

BENG KUANG MARINE LIMITED

Registration No. 199400196M

NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED DISPOSAL OF SHARES IN THE ISSUED CAPITAL OF AN WHOLLY OWNED SUBSIDIARY, ASIAN SEALAND ENGINEERING PTE LTD

1. INTRODUCTION

The Board of Directors of Beng Kuang Marine Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company has on 14th August 2018 entered into a non-binding term sheet (the “**Term Sheet**”) with a potential buyer (the “**Purchaser**”) in relation to the Company’s proposed disposal of all the issued share capital of its wholly-owned subsidiary, Asian Sealand Engineering Pte Ltd (“**ASE**”) for a consideration of S\$14,000,000 (the “**Purchase Consideration**”) (the “**Proposed Disposal**”).

2. INFORMATION OF ASE

Asian Sealand Engineering Pte Ltd is a wholly-owned subsidiary of Beng Kuang Marine Limited and its business activities are shop steel fabrication, shop blasting and painting business. As at the date of this Announcement, ASE has two 51%-owned subsidiaries, namely (i) International Offshore Equipment Pte Ltd and (ii) International Offshore Equipment Canada Inc, (collectively, the “**ASE Subsidiaries**”).

3. RATIONALE

The rationale for the Proposed Disposal is to increase cash and liquidity for the Group, to relieve the heavy loan and interests burden, thereby reducing the impact of increasing interest rates on the Group’s profit margin as well as to reduce the overall debt gearing for the Group by reducing its reliance on bank borrowings.

4. SALIENT TERMS OF THE TERM SHEET

The Term Sheet is intended to be a basis for the further negotiation of the terms that will constitute the legally binding Sale and Purchase Agreement that the parties to the Term Sheet will enter into concerning the Proposed Disposal.

Purchase Consideration

The Purchase Consideration is based on the net book value of the leasehold property together with machinery and equipment held by ASE which was valued at S\$7,942,532 as at 30th June 2018. The Purchase Consideration will be satisfied by the Purchaser by way of cash. The Purchase Consideration was arrived at on a willing buyer willing seller basis.

Condition Precedent

The Proposed Disposal is subject to, but not limited to, *inter alia*, the following conditions precedent being met or otherwise waived by the Purchaser:

- (a) The completion of the corporate restructuring of ASE and ASE Subsidiaries (the “**Corporate Restructuring**”) to the reasonable satisfaction of both the Purchaser and the Company such that (i) the ownership of the ASE Subsidiaries are transferred to the Company or any of its subsidiaries and (ii) the only asset remaining on the ASE balance sheet shall be the Shipyard (as defined below) attached with no other liabilities save as in connection with existing

business contracts which cannot be novated and/or assigned from ASE to the Company or any other subsidiary of the Company. For the avoidance of doubt, ASE shall be transferred free of liabilities and debt;

- (b) The results of the legal and financial due diligence investigations conducted by the Purchaser and/or its advisors on ASE being satisfactory to the Purchaser (as determined by the Purchaser at its absolute discretion), save that the scope of such due diligence shall not cover existing assets and/or liabilities that is not intended to be and/or will not be present on the balance sheets of ASE as at completion date;
- (c) Satisfactory execution and completion of the Sale and Purchase Agreement;
- (d) Approvals from shareholders of the Company (to the extent required under law and listing rules of the SGX-ST) during an extraordinary general meeting convened for the purpose of seeking the approval of shareholders of the Company for the Proposed Disposal (including the Corporate Restructuring);
- (e) Approvals from the board of directors of the Company;
- (f) All requirements under law and the listing rules of the SGX-ST as deemed applicable by the Company in its sole discretion to the Proposed Disposal and Corporate Restructuring being complied with; and
- (g) All consents, approvals, licenses, permits, waivers and exemptions (collectively “**Approvals**”) for the proposed transaction and as provided for in the Sale and Purchase Agreement being granted by third parties including all legislative, executive, regulatory, judicial or other authorities in Singapore and elsewhere and, where any such Approval is subject to conditions, such conditions being acceptable to the Purchaser and, if such conditions are required to be fulfilled before completion of the proposed transaction, such Approvals remaining in full force and effect.

The Parties agree that the Sale and Purchase Agreement shall also include other conditions precedent as reasonably required by the Purchaser arising out of its due diligence investigations

Save for the provisions relating to access to information, validity period, exclusivity, confidentiality, rights of third parties, signing in counterparts, governing law and dispute resolution, completion date, expenses and legal effect, the Term Sheet is not intended to be legally binding between the Purchaser and the Company. It sets out the preliminary intentions of the Purchaser and the Company with regards to the Proposed Disposal and is subject to the Purchaser and the Company entering into a Sale and Purchase Agreement. The Parties shall use their best endeavours to negotiate and finalise the Sale and Purchase Agreement as soon as practicable but in any event not later than 45 days from the date of execution of the Term Sheet or such other date as the Company and Purchaser may mutually agree to in writing.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal save for their interests arising by way of their shareholdings in the Company.

6. FURTHER ANNOUNCEMENTS

The Company will make further announcements as and when appropriate, including information required under Chapter 10 of the Listing Manual, when a Sale and Purchase Agreement has been entered into in relation to the Proposed Disposal.

The Board wishes to emphasise that there is no certainty or assurance that a Sale and Purchase Agreement in respect of the Proposed Disposal will be entered into, or that the Proposed Disposal will materialise. Shareholders and potential investors of the Company should consult their stock brokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Chua Meng Hua
Managing Director &
Chief Executive Officer
14 August 2018