

MENCAST HOLDINGS LTD.

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

PROPOSED DISPOSAL OF PRC SUBSIDIARY

1. Introduction

The Board of Directors ("**Board**") of Mencast Holdings Limited ("**Company**") and, together with its subsidiaries the "**Group**") wishes to announce that S&W Pte Ltd ("**S&W**"), a wholly owned subsidiary of the Company, has on 4 May 2018 entered into a sale and purchase agreement (the "**SPA**") for the disposal of S&W's entire stake in Changshu Honghua Equipment (Changshu) Co, Ltd. ("**Changshu**") on the terms and conditions of the SPA (the "**Proposed Disposal**"). Upon the completion of the Proposed Disposal, Changshu will cease to be an indirect subsidiary of the Company.

The Purchaser is a company incorporated in the PRC and is not related to the Company, its subsidiaries or its controlling shareholder (the "**Purchaser**").

2. Information on Changshu

Changshu is a wholly owned subsidiary of the S&W, and was incorporated in Changshu, Jiangsu, the People's Republic of China ("**PRC**") on 8 September 2009. As of 31 December 2017 and in conjunction with the sharp downturn in the oil and gas industry, Changshu has no operations and is inactive. Changshu was previously principally engaged in the business of manufacturing and processing of mechanical equipment, integrated equipment and parts of such equipment (mainly heat exchangers). As at the date of this announcement, the registered capital of Changshu is RMB65,997,150 (USD10,000,000).

Based on the latest announced consolidated audited financial statements of the Group for the financial year ended 31 December 2017 ("**FY2017**"), the net tangible asset value and net loss (before income tax, minority interests and extraordinary items) of Changshu is RMB39,031,000 and RMB13,718,000 respectively.

3. Principal Terms of the Proposed Disposal

- 3.1. Consideration: The aggregate consideration to be paid by the Purchaser to S&W for the Proposed Disposal is RMB49,000,000 (the "**Consideration**"). The Consideration was arrived at on a willing buyer willing seller basis after taking into account, inter alia, the market value of the net tangible asset value and net loss of Changshu set out in paragraph 2 above, and the rationale and use of proceeds as set out in paragraph 4 below. The Consideration was also the highest offer received by the Company.

The Purchaser shall pay the Consideration to the Company and S&W according to the following payment schedule:

- (a) RMB9,000,000 (the "**Deposit**") shall be paid as a non-refundable deposit prior to the signing of the SPA; and
- (b) the balance RMB40,000,000 shall be paid on the completion of the Proposed Disposal ("**Completion**").

The Group is expected to record a net gain on the Proposal Disposal of approximately S\$1.84 million.

3.2. Conditions Precedent: Completion is subject to and conditional upon:

- (a) if applicable, the approval of the shareholders of S&W or the Company to the sale of the Changshu to the Purchaser under the Companies Act (Cap. 50 of Singapore); and
- (b) the Purchaser being satisfied with the results of the legal, tax and financial due diligence exercises to be carried out on Changshu by the Purchaser and/or its professional advisers.

3.3. Completion: Subject to the fulfilment of the conditions set out in paragraph 3.2, Completion shall take place within 6 months from the date of the SPA ("**Completion Date**"). In the event Completion fails to take place on or before the Completion Date for reasons due to S&W, S&W shall refund to the Purchaser all sums received from the Purchaser, including the Deposit, and pay to the Purchaser a sum which is double the amount of the Deposit. Whereas in the event Completion fails to take place on or before the Completion Date for reasons due the Purchaser, S&W shall be entitled to retain the Deposit and to be compensated for all losses incurred by S&W.

3.4. Undertakings: S&W will remain liable for all debts and liabilities of Changshu existing prior to the Completion Date and the Company shall undertake to Purchaser to be jointly liable with S&W for all undisclosed debts and liabilities of Changshu existing prior to the Completion Date. In addition, the Company shall further undertake to Purchaser to be jointly liable with S&W for all outstanding tax liabilities and obligations of Changshu existing prior to the Completion Date, provided that the Purchaser shall be liable up to an amount of RMB2,000,000 and the Company and S&W shall only be liable for any amounts in excess of RMB2,000,000.

4. **Rationale**

The Proposal Disposal is part of the Group's on-going debt restructuring exercise to address its going concern issues. In particular, the divestment of under-utilized and/or non-core assets by way of a straight sale of assets and/or disposal of subsidiary through a sale of shares is one solution identified by the management of the Company to raise monies for purposes of paring down the Group's debts and to meet the Group's current working capital requirements. As there was no operations in Changshu for the year ended 31 December 2017, the subsidiary (with its sole remaining assets being land and buildings in the PRC) was identified as non-core asset of the Group.

The Board is of the view that the Proposed Disposal will allow the Group to streamline its structure, reduce its fixed operating costs and minimise future losses to the Group. The Proposed Disposal will also enable the Company to free up its resources and capital for allocation to its other profitable operations and towards satisfying its debts. With a leaner organisational structure, the Board and management can allocate more of its time and resources to pursue new business opportunities that will increase the number of revenue streams for the Group and deliver positive value to shareholders.

5. **Financial Effects**

5.1. Bases and Assumptions. The pro forma financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2017 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 2017, 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; and

- (ii) the Proposed Disposal had been effected on 1 January 2017, 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.
- (iii) Estimated expenses for the Proposed Disposal are assumed to be approximately S\$201,000.

5.2. NTA

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA attributable to Shareholders	S\$423,139,000	S\$24,985,000
Number of Shares	422,239,524	422,239,524
NTA per Share attributable to Shareholders (cents)	5.48	5.92

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\$81,988,000)	(S\$77,330,000)
Number of Shares	421,738,524	421,738,524
EPS/(Loss per Share (“LPS”)) (cents)	(19.44)	(18.34)

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 accounts of the Company for the period ended 31 December 2017 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.	24.4
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	3.5
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.	28.7

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

As the relative figures in respect of Rules 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 to be convened pursuant to Rule 1014(2) of the Listing Manual.

Nonetheless, the Company intends to consult with the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and seek a waiver from the requirement of obtaining shareholders’ approval for the Proposed Disposal, as it is of the view, *inter alia*, that the Proposed Disposal involves the sale of a non-core asset of the Group, and there would be no material change in the risk profile of the Company arising from the Proposed Disposal.

The Company will make further announcements on the outcome of the application for waiver from the SGX-ST.

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 SPA will be available for inspection during normal business hours at the registered office of the Company at 42E Penjurong 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 are 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
4 May 2018

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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