

MENCAST HOLDINGS LTD.

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

RESPONSE TO SGX-ST QUERIES ON THE DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The Board of Directors (the "**Board**") of Mencast Holdings Ltd. ("**Company**" and, together with its subsidiaries the "**Group**") would like to respond to the queries raised by the SGX-ST in an email to the Company on 13 April 2020 (as set out below), in relation to the announcement by the Company on 3 April 2020 on the disclaimer of opinion by the independent auditor on the financial statements for the financial year ended 31 December 2019 (the "**Prior Announcement**").

SGX-ST's Queries:**Material uncertainties relating to Group and Company's abilities to continue as going concerns**

1. the Board of Directors' assessment of the Group's ability to continue operating as a going concern and the bases for the said assessment;
2. the Board of Directors' opinion as to whether trading of the Company's shares should be suspended pursuant to Listing Rule 1303(3); and
3. the Board of Directors' confirmation as to whether all material disclosures have been provided for trading of the Company's shares to continue in an orderly manner; and the bases for its views.

Company's Responses to Queries 1, 2 and 3:

Included in this announcement is an extract from note 2.1 to the audited consolidated financial statements of the Company for the year ended 31 December 2019 which states the following:

In preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding that the Group and the Company incurred net loss of \$5,776,000 and \$8,348,000 for the financial year ended 31 December 2019 respectively (2018: \$6,613,000 and \$3,301,000) and with reference to Note 24, the Group and the Company are in net current liabilities position of \$87,739,000 and \$8,771,000 respectively (2018: net current liabilities position of \$90,503,000 and \$10,631,000).

Although the above conditions indicate the existence of material uncertainties which may cast significant doubts on the Group's and the Company's abilities to continue as going concerns, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2019 is still appropriate after taking into consideration the following measures and assumptions:

- (a) The continual support from its lenders which is critical to the completion of the Group's revised debt refinancing plan;*
- (b) The divestment of those identifiable properties and assets;*

- (c) The Group incurred a lower net loss of \$5,776,000 (2018: \$6,613,000), generated positive operating cash flow from operations of \$18,142,000 (2018: \$10,486,000) and the Group's net current liabilities position improved to \$87,739,000 (2018: \$90,503,000) for the financial year ended 31 December 2019; and*
- (d) Given that the Group was able to generate positive cash flow from operations in the last two years, it expects the same for the next twelve months to meet its other obligations as and when they fall due, barring any unforeseen circumstances.*

Based on the aforementioned, the Board is of the view that the Group and the Company will be able to continue as going concerns, and therefore trading in the Company's shares should not be suspended.

To the best of its knowledge and belief, the Board is of the opinion that material disclosures have been disclosed for trading of the Company's shares to continue in an orderly manner.

The Board wishes to advise Shareholders and potential investors to exercise caution when dealing in the shares of the Company, In the event of any doubt, they 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
15 April 2020

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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