form by a Shareholder will not prevent him or her from attending and voting at the AGM if he or she so wishes. As Rule 919 of the Listing Manual requires that interested persons must not vote on any shareholders' resolution approving any mandate in respect of any interested person transactions, each of the interested persons referred to in paragraph 2.1 above together with their associates who are shareholders of the Company shall abstain from voting in respect of Ordinary Resolution 9 at the AGM to be held on 28 April 2005.

7. Inspection of documents

Copies of the audited financial statements of the Company for the last two financial years ended 31 December 2003 and 2004 are available for inspection at the registered office of the Company at 55 Shipyard Road, Singapore 628141 during normal business hours from the date of the Appendix up to the date of AGM.

8. Directors' responsibility statement

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Appendix are fair and accurate and that there are no material facts the omission of which would make any statement in this Appendix misleading.

GENERAL INFORMATION RELATING TO CHAPTER 9 OF THE LISTING MANUAL

Scope

Chapter 9 of the Listing Manual applies to transactions which a listed company or any of its subsidiaries (other than a subsidiary that is listed on an approved stock exchange) or associated companies (other than an associated company that is listed on an approved stock exchange or over which the listed group and/or its interested person(s) has no control) proposes to enter into with a counter-party who is an interested person of the listed company.

Definitions

An “interested person” means a director, chief executive officer or controlling shareholder of the listed company or an associate of such director, chief executive officer or controlling shareholder.

An “associate” includes an immediate family member (that is, the spouse, child, adopted child, stepchild, sibling or parent) of such director, chief executive officer, substantial shareholder or controlling shareholder, or any company in which the director/his immediate family, the chief executive officer/his immediate family, substantial shareholder/his immediate family or controlling shareholder/his immediate family has an aggregate interest (directly or indirectly) of 30% or more, and, where a controlling shareholder is a corporation, its subsidiary or holding company or fellow subsidiary or a company in which it and/or they have (directly or indirectly) an interest of 30% or more.

An “associated company” means a company in which at least 20% but not more than 50% of its shares are held by the listed company or the group.

A “controlling shareholder” means a person who holds (directly or indirectly) 15% or more of the nominal amount of all voting shares in the listed company or one who in fact exercises control over its listed company.

General Requirements

Except for certain transactions which, by reason of the nature of such transactions, are not considered to put the listed company at risk to its interested person and are hence excluded from the ambit of Chapter 9 of the Listing Manual, immediate announcement, or, immediate announcement and shareholders’ approval would be required in respect of transactions with interested persons if certain thresholds (which are based on the value of the transaction as compared with the listed company’s latest audited consolidated NTA), are reached or exceeded. In particular, shareholders’ approval is required where:

(a) the value of such transaction is equal to or exceeds 5% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 5% of the latest audited consolidated NTA of the group.

Immediate announcement of a transaction is required where:

(a) the value of such transaction is equal to or exceeds 3% of the latest audited consolidated NTA of the group; or

(b) the value of such transaction when aggregated with the value of all other transactions previously entered into with the same interested person in the same financial year of the group is equal to or exceeds 3% of the latest audited consolidated NTA of the group.

General Mandate

A listed company may seek a general mandate from its shareholders for recurrent transactions with interested person of a revenue or trading nature or those necessary for its day-to-day operations such as the purchase and sale of supplies and materials but not in respect of the purchase or sale of assets, undertakings or businesses. A general mandate is subject to annual review.