BENG KUANG MARINE LIMITED
Registration No. 199400196M

SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL OF ALL THE SHARES IN THE ISSUED CAPITAL OF AN WHOLLY-OWNED SUBSIDIARY, ASIAN SEALAND ENGINEERING PTE. LTD.

1. INTRODUCTION

Further to the Announcement dated 14 August 2018, 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 23 January 2019 entered into a Sale And Purchase Agreement (the "**SPA**") with Lanco Construction & Engineering Pte Ltd (the "**Purchaser**") in relation to the Company's proposed disposal of all the issued share capital ("**Sale Shares**") 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 ON ASE AND PURCHASER

Asian Sealand Engineering Pte Ltd is a wholly-owned subsidiary of Beng Kuang Marine Limited and its business activities are process and industrial plant engineering design and consultancy services. As at the date of this Announcement, ASE has two 51%-owned subsidiaries, namely (i) International Offshore Equipments Pte Ltd and (ii) International Offshore Equipment Canada Inc, (collectively, the "**ASE Subsidiaries**").

Due to the weak offshore, oil and gas market condition, ASE had incurred retained losses of S$5.19 million as at 30 September 2018 and retained losses S$3.99 million as at 31 December 2017.

Lanco Construction & Engineering Pte Ltd is a company registered in Singapore and having its registered office at 50 Tuas Basin Link, Singapore 638773. Tay Tuang Heng is the major shareholder and is also one of the directors of the Purchaser. The Purchaser, its directors and shareholders are third party independent from and not connected with the directors, key management or controlling shareholder(s) of Beng Kuang Marine Limited and/or their respective associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and do not have any interest in the securities or shares of Beng Kuang Marine Limited. Its business activities are building construction and value-added logistics providers.

3. PROPOSED DISPOSAL

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 30 June 2018. The Purchase Consideration which was arrived at on a willing buyer willing seller basis will be satisfied by the Purchaser by way of cash.

The Purchase Consideration shall be paid to ASE in the following manner: -

(i) Deposit of S$1,400,000 was paid upon signing the non-binding term sheet on 14 August 2018; and

(ii) Final payment of S$12,600,000 on completion of the SPA.

The Proposed Disposal is expected to be completed on the 10th business day after fulfilment or waiver of all the conditions precedent stated in the SPA ("**Completion Date**").

4. CONDITIONS PRECEDENT

The completion of the sale and purchase of the Sale Shares ("**Completion**") is conditional upon the fulfilment or waiver of, *inter alia*, the following conditions precedent:

(a) the completion of the Corporate Restructuring to the reasonable satisfaction of both the Company and the Purchaser; "Corporate Restructuring" is defined in the SPA as completion of a corporate restructuring and/or balance-sheet reorganisation by the Company to the effect that as at Completion Date, the assets and liabilities of the ASE shall comprise the premises at 55 Shipyard Road Singapore (the "**Shipyard**") on an unencumbered basis, other assets, the licences, the remaining contracts, the remaining employees, the continuing accounts payable and the continuing accounts receivable;

(b) the results of the legal and financial due diligence investigations conducted by Purchaser and/or its advisors on the Company (the "**Purchaser's Due Diligence**") being satisfactory to 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 sheet of the Company as at Completion Date;

(c) ASE having complied with the terms of the lease granted to ASE by Jurong Town Corporation ("**JTC**");

(d) approvals from shareholders of Company (to the extent required under law and listing rules of the SGX-ST) during an Extraordinary General Meeting ("**EGM**") of the Company to be convened for the purpose of seeking the approval of shareholders of Company for the Proposed Disposal;

(e) subject to JTC's approval being obtained, the execution of a tenancy agreement between ASE as the lessor and the Vendor as the lessee substantially in the form set out in SPA, for a tenure of 3 years from the Completion Date,

comprising not more than 30% of the gross floor area of the premises at 55 Shipyard Road, Singapore together with furniture and fittings thereon;

(f) the execution of an equipment rental agreement between ASE as the lessor and the Vendor as the lessee substantially in the form set out in SPA;

(g) all warranties, covenants and undertakings of the Purchaser and the Vendor having been complied with as at the Completion Date;

(h) no event, change or effect having occurred or being likely to occur which has resulted or is likely to result in a material adverse change or material adverse deterioration in condition of the Shipyard and the assets;

(i) 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;

(j) no applicable laws having been enacted, amended or proposed which would prohibit, materially restrict or materially delay the implementation of the transactions contemplated in the SPA or the operation of the Shipyard;

(k) all consents, approvals, licenses, permits, waivers and exemptions (collectively "**Approvals**") for the Proposed Disposal and the sale of the Sale Shares to the Purchaser being granted 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 Date, such Approvals remaining in full force and effect. For the avoidance of doubt, such third-party approvals shall include but not be limited to the Approvals from JTC as the head landlord in respect of the Shipyard, if applicable;

(l) the discharge and/or restructuring of all existing loans and indebtedness of the Company to the satisfaction of the Purchaser.

If any of the conditions precedent is not fulfilled or not waived by the Company and/ or Purchaser within six (6) months from the date of the SPA, the SPA shall cease and determine, and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise except for antecedent breaches of the terms of the SPA.

5. MATERIAL TERMS

The Company has, among other things, agreed with the Purchaser the following:

(a) to carry out the Corporate Restructuring such that the licences continue to be held by the Company, and only the Shipyard, the assets, the remaining contracts, the remaining employees, the continuing accounts payable and the continuing accounts receivable remain on the balance sheet of the Company as at the Completion Date;

(b) to complete the remaining contracts after Completion as a subcontractor of ASE and that no subcontracting fees shall be payable for the performance of the remaining contracts after Completion;

(c) that it shall fully reimburse the Purchaser and/or ASE for all payments of continuing accounts payable which are made by ASE following Completion;

(d) to maintain a banker's guarantee for US$353,763.70 for the Company's performance of one of the remaining contracts.

The Company has agreed to indemnify the Purchaser in relation to the following, amongst others: -

- any claim for taxation (including any claim by, or penalties or fines imposed by any tax authority) which has been made or may hereafter be made (i) in respect of or arising from any transaction effected or deemed to have been effected on or before Completion; (ii) by reference to any grants, sales, income, profits or gains made, earned, accrued or received on or before Completion or in respect of a period ended on or before Completion; or (iii) in respect of or arising from any failure by the Company to satisfy in full its liability to taxation arising out of or in connection with the disposal of the Sale Shares hereunder, under applicable laws, as well as all costs and expenses incurred by the Company or the Purchaser in relation to the foregoing;

- any claim against ASE and/or the Purchaser by or in any way connected with any of ASE's employees (including but not limited to the remaining employees) and/or due to the termination of employment of any of ASE' s employees;

- any loss incurred by ASE pursuant to all contracts, agreements and arrangements entered into by ASE arising from events on, before or after Completion (including but not limitation to the termination and/or novation thereof);

- any breach of the Company's undertaking to fully reimburse the Purchaser and/or ASE for all payments of continuing accounts payable which are made by ASE following Completion.

In addition, the Company has made certain representations and warranties customarily given in a transaction of this nature.

6. RATIONALE

The rationale for the Proposed Disposal is to increase cash and liquidity for the Group and to relieve the heavy loan and interest 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.

The Board is of the view that the Proposed Disposal is in the best interest of the Company and will also enable the Company to focus on its core businesses.

7. PROPOSED USE OF PROCEEDS

The Group will utilise the proceeds in the following manner:-

	S$
Repayment of Bank loan	11,386,192
Broker Fees	560,000
Legal fee, EGM costs, others etc.	30,000*
ASE's creditors & working capital	2,023,808
Total	14,000,000

Note * - Based on estimated costs

8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

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

	Before the Proposed Disposal	**After the Proposed Disposal**
Net Tangible Assets per share (cts) (inclusive of minority interests)	**50.40**	**53.52**
Earnings/(Loss) Per Share (cts)	**(8.13)**	**(5.01)**
Net Gearing (times)	**0.69**	**0.46**
Positive/(Negative) Working Capital	**(S$5.72 million)**	**S$7.69 million**

The gain on Proposed Disposal is approximately S$4.2 million taking into account losses of S$1.1 million deferred tax credit which cannot be utilised by the Company.

9. 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 30 September 2018 are as follows: -

1006 (a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	The net asset value of the Sale Shares as at 30 September 2018 of approximately S$7.86 million represents approximately 13.5% of the Group's net asset value of S$58.43 million as at 30 September 2018.
1006 (b)	Net profits/(loss) attributable to the assets disposed of, compared with the Group's net profit	The net loss attributable to the Sale Shares of approximately S$1.20 million as at 30 September 2018 represents approximately 25.4% of the Group's S$4.73 million net loss before tax and extraordinary items as at 30 September 2018.
1006 (c)	Aggregate value of the consideration given, compared with the Company Market Capitalisation	The Purchase Consideration of S$14,000,000 represents approximately 185.17% of the Company's market capitalisation of S$7,560,583 as on 22 January 2019 (being the market day preceding the date of the SPA).
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
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 relative figures under Rule 1006(b) and Rule 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a "major transaction" as defined under Rule 1014 of the Listing Manual and is therefore subject to the approval of the Shareholders.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal save for their shareholdings (if any) in the Company.

11. SERVICE CONTRACT

As at the date of this Announcement, the Company has not entered and does not intend to enter into any service contract with any person in connection with the Proposed Disposal.

12. EXTRAORDINARY GENERAL MEETING AND CIRCULAR TO SHAREHOLDERS

A circular containing further details on the Proposed Disposal and enclosing a notice of extraordinary general meeting in connection therewith will be despatched to Shareholders of the Company in due course.

13. CAUTIONARY STATEMENT

Shareholders are advised to exercise caution in dealing in the Company's shares, and to read this announcement and any further update announcement(s) released by the Company carefully. As at the date of this announcement, Shareholders should be cautioned that there is no certainty or assurance that the Proposed Disposal will be completed. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Sale & Purchase Agreement are available for inspection at the registered office of the Company at 55 Shipyard Road, Singapore 628141 for 3 months from the date of this Announcement.

BY ORDER OF THE BOARD

Chua Meng Hua
Managing Director and Chief Executive Officer
23 January 2019