

MENCAST HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
(Company registration no.: 200802235C)

PROPOSED DISPOSAL OF THE PROPERTY AT 7 TUAS VIEW CIRCUIT, SINGAPORE 637642
– GRANT OF OPTION TO PURCHASE

1. Introduction

The Board of Directors ("**Board**") of Mencast Holdings Ltd. ("**Company**" and, together with its subsidiaries the "**Group**") wishes to announce that Mencast Marine Pte Ltd ("**Mencast Marine**"), a wholly owned subsidiary of the Company, has on 25 March 2019, granted to an independent third party purchaser (the "**Purchaser**") an option to purchase (the "**Option**") the property situated at 7 Tuas View Circuit, Singapore 637642 (the "**Property**") for a consideration of S\$13,500,000 (the "**Consideration**") on the terms and subject to the conditions of the Option (the "**Proposed Disposal**"). The Option will remain valid up to 4.00 p.m. on 8 April 2019.

The Purchaser is a company incorporated in Singapore and is not related to the Company, its subsidiaries or its controlling shareholder.

2. Information on the Property

The Property is situated at Lot MK7-4351P, with a lot area of 8501.20 square metres and a floor area of 8685.93 square metres. It is a leasehold property leased from the Jurong Town Corporation ("**JTC**") with a tenure of 30 years commencing from 1 December 1998 (with an option of a further term of 23 years commencing 1 December 2028 (the "**Further Leasehold Term**")), and is currently used by the Group to house the operations of Mencast Marine. The Property has been mortgaged to United Overseas Bank Limited ("**UOB**") under a mortgage executed by Mencast Marine in favour of UOB (the "**Mortgage**"), which is to be discharged before completion of the Proposed Disposal.

3. Principal Terms of the Proposed Disposal

- 3.1. Consideration: The Consideration was arrived at on a willing buyer, willing seller basis after taking into account, *inter alia*, a valuation report dated 23 January 2019 issued by RHT Chestertons Valuation and Advisory Pte. Ltd. and commissioned by UOB (the "**Valuation Report**"), and the rationale and use of proceeds as set out in paragraph 4 below. The Consideration is lower than the valuation of S\$16,300,000 but higher than the forced sale valuation of S\$13,000,000 and the Group is expected to record a net gain on the Proposed Disposal of approximately S\$5,100,000. The Consideration is also the only offer received by Mencast Marine since it started accepting offers for the Property in April 2018.

In accordance with the terms of the Option, the Consideration shall be payable by the Purchaser to Mencast Marine as follows:

- (a) the sum of S\$135,000 (the "**Option Fee**") upon the grant of the Option, equivalent to 1% of the Consideration and which has been paid by the Purchaser;
- (b) the sum of S\$675,000 (the "**Deposit**") equivalent to 5% of the Consideration, together with GST thereon less the Option Fee, which shall be payable by the Purchaser upon the exercise of the Option by the Purchaser; and

- (c) the balance of the Consideration, equivalent to 95% of the Consideration, which shall be payable by the Purchaser upon the completion of the Proposed Disposal (“**Completion**”).

In the event that the Option is not exercised by the Purchaser, the Option Fee will be forfeited to Mencast Marine and neither party will have any claim against the other in respect of the Option.

- 3.2. Conditions Precedent: The Proposed Disposal is subject to and conditional upon *inter alia* the following (the “**Conditions Precedent**”):

- (a) the written in-principle approval from JTC being obtained for the Proposed Disposal and the change of use of the Property (“**JTC Approval**”);
- (b) written confirmation from JTC being obtained for the grant to the Purchaser of an option to renew the leasehold term for the Further Leasehold Term;
- (c) the approval of shareholders of the Company (“**Shareholders**”) being obtained for the Proposed Disposal (“**Shareholders’ Approval**”); and
- (d) the Purchaser having received satisfactory replies to the usual legal requisitions sent to the various relevant government departments and authorities.

- 3.3. Completion: Subject to the fulfilment of the conditions set out in paragraph 3.2, Completion is expected to take place on *inter alia* the latest of the date falling (the “**Completion Date**”):

- (a) 14 weeks after the date of receipt of JTC Approval
- (b) 4 weeks after the date of receipt of Shareholders’ Approval; or
- (c) 20 weeks after the date of the exercise of the Option.

4. **Rationale and Use of Proceeds**

As previously announced by the Company on 1 February 2019 (the “**DRA Announcement**”), the Group had on 1 February 2019 entered into a Debt Restructuring Agreement with its Lenders (as defined in the DRA Announcement) for the restructuring of the Group’s existing debts owed to the said Lenders. The Proposed Disposal constitutes part of the Group’s on-going debt restructuring exercise which encompasses *inter alia* the disposal of under-utilized and/or non-core assets by way of a straight sale. The Board is of the view that the Proposed Disposal is in the best interests of the Company and its Shareholders, and it will allow the Group to free up its resources for allocation towards satisfying its debts.

The Company expects to receive net proceeds of approximately S\$13.3 million (the “**Net Proceeds**”) from the Proposed Disposal (after deducting professionals and related expenses incurred) and intends to use the Net Proceeds to repay the outstanding bank borrowings obtained from UOB in connection with the Property and to discharge the Mortgage, thereby helping to reduce the Group’s accrued and future interest payable. Any remainder will be applied towards the on-going debt restructuring exercise in accordance with the terms of the Debt Restructuring Agreement.

5. **Financial Effects**

- 5.1. Bases and Assumptions. The pro forma financial effects of the Proposed Disposal have been prepared based on the unaudited consolidated financial statements of the Group for the financial year ended 31

December 2018 and are purely for illustrative purposes only and do not reflect the actual future financial position of the Group following completion of the Proposed Disposal. The pro forma financial effects have also been prepared based on, inter alia, the following assumptions:

- (i) the Proposed Disposal had been effected on 31 December 2018, being the end of the most recently completed financial year of the Group, for illustrating the financial effects on the consolidated net tangible assets (“**NTA**”) of the Group;
- (ii) the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Group, for illustrating the financial effects on the consolidated earnings of the Group; and
- (iii) estimated expenses for the Proposed Disposal are assumed to be approximately S\$200,000.

5.2. **NTA**

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA attributable to Shareholders (S\$'000)	15,475	20,594
Number of Shares ('000)	425,919	425,919
NTA per Share attributable to Shareholders (cents)	3.63	4.84

5.3. **Earnings Per Share (“EPS”)**

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S\$'000)	(8,165)	(3,046)
Number of Shares ('000)	423,419	423,419
EPS/(Loss per Share (“ LPS ”)) (cents)	(1.93)	(0.72)

6. **Computation Pursuant to Rule 1006 of the SGX-ST Listing Manual**

- 6.1. For the purposes of Chapter 10 of the SGX-ST Listing Manual, the relative figures for the Proposed Disposal using the applicable bases of comparison under Rule 1006 of the Listing Manual based on the unaudited consolidated financial statements of the Group for the financial year ended 31 December 2018 are as follows:

Listing Rule	Content	Percentage (%)
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	32.5%
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. ⁽¹⁾	Not applicable as there is no profit attributable to the Property
Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	38.8%
Rule 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
Rule 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

Note:

- (1) No profit is attributable to the Property as it currently houses the operations of Mencast Marine which is planning to relocate its operations to the Group's Penjuru facilities this year.

As the relative figures in respect of Rule 1006(a) and 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a major transaction under Rule 1014(1) of the Listing Manual and is accordingly subject to the approval of shareholders at an extraordinary general meeting ("**EGM**") to be convened pursuant to Rule 1014(2) of the Listing Manual.

Accordingly, in the event that the Purchaser exercises the Option, the Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal and a circular containing details thereof will be dispatched to the Shareholders in due course.

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

7. Further Information

- 7.1. Directors' Service Contracts: No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.
- 7.2. Interests of Directors and Controlling Shareholders: None of the directors or controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal except through their shareholdings (if any) in the Company.
- 7.3. Documents Available for Inspection: A copy of the Option and the Valuation Report will be available for inspection during normal business hours at the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161, for a period of 3 months from the date of this Announcement.

- 7.4. Cautionary Statement: Shareholders and potential investors should note that the Proposed Disposal is in any event subject to the Purchaser's exercise of the Option and the Conditions Precedent, and there is no certainty or assurance as at the date of this announcement that the Proposed Disposal will be completed. Shareholders and potential investors are accordingly advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Executive Chairman & Chief Executive Officer
25 March 2019

About Mencast

Mencast Holdings Ltd. and its subsidiaries ("Mencast" or the "Group") is a regional maintenance, repair and overhaul ("MRO") solutions provider for the global Offshore, Oil & Gas and Marine sectors. Headquartered in Singapore, our Group was successfully listed in June 2008 as the first sponsor-approved listing on Singapore's SGX Catalist and later became the first such company to transfer to the SGX Mainboard.

For more information on Mencast, visit <http://www.mencast.com.sg>

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