

CIRCULAR DATED 31 August 2019

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action that you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Mencast Holdings Ltd. (the "Company"), you should forward this Circular, the Notice of Extraordinary General Meeting and the attached Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.

Mencast

PARTNER PERFECT

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

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

**THE PROPOSED DISPOSAL OF 50% EQUITY INTEREST IN VAC-TECH ENGINEERING PTE LTD
BY MENCAST ENERGY PTE. LTD.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Form	:	14 September 2019 at 11.00a.m.
Date and time of Extraordinary General Meeting	:	16 September 2019 at 11.00a.m.
Place of Extraordinary General Meeting	:	42B Penjuru Road, Level 2 Auditorium Singapore 609163

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DEFINITIONS

In this Circular, the following definitions shall apply throughout unless the context otherwise requires or unless otherwise stated:

“Act”	: The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time.
“Adjustment Date”	: Has the meaning ascribed to it in Paragraph 2.2(a)(ii)(2) of this Circular.
“Board of Directors” or “Board”	: The board of directors of the Company as at the date of this Circular.
“CDP”	: The Central Depository (Pte) Limited.
“Company”	: Mencast Holdings Ltd.
“Completion”	: Completion of the Proposed Disposal.
“Completion Amount”	: Has the meaning ascribed to it in Paragraph 2.2(a)(i) of this Circular.
“Completion Date”	: The date of Completion.
“Conditions Precedent”	: Has the meaning ascribed to it in Paragraph 2.2(c) of this Circular.
“Consideration”	: The aggregate consideration for the sale and purchase of the Sale Shares.
“Controlling Shareholder”	: A person who: (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company.
“Debt Restructuring Agreement”	: The Debt Restructuring Agreement dated 1 February 2019, entered into by the Group with the Lenders, in respect of the restructuring of the Group’s existing debts owed to the said Lenders, details of which as described in the announcement made by the Board on the same date.
“Director”	: The directors of the Company as at the date of this Circular.
“EGM”	: The extraordinary general meeting of the Company to be held on 16 September 2019, notice of which is set out in the Notice of EGM on page 13 of this Circular.
“EPS”	: Earnings per Share.
“Group”	: The Company and its subsidiaries.
“Latest Practicable Date”	: 23 August 2019, being the latest practicable date prior to the printing of this Circular.
“Lenders”	: Collectively and for the purposes of the Debt Restructuring Agreement, DBS Bank Ltd., Ethoz Capital Ltd., RHB Bank Berhad, Standard Chartered Bank and United Overseas Bank Limited.
“Listing Manual”	: The Listing Manual of the SGX-ST, as amended, modified or supplemented from time to time.
“Long Stop Date”	: The date falling 12 months from the date of the SPA or such other date as may be agreed between the Parties.
“LPS”	: Loss per Share.
“Mencast Energy”	: Mencast Energy Pte. Ltd.
“NAV”	: Net asset value.

DEFINITIONS

“Notice of EGM”	: The Notice of EGM as set out on page 13 of this Circular.
“NTA”	: Net tangible asset.
“Proposed Disposal”	: Has the meaning ascribed to it in Paragraph 2.1(a) of this Circular.
“Parties”	: Mencast Energy and the Purchaser, each a “Party” .
“Purchaser”	: Grand Victor Corp Pte. Ltd.
“Sale Shares”	: Has the meaning ascribed to it in Paragraph 2.1(a) of this Circular.
“Securities Account”	: A securities account maintained by a Depositor with CDP but does not include a securities sub-account.
“SGX-ST”	: Singapore Exchange Securities Trading Limited.
“Shares”	: Ordinary shares in the share capital of the Company.
“Shareholder”	: Registered holders of Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares, mean the persons named as Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with Shares.
“SPA”	: Has the meaning ascribed to it in Paragraph 2.1(a) of this Circular.
“Substantial Shareholder”	: A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share or those shares, is not less than 5% of the total votes attached to all the voting shares of the Company.
“Vac-Tech”	: Vac-Tech Engineering Pte Ltd.
<u>Currencies, units and others</u>	
“S\$”, “\$” and “cents”	: Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
“%” or “per cent.”	: Per centum or percentage

The terms *“Depositor”* and *“Depository Register”* shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore.

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

Any reference in this Circular to any statute or enactment or the Listing Manual is a reference to that statute or enactment or the Listing Manual for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Act, the Listing Manual or any modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of a day or date in this Circular shall be a reference to Singapore time and dates unless otherwise stated.

Any discrepancies in figures included in this Circular between the amounts and totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables in this Circular may not be an arithmetic aggregation of the figures that precede them.

LETTER TO SHAREHOLDERS

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

Board of Directors

Sim Soon Ngee Glendle (Executive Chairman and Chief Executive Officer)
Wong Boon Huat (Executive Director)
Sunny Wong Fook Choy (Lead Independent Director)
Leow David Ivan (Independent Director)
Ng Chee Keong (Independent Director)

Registered Office:

42E Penjuru Road
Mencast Central
Singapore 609161

31 August 2019

To: The Shareholders of Mencast Holdings Ltd.

Dear Sir / Madam,

THE PROPOSED DISPOSAL OF 50% EQUITY INTEREST IN VAC-TECH ENGINEERING PTE LTD ("VAC-TECH") BY MENCAST ENERGY PTE. LTD.

1. INTRODUCTION

The Directors are convening the EGM to be held on Monday, 16 September 2019 at 11.00a.m. to seek Shareholders' approval for the proposed disposal of 50% equity interest in Vac-Tech which is held by the Company's subsidiary, Mencast Energy (the "**Proposed Disposal**"), as the Proposed Disposal would constitute a major transaction as defined under Chapter 10 of the Listing Manual.

The purpose of this Circular is (a) to provide Shareholders with relevant information on, (b) to explain the rationale for, and (c) to seek Shareholders' approval for the Proposed Disposal at the forthcoming EGM, notice of which is set out on page 13 of this Circular.

2. THE PROPOSED DISPOSAL

2.1. Information on Vac-Tech, the Purchaser and Mencast Energy

(a) Vac-Tech

Vac-Tech was incorporated in Singapore on 14 June 1995 and is, at present, principally engaged in the business of sludge treatment, catalyst handling, environmental services and industrial cleaning services. The issued and paid-up capital of Vac-Tech is S\$3,000,000 divided into 3,000,000 shares.

In an announcement dated 28 June 2019, the Company announced that Mencast Energy had on 28 June 2019 entered into a sale and purchase agreement (the "**SPA**") with the Purchaser for the disposal by Mencast Energy of 50% equity interest in Vac-Tech, represented by 1,500,000 shares in Vac-Tech ("**Sale Shares**"), on the terms and conditions of the SPA (the "**Proposed Disposal**"), the principal terms of which are set out below.

As at the Latest Practicable Date and prior to the Proposed Disposal, Mencast Energy holds 2,100,000 shares in Vac-Tech representing 70% of its existing issued and paid-up share capital, and the Purchaser is the beneficial owner of the remaining 900,000 shares in Vac-Tech representing 30% of its existing issued and paid-up share capital, held through its nominee, Focus Return Investments Inc. Upon Completion, Mencast Energy will hold 600,000 shares in Vac-Tech representing 20% of its existing issued and paid-up share capital, and the Purchaser will become the beneficial owner of 2,400,000 shares in Vac-Tech representing 80% of its existing issued and paid-up share capital.

LETTER TO SHAREHOLDERS

(b) The Purchaser

The Purchaser's shareholders are Sing Lun Industrial Pte Ltd ("**SLI**") (holding 55%) and Exacta Asia Investment II LP ("**Exacta**") (holding 45%), and its directors are Mr. Lee Kwok Kie @ Patrick Lee, Mr. Mark Lee Kean Phi and Mr. Sng Yeow Hua.

As informed by the Purchaser, SLI is a Southeast Asia focused strategic investment holding company with interest and expertise in various industries including manufacturing, oil and gas and real estate. It adopts an industrialist and value-added approach to investments and brings to its portfolio companies an extensive network of like-minded financiers (including private equity and debt providers). Exacta is a Cayman Island incorporated limited partnership, whose investors consist of institutional investors such as developmental banks, banks, insurance companies and pension funds from Japan, Europe and Asia.

(c) Mencast Energy

The Company holds 70% of the existing issued and paid-up share capital of Mencast Energy, with the remaining 30% held by MIS Investment Pte Ltd, a private investment company owned by the family of Sim Soon Ngee Glendle, the Executive Chairman and Chief Executive Officer of the Company.

2.2. Principal Terms of the SPA

(a) Consideration

Subject to the adjustments described in Paragraph 2.2(a)(ii) below, the Consideration for the sale and purchase of the Sale Shares is S\$9,312,500. The Consideration was arrived at on a willing buyer, willing seller basis after taking into account, *inter alia*, the financial performance and prospects of Vac-Tech, and the rationale and use of proceeds as set out in Paragraphs 3 and 4 below. Based on the audited financial statements of Vac-Tech for FY2018, both the NAV and NTA of Vac-Tech is S\$14.18 million, and the NTA attributable to the Sale Shares is S\$7.09 million.⁽¹⁾ Subsequently, after deducting a sum of S\$5 million⁽²⁾ which is intended, and agreed between the Parties, to be declared as dividends to the shareholders of Vac-Tech prior to the Proposed Disposal (described in Paragraph 2.1(a) above), the adjusted NTA of Vac-Tech would amount to S\$9.18 million, and the NTA attributable to the Sale Shares would amount to S\$4.59 million. The Group is expected to record a net gain on the Proposed Disposal of approximately S\$0.8 million⁽³⁾⁽⁴⁾ and the Consideration translates to be 2 times⁽⁵⁾ Vac-Tech's adjusted NTA of S\$9.18 million as at FY2018.

In accordance with the terms of the SPA, the Consideration will be satisfied in the following manners:

- (i) S\$9,312,500 (the "**Completion Amount**"), to be paid to Mencast Energy on Completion; and
- (ii) adjustments to the Completion Amount, consisting of a net debt component⁽⁶⁾ and a net working capital component, and based on the unaudited management accounts of Vac-Tech for the 6 months ended 30 June 2019, to be paid to either Mencast Energy (by the Purchaser) or to the Purchaser (by Mencast Energy):

- (1) on Completion (if the Adjustment Date (as defined below) falls on or prior to Completion); or
- (2) within 10 business days on which the adjustment is determined in accordance with the terms of the SPA (the "**Adjustment Date**").

(b) Adjustments to Consideration

It was agreed between the Parties that the Completion Amount will be subject to certain adjustments (as detailed in this Paragraph), in recognition that any excess or deficit from the net debt and/or net working capital components represents the results of profits or losses (as the case may be) undertaken by Vac-Tech in its ordinary course of business prior to the Proposed Disposal, such results attributable to the efforts of Mencast Energy (through its nominated directors) in running Vac-Tech. The adjustments will be based on the figures of the unaudited management accounts of Vac-Tech for the 6 months ended 30 June 2019, which was, as at the date of the SPA, in the process of being prepared. The intent of the cut-off date of 30 June 2019 is to determine the adjustment amount to the Completion Amount based on Proposed Disposal being completed on a no-cash no-debt basis.

LETTER TO SHAREHOLDERS

The adjustment mechanism is as follows:

- (i) If the net debt is a positive number, Mencast Energy will repay to the Purchaser an amount equal to the net debt, as a reduction in the Consideration. If the net debt is a negative number, the Purchaser will pay to Mencast Energy the absolute amount of the net debt, as an increase in the Consideration.
- (ii) If the net working capital component is less than the sum of S\$1,080,000, which has been determined by the Parties as the “**Minimum NWC**”, Mencast Energy will repay to the Purchaser an amount equal to the deficit of the net working capital below the Minimum NWC, as a reduction in the Consideration. If the net working capital component exceeds the Minimum NWC, the Purchaser will pay to Mencast Energy an additional amount equal to the excess of the net working capital over the Minimum NWC, as an increase in the Consideration.

It was further agreed between the Parties that the aggregate adjustments to the Completion Amount will be capped at a maximum of S\$4,000,000 above or below the Completion Amount, such that the Consideration paid by the Purchaser shall not, by reason of the adjustments, fall below an amount equivalent to S\$5,312,500 or exceed S\$13,312,500. As at the Latest Practicable Date, no adjustments to the Completion Amount have been determined. However, the Company estimates (based on the unaudited management accounts of Vac-Tech for the 6 months ended 30 June 2019 but subject to the agreement of the Parties) that the aggregate adjustment may be a positive S\$2 million.⁽⁷⁾

(c) Conditions Precedent

The Proposed Disposal is subject to and conditional upon the satisfaction of the following conditions (“**Conditions Precedent**”):

- (i) the passing at a general meeting of the Company of a resolution to approve the sale of the Sale Shares by Mencast Energy to the Purchaser;
- (ii) the Parties agreeing on a management transition plan, including to the terms of the employment agreements to be entered into between Vac-Tech and the key management personnel of Vac-Tech;
- (iii) Vac-Tech entering into a business arrangement agreement with the Company on terms agreed between the Parties the usage of the waste treatment facilities, dormitories and offices of the Company, where such business arrangement shall not be less favourable to Vac-Tech than the terms in place which have been disclosed to the Purchaser; and
- (iv) the consent by one of the majority Lenders under the Debt Restructuring Agreement to the sale and purchase of the Sale Shares having been obtained on terms reasonably acceptable to the Purchaser, in relation to various banking and hire-purchase facilities granted by such lender to Vac-Tech. As at the Latest Practicable Date, such consent has been obtained, remains valid and has not been in any way withdrawn or revoked.

If the Conditions Precedent are not satisfied or waived on or before the Long Stop Date, save as expressly provided in the SPA, the Purchaser (in the case of the non-satisfaction or non-waiver of any of the Conditions Precedent) or Mencast Energy (in the case of non-satisfaction or non-waiver of the condition set out in Paragraph 2.2(c)(i)) may, in its absolute discretion, terminate the SPA, and neither Party shall have any claim against the other Party save for, *inter alia*, any claim arising from antecedent breaches or breach of certain obligations of the SPA.

(1) No independent valuation was done in respect of the Sale Shares to be disposed under the SPA.
(2) For avoidance of doubt, the Consideration does not include the dividend of S\$5 million described in this Paragraph 2.2(a).
(3) For further details, please refer to the computation of net profit/(loss) attributable to Shareholders after the Proposed Disposal in Note 2 of Paragraph 5.2(b).
(4) Assuming that the aggregate adjustment as described in Paragraph 2.2(b) is a positive S\$2 million, the net gain on the Proposed Disposal for the Group is expected to increase from S\$0.8 million to S\$1.8 million, based on its shareholding in Vac-Tech prior to the Proposed Disposal taking place.
(5) The Consideration of S\$9,312,500, divided by 50% of the adjusted NTA of Vac-Tech of S\$9.18 million (i.e. S\$4,590,000), being to 2.03 times.
(6) ‘Net debt’ refers to total debt (including *inter alia* bank borrowings, hire-purchase facilities and inter-companies debts) less total cash.
(7) If so, the Consideration paid by the Purchaser, by reason of the adjustments and based on this estimate, will be S\$11,312,500.

LETTER TO SHAREHOLDERS

(d) Completion of the Proposed Disposal

Completion will take place on the 1st business day falling 5 business days following satisfaction or waiver of the last of the Conditions Precedent and prior to such completion, Mencast Energy shall, *inter alia*, procure and ensure that:

- (i) Vac-Tech shall collaborate with the Purchaser in relation to all material matters concerning the running of Vac-Tech; and
- (ii) such representatives and advisers as the Purchaser requests may be designated to work with Mencast Energy and Vac-Tech with regard to the management and operations of Vac-Tech. In this regard, Mencast Energy shall (i) consult, and cause Vac-Tech to consult, with such representatives and advisers with respect to any action which may materially affect the business of Vac-Tech, and (ii) provide, and cause Vac-Tech to provide, to such representatives and advisers such information as they may reasonably request for such purpose.⁽⁸⁾

3. RATIONALE FOR THE PROPOSED DISPOSAL

Vac-Tech's business operations are highly labour intensive, and labour cost is a major cost component which is constantly monitored by the Group in its endeavor to contain its cost structure. As at 31 May 2019, the operations headcount of Vac-Tech⁽⁹⁾ stands at 172, compared to the Group's⁽¹⁰⁾ total operations headcount of 437, or equivalent to 39.36% of the Group's operations headcount. In this regard, the Proposed Disposal is in line with the Group's plan to reduce reliance on labour and accordingly leading to a leaner cost structure, going forward.

The nature of Vac-Tech's business is also such that it is highly dependent on continued capital expenditure investments such as in machinery and equipment.

Given Vac-Tech's high capital and cost intensive nature, and in light of the Group's on-going debt restructuring exercise, which encompasses, *inter alia*, the disposal of under-utilised and/or non-core assets and other forms of deleveraging, the Group expects to face difficulties in continuing to adequately support the growth of Vac-Tech. It would also be difficult for the Group to seek fresh credit or loan facilities to support Vac-Tech's business capital expenditure requirements, given that it is still in the midst of a debt restructuring period.

The Group expects that a partial disposal of its equity interest in Vac-Tech (being the Proposed Disposal) would better serve the interest of the Group as compared to a full disposal of Vac-Tech. Vac-Tech presently occupies office, workshop and dormitory spaces in the Group's properties, for which there are on-going business and other rental agreements between Vac-Tech and the Group in place. To avoid unnecessary disruptions to the business operations of Vac-Tech due to the Proposed Disposal, it was agreed between the Parties that the existing business arrangements between Vac-Tech and the Group would continue even after the Proposed Disposal (pursuant and subject to the Condition Precedent described in Paragraph 2.2(c)(iii) above). In addition to the continued source of rental income and income from the provision of other ancillary services by the Group to Vac-Tech, this would be particularly beneficial for the Group's waste treatment plants which will be able to continue processing industrial waste collected by Vac-Tech in its business operations.

Following the Proposed Disposal, the funding for Vac-Tech will be determined in accordance with a funding hierarchy agreed with the Purchaser, which consists of external financing, followed by shareholder loans extended by the Purchaser to Vac-Tech, followed by the further equity subscriptions by, and issuance of new shares to the respective shareholders of Vac-Tech. Fully funded, the business operations of Vac-Tech is expected to improve and bring returns to the Group through the Group's retained equity interest in Vac-Tech.

The Board is of the view that the Proposed Disposal would be beneficial to the continued growth of Vac-Tech, and this would in turn be beneficial to the Group for the reasons described above.

LETTER TO SHAREHOLDERS

4. USE OF PROCEEDS

Mencast Energy expects to receive net proceeds of approximately S\$9,232,000⁽¹¹⁾ from the Proposed Disposal (after deducting professionals and related expenses incurred), of which the Company will receive a distribution of S\$6,438,750⁽¹²⁾ (based on the Company's 70% equity interest in Mencast Energy) which is intended to be fully applied towards the repayment of bank borrowings (approximately 69% or S\$4.4 million) and working capital requirements of the Group (approximately 31% or S\$2 million).

In relation to the dividend of S\$5 million described in Paragraph 2.2(a), Mencast Energy is expected to receive S\$3.5 million (based on Mencast Energy's 70% equity interest in Vac-Tech), which is intended to be distributed back to the Company as dividends and thereafter retained by the Company for working capital requirements of the Group.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1 Bases and Assumptions

The pro forma financial effects of the Proposed Disposal, as varied, have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 and are 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:

- (a) 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 NTA of the Group;
- (b) 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
- (c) estimated expenses for the Proposed Disposal are assumed to be approximately S\$80,000.

5.2. The Proposed Disposal

(a) NTA per Share

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to Shareholders (S\$'000)	15,475	17,116 ^(Note 1)
No. of Shares ('000)	425,919	425,919
NTA per Share attributable to Shareholders (cents)	3.63	4.02

(b) EPS

	Before the Proposed Disposal	After the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S\$'000)	(8,165)	(7,370) ^(Note 2)
No. of Shares ('000)	425,919	425,919
EPS/LPS (cents)	(1.93)	(1.73)

(8) This Paragraph is an extension of the condition in Paragraph 2.2(d)(i), it being a usual condition requested by the purchaser in a sale and purchase transaction where the seller is required not only to continue running the target business in the ordinary course of action, but also in consultation with and under the oversight of, the purchaser.

(9) Including foreman and supervisors.

(10) Singapore entities only (excluding Malaysia, Indonesia and China).

(11) Assuming that no adjustments are made to the net debt and net working capital components described in Paragraph 2.2(a)(ii).

(12) The Consideration of S\$9,312,500 x 70% (being the Company's equity interest in Mencast Energy) less estimated expenses of S\$80,000, being S\$6,438,750.

LETTER TO SHAREHOLDERS

Notes:

- (1) Computation of NTA attributable to Shareholders after the Proposed Disposal:

	S\$'000	S\$'000
NTA of the Group before Proposed Disposal		15,475
Net proceeds received by the Company	6,439 ⁽¹³⁾	
Less: Share of Vac-Tech's NTA to be disposed of, based on adjusted NAV as at 31 December 2018 and the Company's 70% equity interest in Mencast Energy	(3,213)	
Less: Share of goodwill on consolidation	(3,416)	
Add: Other reserves ⁽¹⁴⁾	509	
Add: Gain on retained investments ⁽¹⁵⁾	1,322	
Gain / (loss) on Proposed Disposal	1,641	1,641
NTA after Proposed Disposal		17,116

- (2) Computation of net profit/(loss) attributable to Shareholders after the Proposed Disposal:

	S\$'000	S\$'000
Net profit after tax before Proposed Disposal		(8,165)
Less: Sale of Group share of 35% effective shareholding in profits after tax of Vac-Tech	(846)	
Add: Gain / (loss) on Proposed Disposal	1,641	795 ^(#)
Net profit after Tax after Proposed Disposal		(7,370)

- (#) As abovementioned in Paragraph 2.2(a), the Group is expected to record a net gain on the Proposed Disposal of approximately S\$0.8 million.

LETTER TO SHAREHOLDERS

6. RELATIVE FIGURES UNDER RULE 1006 OF THE SGX-ST LISTING MANUAL

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 March 2019, are as follows:

Listing Rule	Content	%
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value.	30.5 ^(Notes 1 & 2)
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	(30.9) ^(Note 3)
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.	23.9 ^(Notes 4 & 5)
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

Notes:

- (1) Based on the adjusted NAV of Vac-Tech of S\$10.2 million as at 31 March 2019. The unaudited NAV of Vac-Tech prior to such adjustment and as at 31 March 2019 is S\$15.2 million. The adjustment made for this purpose is similar to that described in Paragraph 2.2(a) above – i.e. deducting a sum of S\$5 million which is intended, and agreed between the Parties, to be declared as dividends to the shareholders of Vac-Tech prior to the Proposed Disposal (described in Paragraph 2.1(a)). The Group's NAV is based as at 31 March 2019, taken from the latest consolidated accounts of the Group as announced by the Company on 13 May 2019.
- (2) Computation for Rule 1006(a):

	S\$'000	Remarks
(a) NAV of Vac-Tech as at 31 March 2019, after adjusting for the dividend sum of S\$5 million	10,215	
(b) Share of NAV to be disposed of (35%)	3,575	(a) x 35%
(c) Goodwill on consolidation	3,416	
(d) Less: Other reserves	(509)	
(e) NAV of assets to be disposed of	6,482	(b) + (c) + (d)
(f) Group's NAV	21,275	
NAV to be disposed of, compared with the Group's NAV	30.5%	(e) / (f)

(13) For further details, please refer to the computation of net proceeds described in footnote 12 above.

(14) This was a result of an internal restructuring exercise performed by the Group (as announced by the Company on 22 June 2015) where the Company's equity interest in Vac-Tech was transferred to Mecast Energy who then became the direct holding company of Vac-Tech with a 70% equity interest. In view of the Proposed Disposal, these amounts have been adjusted for the purposes of de-consolidating the results of Vac-Tech.

(15) Computation for 'Gain on retained investments' (based on the Group's effective equity interest in Vac-Tech post-Completion being 14%):

	\$'000	Basis
Fair value of retained investments in Vac-Tech	2,607	Fair value based on the Consideration grossed up to 100% (i.e. \$9,312,500 / 50%, being \$18,625,000) x 14%
Less: Carrying value of Vac-Tech	(1,285)	Adjusted NAV of \$9,180,000 x 14%
Gain on retained investments	1,322	

LETTER TO SHAREHOLDERS

(3) Computation for Rule 1006(b):

	S\$'000	Remarks
(a) Net profit before tax of Vac-Tech for the 3 months ended 31 March 2019	1,150	
(b) Retention of 20% equity in Vac-Tech ^(#)	230	
(c) Reduction in net profit before tax arising from Proposed Disposal	920	(a) – (b)
(d) Against the Group's net loss before tax for the 3 months ended 31 March 2019	(2,978)	
Net profit before tax attributable to asset disposed of, compared with the Group's net loss before tax	(30.9%)	(c) / (d)

(#) As abovementioned in Paragraph 2.1(a), Mencast Energy will retain a 20% equity interest in Vac-Tech after the Proposed Disposal.

- (4) Assuming that no adjustments are made to the net debt and net working capital components described in Paragraph 2.2(a)(ii).
- (5) The consideration amount used for computation for Rule 1006(c) is S\$9,312,500, being the gross amount of Consideration. The computation is also based on a market capitalisation of S\$38,929,000 which is computed based on 425,919,124 issued Shares at S\$0.0914 per Share. The date used in the computation of the Company's market capitalisation and volume weighted average price (VWAP) is 27 June 2019 (i.e. based on the weighted average price of Shares transacted on that day), being the market day immediately preceding the date of the SPA.

As the relative figures computed under 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 therefore subject to the approval of Shareholders in a general meeting convened pursuant to Rule 1014(2) of the Listing Manual.

7. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this Circular and to the best of the Directors' knowledge and belief, none of the Directors and Controlling Shareholders has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholding interests in the Company.

8. DETAILS OF SERVICE CONTRACTS

No person is proposed to be appointed as a Director of the Company or any of its subsidiaries in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

LETTER TO SHAREHOLDERS

9. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders (as defined in the Listing Manual) in the share capital of the Company as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Directors				
Sim Soon Ngee Glendle	83,567,900	19.49	63,402,800	14.78
Wong Boon Huat	28,903,206	6.74	-	-
Sunny Wong Fook Choy	808,000	0.19	-	-
Leow David Ivan	6,556,000	1.53	-	-
Ng Chee Keong	563,000	0.13	-	-
Substantial Shareholders				
Sim Soon Ngee Glendle	83,567,900	19.49	63,402,800	14.78
Chua Kim Choo	41,716,800	9.73	105,253,900	24.54
Sim Soon Ying	21,686,000	5.05	125,284,700	29.22
Wong Swee Chun	49,102,550	11.45	1,509,900	0.35
Gay Chee Cheong	11,358,000	2.65	21,175,000	4.94
Chua Siok Lan	21,000,000	4.90	11,533,000	2.69
Ni Weiming	175,000	0.04	32,358,000	7.55
Wong Boon Huat	28,903,206	6.74	-	-

10. DIRECTORS' RECOMMENDATIONS

Having fully considered, *inter alia*, the rationale for and benefits of the Proposed Disposal and the respective terms relating thereto as set out in this Circular, the Directors are of the view that the Proposed Disposal is in the best interest of the Company. The Board accordingly recommends that Shareholders vote in favour of the ordinary resolution to approve the Proposed Disposal, as set out in the Notice of EGM.

11. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page 13 of this Circular, will be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163, on Monday, 16 September 2019 at 11.00a.m. for the purpose of considering and, if thought fit, passing with or without any modification the ordinary resolution set out in the Notice of EGM.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the proxy form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 not less than forty-eight (48) hours before the time fixed for holding the EGM. The completion and lodgement of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes. However, any appointment of a proxy or proxies by such Shareholder shall be deemed to be revoked if the Shareholder attends the EGM in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.

LETTER TO SHAREHOLDERS

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 during normal business hours from the date of this Circular up to and including the time and date of the EGM:

- (a) the SPA;
- (b) the Constitution of the Company; and
- (c) the Constitution of Mencast Energy.

Yours faithfully

For and on behalf of the Board of Directors of
MENCAST HOLDINGS LTD.

Sim Soon Ngee Glendle
Executive Chairman & Chief Executive Officer

NOTICE OF EXTRAORDINARY GENERAL MEETING

Mencast

PARTNER PERFECT

MENCAST HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

(Company registration no.: 200802235C)

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting (“**EGM**”) of the Company will be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163, on Monday, 16 September 2019 at 11.00a.m., for the purpose of considering and, if thought fit, passing with or without any modifications, the following ordinary resolution:

*Unless otherwise defined, all capitalised terms herein shall have the same meanings as defined in the circular to shareholders of the Company dated 31 August 2019 (the “**Circular**”).*

ORDINARY RESOLUTION

THE PROPOSED DISPOSAL

THAT:

- (a) approval be and is hereby given to Mencast Energy Pte. Ltd., a subsidiary of the Company, for the disposal of 50% equity interest in Vac-Tech Engineering Pte Ltd, represented by 1,500,000 shares in Vac-Tech Engineering Pte Ltd, to the Purchaser on the terms and conditions of the SPA; and
- (b) any Director of the Company be and is hereby authorised to complete and do all such acts and things (including executing all such documents and ancillary agreements and to make all such amendments thereto as may be required in connection with the Proposed Disposal) as he may in his absolute discretion consider necessary, desirable or expedient in the interests of the Company to give full effect to the Proposed Disposal and/or this ordinary resolution.

BY ORDER OF THE BOARD

Sim Soon Ngee Glenndle
Executive Chairman & Chief Executive Officer

31 August 2019

Notes:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead and a proxy need not be a member of the Company.
2. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.
3. The instrument appointing a proxy must be lodged at the Company’s registered office at 42E Penjuru Road, Mencast Central, Singapore 609161, not less than forty-eight (48) hours before the time appointed for the EGM. The completion and lodgement of the proxy form by a member will not prevent him from attending and voting in person at the EGM if he so wishes. In such event, the relevant proxy form will be deemed to be revoked.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member’s proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member’s breach of warranty.

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PROXY FORM

MENCAST HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 200802235C)

IMPORTANT:

1. A relevant intermediary may appoint more than two (2) proxies to attend the Extraordinary General Meeting and vote (please see Note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

EXTRAORDINARY GENERAL MEETING

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

I/We, _____

of _____

being a member/members of Mencast Holdings Ltd. (the "**Company**"), hereby appoint:

Name	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC / Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the EGM as my/our proxy/proxies to vote for me/us on my/our behalf at the EGM of the Company to be held at 42B Penjuru Road, Level 2 Auditorium, Singapore 609163 on Monday, 16 September 2019 at 11.00a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolution proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the EGM and at any adjournment thereof.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	As Ordinary Resolution	For ⁽¹⁾	Against ⁽¹⁾
1	To approve the proposed disposal of 50% equity interest in Vac-Tech Engineering Pte Ltd by Mencast Energy Pte. Ltd.		

⁽¹⁾ If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder

or, Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

All capitalised terms used in this Proxy Form which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the circular issued by the Company to the Shareholders dated 31 August 2019 (the "**Circular**"), including supplements and modifications thereto.

PROXY FORM

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you only have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you (in both the Register of Members and Depository).
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the EGM.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 not less than forty-eight (48) hours before the time appointed for the EGM.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Act.

Personal Data Privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 31 August 2019.

General: The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.