

## **MENCAST HOLDINGS LTD.**

(Incorporated in the Republic of Singapore)

(Company registration no.: 200802235C)

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### **THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF UNIDIVE MARINE SERVICES PTE LTD (“UNIDIVE”)**

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#### **1. THE PROPOSED UNIDIVE ACQUISITION**

The board of directors (the “**Board**”) of Mencast Holdings Ltd. (the “**Company**”) is pleased to announce that the Company has on 21 June 2011 entered into a sale and purchase agreement (the “**Agreement**”) with Tan Eng Hoe Edwin (the “**Vendor #1**”) and Ong Yong Chye (Wang Yongcai) (the “**Vendor #2**”, and together with Vendor #1, the “**Vendors**”) in relation to the proposed acquisition of the entire issued and paid-up share capital (the “**Sale Shares**”) of Unidive (the “**Proposed Unidive Acquisition**”).

#### **2. INFORMATION ON THE UNIDIVE GROUP**

Unidive is a company incorporated in Singapore on 12 September 1996 with an issued and paid-up share capital of S\$500,000 comprising 500,000 shares as at the date of this announcement.

As at the date of this announcement, Unidive has the following wholly-owned subsidiaries, both of which are incorporated in Singapore:

- (a) Unidive Offshore Pte Ltd; and
- (b) Industrial Rope Access Pte Ltd.

As at the date of this announcement, Vendor #1, Vendor #2 and Wong Teck Yan Victor is in the process of transferring the entire issued and paid-up share capital of Unidive Marine Services (Malaysia) Sdn. Bhd. (“**Unidive Malaysia**”) held by them to Unidive. Following the said transfer, Unidive Malaysia will become a wholly-owned subsidiary of Unidive and the Company.

Unidive, together with its subsidiaries (including Unidive Malaysia) (the “**Unidive Group**”), is principally engaged in the business of the provision of a full range of topside (rope access) and subsea (diving) services for the offshore and inshore marine industry, particularly in inspections, repairs and maintenance.

The unaudited profit before income tax of the Unidive Group was approximately S\$3.17 million for the financial year ended 31 December 2010 (“**FY2010**”). The unaudited net asset value of the Unidive Group as at 31 December 2010 was approximately S\$6.78 million.

### 3. THE PURCHASE CONSIDERATION

#### 3.1 Details of the Purchase Consideration

The aggregate consideration for the Proposed Unidive Acquisition will be S\$14,850,000 (the “**Purchase Consideration**”), of which S\$12,425,000 will be satisfied in cash and the balance S\$2,425,000 will be satisfied by the allotment and issuance by the Company to the Vendors, of new ordinary shares in the capital of the Company (the “**Consideration Shares**”), *via* 4 payment tranches.

The issue price for each of the Consideration Share (the “**Issue Price**”) shall be determined based on the weighted average price of the shares of the Company (the “**Shares**”) for trades done on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the ninety (90) business days period prior to the date of completion of the Proposed Unidive Acquisition (the “**Completion Date**”), or S\$0.410, whichever is higher, subject to a maximum Issue Price of S\$0.600.

The Purchase Consideration was arrived at pursuant to arms’ length negotiations between the Company and the Vendors (collectively, the “**Parties**” and each a “**Party**”) on a willing-buyer willing-seller basis, after taking into consideration, *inter alia*, the net tangible assets and the business prospects of the Unidive Group and the rationale for the Proposed Unidive Acquisition (as further described hereinafter).

The terms of payment of the Purchase Consideration shall be as follows:

- (a) a 1st payment tranche of S\$7,212,500, of which S\$6,000,000 shall be payable in cash on the Completion Date and the balance S\$1,212,500 shall be fully satisfied by the allotment and issuance by the Company to the Vendors of Consideration Shares at the Issue Price (the “**1st Tranche Consideration Shares**”), credited as fully paid-up, within ten (10) business days from the Completion Date.

The amount of cash and the aggregate value of the 1st Tranche Consideration Shares which the Vendors shall receive under the 1<sup>st</sup> payment tranche are as follows:

	<b>Amount of cash to be received</b>	<b>Value of 1st Tranche Consideration Shares to be received</b>
<b>Vendor #1</b>	S\$3,000,000	S\$606,250
<b>Vendor #2</b>	S\$3,000,000	S\$606,250
<b>Total</b>	<b>S\$6,000,000</b>	<b>S\$1,212,500</b>

- (b) a 2<sup>nd</sup> payment tranche of S\$1,000,000 in cash on the day falling six (6) months from the Completion Date. The amount of cash which the Vendors shall receive under the 2<sup>nd</sup> payment tranche are as follows:

<b>Amount of cash to be received</b>	
Vendor #1	S\$500,000
Vendor #2	S\$500,000
<b>Total</b>	<b>S\$1,000,000</b>

- (c) a 3<sup>rd</sup> payment tranche of S\$2,925,000, of which S\$1,712,500 shall be payable in cash on the day falling twelve (12) months from the Completion Date and the remaining S\$1,212,500 shall be fully satisfied by the allotment and issuance by the Company to the Vendors of Consideration Shares at the Issue Price (the “**3rd Tranche Consideration Shares**”), credited as fully paid-up, within ten (10) business days from the day falling twelve (12) months from the Completion Date.

The amount of cash and the aggregate value of 3rd Tranche Consideration Shares which the Vendors shall receive under the 3<sup>rd</sup> payment tranche are as follows:

	<b>Amount of cash to be received</b>	<b>Value of 3<sup>rd</sup> Tranche Consideration Shares to be received</b>
Vendor #1	S\$856,250	S\$606,250
Vendor #2	S\$856,250	S\$606,250
<b>Total</b>	<b>S\$1,712,500</b>	<b>S\$1,212,500</b>

- (d) a 4<sup>th</sup> payment tranche of S\$3,712,500 in cash on the day falling twenty-four (24) months from the Completion Date. The amount of cash which the Vendors shall receive under the 4<sup>th</sup> payment tranche are as follows:

<b>Amount of cash to be received</b>	
Vendor #1	S\$1,856,250
Vendor #2	S\$1,856,250
<b>Total</b>	<b>S\$3,712,500</b>

### **3.2 Funding of the Purchase Consideration**

It is the current intention of the Company to fund the cash component of the Purchase Consideration using existing cash resources and/or bank borrowings.

### **3.3 Consideration Shares**

An application will be made to the Company’s sponsor, CIMB Bank Berhad, Singapore Branch (the “**Sponsor**”), for the listing of and quotation for the Consideration Shares on the Official List of the Catalist Board (the “**Catalist**”) of the SGX-ST. An appropriate

announcement will be made by the Company upon receipt of the in-principle approval from the SGX-ST for the listing of and quotation for the Consideration Shares on the Catalist.

The 1<sup>st</sup> Tranche Consideration Shares and the 3<sup>rd</sup> Tranche Consideration Shares, when allotted and issued, shall rank *pari passu* in all respects with the then existing issued Shares as at their respective date of allotment and issuance.

#### **4. MATERIAL CONDITIONS OF THE AGREEMENT**

##### **4.1 Conditions Precedent**

The completion of the Proposed Unidive Acquisition is conditional upon, *inter alia*, the

- (a) completion of a legal, financial and tax due diligence exercise by the Company and its advisers on the Unidive Group which shall include, without limitation, (i) the review of the business of the Unidive Group and operations of the Unidive Group; (ii) the review of the Unidive Group's historical figures; and (iii) the review of any and all documents relating to legal and taxation matters of the Unidive Group, the results of such exercise being satisfactory to the Company, in its sole and absolute discretion;
- (b) the completion of the transfer of all the issued and paid-up shares in Unidive Malaysia by Tan Eng Hoe Edwin, Ong Yong Chye (Wang Yongcai) and Wong Teck Yan Victor to Unidive such that Unidive Malaysia becomes a wholly-owned subsidiary of Unidive;
- (c) approval in-principle being granted by the SGX-ST for the listing of and quotation for the Consideration Shares on Catalist, and such approval not having been revoked or amended, and if the approval is granted subject to conditions, (i) such conditions being reasonably acceptable to the Parties and, if any such condition shall be required to be fulfilled on or before the completion of the Proposed Unidive Acquisition (the "**Completion**"), the fulfilment of such condition on or before Completion and (ii) such conditions being satisfied or waived by the SGX-ST, and the SGX-ST not having made any ruling the effect of which is to restrict or impede the listing of and quotation for the Consideration Shares;
- (d) all approvals, consents and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority, including, but not limited to, the SGX-ST, the Monetary Authority of Singapore, the Securities Industry Council, the Accounting and Corporate Regulatory Authority of Singapore and the Sponsor, having jurisdiction over the transactions contemplated under the Agreement or to the entry into and completion of the Agreement by the Parties, being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended or revoked, and if such approvals, consents and/or waivers are granted or obtained subject to any conditions, and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled before Completion;

- (e) the approval of the board of directors of Unidive for the proposed transfer of the Sale Shares from the Vendors to the Company having been obtained;
- (f) the approval of the Board and the shareholders of the Company (the “**Shareholders**”) (if necessary) for the Proposed Unidive Acquisition upon the terms and conditions set out in the Agreement (or upon such other terms and conditions as may be agreed between the Parties) having been obtained;
- (g) the net tangible assets of the Unidive Group, as shown in the management accounts of the Unidive Group as at 30 April 2011, to be at least S\$5.0 million;
- (h) no material adverse change in the prospects, operations or financial conditions of the Unidive Group occurring on or before the Completion Date;
- (i) all warranties provided by the Company and the Vendors (as the case may be) under the Agreement being complied with, true, accurate and correct as at the date of the Agreement and each day up to and including the Completion Date;
- (j) the Company being satisfied in its reasonable discretion, that the business of the Unidive Group has been carried on in a satisfactory manner, and all approvals and consents (including any governmental, regulatory and/or corporate approvals and consents) required for the business of the Unidive Group have been obtained, and are and shall remain on Completion valid and effective and not withdrawn or amended;
- (k) the execution and performance of the Agreement by the Parties not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;
- (l) the sale and purchase of all the Sale Shares being completed simultaneously under the Agreement; and
- (m) Vendor #1 and Vendor #2 each entering into a 3-year service agreement (collectively the “**Service Agreements**” and each a “**Service Agreement**”) with the Company on such terms that may be mutually agreed between the Parties, provided always that the Service Agreements shall be subject to the review and recommendation by the Company’s remuneration and nominating committees and the approval by the Board, such recommendation and approval not to be unreasonably withheld.

#### 4.2 Completion

The completion of the Proposed Unidive Acquisition is expected to occur within five (5) business days from the date of satisfaction of all the conditions precedent set out in the Agreement (unless waived by the relevant Party) or such other date as the Parties may mutually agree.

#### 4.3 Effect of Non-Fulfilment of Conditions Precedent

In the event that any of the conditions precedent set out in the Agreement is not fulfilled by the relevant Party or is not waived by the other Party by 31 July 2011, the Agreement shall *ipso facto* cease and determine and none of the Parties shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a Party against the other arising from antecedent breaches of the terms hereof and save that the Parties' obligation in relation to confidentiality under shall survive the termination of the Agreement.

#### 4.4 Profit Warranty

The Vendors jointly and severally warrant to the Company that the Unidive Group shall achieve an aggregate audited net profit after tax (the “NPAT”) of not less than S\$6,600,000 (the “Profit Warranty”) within the 2-year period from 1 June 2011 to 31 May 2013 (the “Relevant Period”). NPAT shall be determined in accordance with the Singapore Financial Reporting Standards and shall exclude asset sales and other non-operational gains.

In the event that the Unidive Group fails to achieve the Profit Warranty within the Relevant Period, the Purchase Consideration shall be adjusted downwards (the “Adjusted Consideration”) in accordance with the following formula and the 4<sup>th</sup> payment tranche of the Purchase Consideration as described above shall be adjusted accordingly:

$$\frac{\text{Actual NPAT for the Relevant Period}}{\text{S\$6,600,000}} \times \text{S\$14,850,000} = \text{Adjusted Consideration}$$

Further to the above, in the event that the Adjusted Consideration is less than the aggregate consideration (including both payment in cash and shares) that has been paid out during the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> payment tranches (the “Aggregate Sum Paid”), the Vendors shall return to the Company the difference between the Adjusted Consideration and the Aggregate Sum Paid in cash (the “Cash Compensation”). The Cash Compensation, if any, shall be payable by the Vendors to the Company within six (6) months from 31 May 2013.

For the avoidance of doubt, if the Unidive Group achieves the Profit Warranty at anytime within the Relevant Period, there shall be no need for the Vendors to make any Cash Compensation to the Company.

#### 4.5 Moratorium

Each of the Vendors jointly and severally undertakes to the Company that he, shall not for a period of twelve (12) months from the respective date of issuance of the 1<sup>st</sup> Tranche Consideration Shares and the 3<sup>rd</sup> Tranche Consideration Shares (or such longer period if imposed by the SGX-ST), transfer, sell, dispose or realise any of such Consideration Shares that he holds.

## 5. RATIONALE FOR THE PROPOSED UNIDIVE ACQUISITION

The current core business of the Company and its subsidiaries (the “**Group**”) is in marine maintenance, repair and overhaul (“**Marine MRO**”), focusing on high precision, time sensitive and mission critical work. The Group is one of the leading players in the manufacturing and servicing of sterngear equipment and propellers segment of the Marine MRO industry, with both offshore and marine clients.

The Proposed Unidive Acquisition provides the Group with a new earnings stream from the lucrative Inspections, Repairs & Maintenance business, which is a subset of the Group’s MMRO business. The Unidive Group’s inspection capabilities put it in an unique position to refer service and manufacturing opportunities to the Group and could become an invaluable proprietary channel to sell the Group’s products and services.

The Proposed Unidive Acquisition therefore represents an opportunity for the Group to expand the range of Marine MRO services that it provides and leverage on the good client base, industry reputation and accreditations that the Group has developed over the years. This will allow the Group to create positive synergies, economies of scale and strengthen its value proposition to attract and retain new customers.

## 6. FINANCIAL EFFECTS OF THE PROPOSED UNIDIVE ACQUISITION

Purely for illustrative purposes, the financial effects of the Proposed Unidive Acquisition on the Group, as set out below are prepared based on the audited financial statements of the Group and the unaudited financial statements of the Unidive Group for FY2010 and assuming that:

- (i) the completion of the proposed acquisition (the “**Proposed Top Great Acquisition**”) of the entire issued and paid-up share capital of Top Great Engineering & Marine Pte Ltd (“**Top Great**”) (as announced by the Company on 18 May 2011) and the Proposed Unidive Acquisition took place, in respect of profit and loss statements on 1 January 2010, and in respect of balance sheets on 31 December 2010;
- (ii) the amount of goodwill arising from the Proposed Top Great Acquisition and the Proposed Unidive Acquisition is estimated to be approximately S\$13.4 million and S\$8.1 million respectively and there is no impairment made for such goodwill;
- (iii) the cash component of the purchase consideration for the Proposed Top Great Acquisition and the Purchase Consideration of S\$12,425,000 in aggregate is financed entirely using the Group’s internal funds and bank borrowings; and
- (iv) all the new ordinary shares in the capital of the Company to be issued as part satisfaction of the purchase consideration of the Proposed Top Great Acquisition and the Consideration Shares are issued to the vendors of Top Great and the Vendors respectively at an issue price of S\$0.410 each on 1 January 2010, in respect of profit and loss statements, and on 31 December 2010 in respect of balance sheets.

## 6.1 Share capital

	Before the Proposed Top Great Acquisition and the Proposed Unidive Acquisition (collectively, the "Proposed Acquisitions")		After the Proposed Top Great Acquisition but before the Proposed Unidive Acquisition		After the Proposed Acquisitions	
	No. of Shares ('000)	S\$'000	No. of Shares ('000)	S\$'000	No. of Shares ('000)	S\$'000
Issued share capital as at 31 December 2010	170,573	25,126	205,695	39,526	211,609	41,951

## 6.2 Net tangible assets ("NTA")

	Before the Proposed Acquisitions	After the Proposed Top Great Acquisition but before the Proposed Unidive Acquisition	After the Proposed Acquisitions
NTA as at 31 December 2010 (S\$'000)	35,736	36,736	31,093
No. of Shares as at 31 December 2010 ('000)	170,573	205,695	211,609
NTA per Share as at 31 December 2010 (cents)	21.0	17.9	14.7

## 6.3 Earnings per Share ("EPS")

	Before the Proposed Acquisitions	After the Proposed Top Great Acquisition but before the Proposed Unidive Acquisition	After the Proposed Acquisitions
Net profit for FY2010 (S\$'000)	8,495	12,875	15,723
Weighted average no. of Shares for FY2010 ('000)	157,657	192,779	198,694



	<b>Before the Proposed Acquisitions</b>	<b>After the Proposed Top Great Acquisition but before the Proposed Unidive Acquisition</b>	<b>After the Proposed Acquisitions</b>
EPS for FY2010 (cents)	5.39	6.68	7.91

#### 6.4 Gearing

	<b>Before the Proposed Acquisitions</b>	<b>After the Proposed Top Great Acquisition but before the Proposed Unidive Acquisition</b>	<b>After the Proposed Acquisitions</b>
Net borrowings as at 31 December 2010 (S\$'000)	Net cash	8,306	17,365
Shareholders' equity as at 31 December 2010 (S\$'000)	40,517	54,917	57,342
Net gearing as at 31 December 2010 (times)	Net cash	0.15	0.30

### 7. CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Unidive Acquisition computed on the bases set out in Rule 1006 (b) to (d) <sup>(1)</sup> of the SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) are as follows:

Rule 1006(b)	The aggregate net profits attributable to the Unidive Group, compared with the net profits of the Group <sup>(2)</sup>	32.3%
Rule 1006(c)	The aggregate consideration for the Proposed Unidive Acquisition, compared with the Group's market capitalization <sup>(3)</sup>	20.2%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue <sup>(4)</sup>	3.5%

**Notes:**

- (1) Rule 1006(a) of the Catalist Rules is not applicable as it applies only for a disposal of assets and Rule 1006(e) of the Catalist Rules is not applicable as it applies only for a disposal of mineral, oil or gas assets by a mineral, oil and gas company.
- (2) Computed based on the aggregate net profits of the Unidive Group of approximately S\$3.1 million and the net profits of the Group of approximately S\$9.8 million for FY2010.

- (3) The market capitalisation of the Company of approximately S\$73.3 million is determined by multiplying the 170,572,600 Shares in issue as at the date of this announcement by the volume-weighted average price of the Shares of approximately S\$0.430 on 20 June 2011 (being the market day preceding the date of signing of the Agreement).
- (4) Assuming that a total of 5,914,634 Consideration Shares are issued to the Vendors at the minimum Issue Price of S\$0.410 per Consideration Share.

As shown in the table above, as the relative figures computed on the basis set out in Rule 1006(b) to (d) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Unidive Acquisition, considered in aggregate in accordance with Rule 1005 of the Catalist Rules, would constitute a discloseable transaction under Chapter 10 of the Catalist Rules. Accordingly, the approval of Shareholders for the Proposed Unidive Acquisition will not be required.

## **8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date of this announcement, none of the directors of the Company (“**Directors**”) has any interest, direct or indirect, in the Proposed Unidive Acquisition (other than by reason only of being a Director). In addition, as far as the Directors are aware, none of the Company’s Controlling Shareholders (as defined in the Catalist Rules) has any interest, direct or indirect, in the Proposed Unidive Acquisition (other than by reason of their shareholding interest in the Company).

There is no director who is proposed to be appointed to the Company in connection with the Proposed Unidive Acquisition.

## **9. DOCUMENTS FOR INSPECTION**

A copy of the Agreement is available for inspection at the Company’s registered office at No. 7 Tuas View Circuit, Singapore 637642, for a period of three (3) months from the date of this announcement.

## **BY ORDER OF THE BOARD**

SIM SOON NGEE GLENN DLE  
Executive Chairman and Chief Executive Officer  
21 June 2011

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*This announcement and its contents have been reviewed by the Sponsor, CIMB Bank Berhad, Singapore Branch, for compliance with the relevant rules of the SGX-ST, this being the Catalist Rules. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement. The contact person for the Sponsor is Mr Mah Kah Loon, Head, Corporate Finance, CIMB Bank Berhad,*

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