

MENCAST HOLDINGS LTD.

(Incorporated in the Republic of Singapore)

(Company registration no.: 200802235C)

THE PROPOSED ACQUISITION OF CERTAIN ASSETS OF TEAM PRECISION ENGINEERING AND TEAM INTERNATIONAL DEVELOPMENT

1. THE PROPOSED ACQUISITION

The board of directors (the “**Board**”) of Mencast Holdings Ltd. (the “**Company**”) is pleased to announce that the Company has on 28 November 2011 entered into an assets transfer agreement (the “**Agreement**”) with Messrs Huang Zhi Yong and Cheng Shao Rong (collectively the “**Vendors**”) in relation to the proposed acquisition (the “**Proposed Acquisition**”) of the fabrication plant and machinery (“**TPE Assets**”) owned by Team Precision Engineering (“**TPE**”) and the fabrication plant and machinery (“**TID Assets**”) owned by Team International Development (“**TID**”). Upon completion of the Proposed Acquisition, the Company will employ all the staff of TPE and TID and own the entire business and undertaking of TPE and TID.

2. INFORMATION ON TPE AND TID

TPE is a partnership registered in Singapore on 19 December 2002. TPE is principally engaged in the manufacturing of metal precision components and was awarded the ISO 9001 certificate since September 2005. The ISO 9001 certificate certifies that TPE has been operating in conformance with ISO 9001 standards for the provision of conventional and computerized numerically controlled turning, milling and engineering works for precision parts, jigs and fixtures.

TID is a partnership registered in Singapore on 13 April 2010 and is principally engaged in the same business as TPE. TID is the subcontractor of TPE and has no other sources of revenue besides that from TPE.

3. FINANCIAL INFORMATION AND VALUATION

For the financial year ended 31 December 2010 (“**FY2010**”), the unaudited profit before income tax of TPE was approximately S\$1.0 million and unaudited loss before income tax of TID was approximately S\$25,000. The unaudited net asset value of the TPE Assets and the TID Assets as at 31 December 2010 was approximately S\$1.4 million and S\$0.7 million respectively.

For the purpose of the Proposed Acquisition, the Company had commissioned Robert Khan & Co Pte Ltd (the “**Valuers**”) to conduct an independent valuation on the TPE Assets and the TID Assets (collectively, the “**Team Assets**”) as at 31 August 2011. The valuation of the fabrication plants of TPE and TID was conducted on the basis of “market value” which is defined as “the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length

transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion". With respect to the machinery of TPE and TID, the valuation was conducted on the basis of "fair market value in continued use as part of an ongoing business" which is defined as "the estimated amount in terms of money that may be reasonably expected for assets in exchange between a willing buyer and a willing seller with equity to both, neither being under any compulsion to sell or buy, both fully aware of all relevant facts and including installation, as of an appraisal date, and assuming that the earnings support the value reported". The Valuers has valued the TPE Assets at approximately S\$591,000 and the TID Assets at approximately S\$420,500.

4. THE PURCHASE CONSIDERATION

4.1 Details of the Purchase Consideration

The aggregate consideration for the Proposed Acquisition will be S\$4.5 million (the "**Purchase Consideration**"), of which S\$0.5 million will be satisfied in cash and the balance S\$4.0 million 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 3 payment tranches.

The issue price for each of the Consideration Shares (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 five (5) business days period after the date of completion of the Proposed Acquisition (the "**Completion Date**"), or S\$0.50, whichever is higher, subject to a maximum Issue Price of S\$0.65.

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 historical financial performance of TPE and TID, the valuations ascribed to the Team Assets by the Valuers and the rationale for the Proposed Acquisition (as further described hereinafter).

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

- (a) a 1st payment tranche of S\$2.1 million, of which S\$0.1 million shall be payable in cash on the Completion Date and the balance S\$2.0 million shall be fully satisfied by the allotment and issuance by the Company to the Vendors of the Consideration Shares at the Issue Price (the "**1st Tranche Consideration Shares**") credited as fully paid-up, within twenty (20) business days from the day the Issue Price is determined.

The amount of cash and the value of the 1st Tranche Consideration Shares which each of the Vendors shall receive under the 1st payment tranche are as follows:

	Amount of cash to be received	Value of 1st Tranche Consideration Shares to be received
Huang Zhi Yong	S\$50,000	S\$1,000,000
Cheng Shao Rong	S\$50,000	S\$1,000,000
Total	S\$100,000	S\$2,000,000

- (b) a 2nd payment tranche of S\$1.2 million, of which S\$0.2 million shall be payable in cash on the day falling 12 months from the Completion Date and the remaining S\$1.0 million shall be fully satisfied by the allotment and issuance by the Company to the Vendors of the Consideration Shares at the Issue Price (the “**2nd Tranche Consideration Shares**”), credited as fully paid-up, within ten (10) business days from the day falling 12 months from the Completion Date.

The amount of cash and the value of 2nd Tranche Consideration Shares which each of the Vendors shall receive under the 2nd payment tranche are as follows:

	Amount of cash to be received	Value of 2nd Tranche Consideration Shares to be received
Huang Zhi Yong	S\$100,000	S\$500,000
Cheng Shao Rong	S\$100,000	S\$500,000
Total	S\$200,000	S\$1,000,000

- (c) a 3rd payment tranche of S\$1.2 million, of which S\$0.2 million shall be payable in cash on the day falling 24 months from the Completion Date and the remaining S\$1.0 million shall be fully satisfied by the allotment and issuance by the Company to the Vendors of the 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 24 months from the Completion Date.

The amount of cash and the value of 3rd Tranche Consideration Shares which each of the Vendors shall receive under the 3rd payment tranche are as follows:

	Amount of cash to be received	Value of 3rd Tranche Consideration Shares to be received
Huang Zhi Yong	S\$100,000	S\$500,000
Cheng Shao Rong	S\$100,000	S\$500,000
Total	S\$200,000	S\$1,000,000

4.2 Funding of the Purchase Consideration

It is the current intention of the Company to fund the cash component of the Purchase Consideration using the Company's prevailing cash resources at the various payment dates for each respective tranche of the Purchase Consideration.

4.3 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 1st Tranche Consideration Shares, the 2nd Tranche Consideration Shares and the 3rd 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.

4.4 Moratorium

Each of the Vendors jointly and severally undertakes to the Company that he shall not, for a period of 12 months, from the respective date of issuance of the 1st Tranche Consideration Shares, the 2nd Tranche Consideration Shares and the 3rd 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. MATERIAL CONDITIONS OF THE AGREEMENT

5.1 Conditions Precedent

The Proposed Acquisition is conditional upon, *inter alia*, the

- (a) the completion of a legal, financial and tax due diligence exercise by the Company and its advisers on the Team Assets, TID and/or TPE which shall include, without limitation, (i) the review of the business and operations of TID and/or TPE; (ii) the review of the historical financial information of TID and/or TPE; and (iii) the review of any and all documents relating to legal and taxation matters of TID and/or TPE, the results of such exercise being satisfactory to the Company, in its sole and absolute discretion;
- (b) all approvals and consents as may be necessary from any third party, governmental or regulatory body or relevant competent authority 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 consents or approvals 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 the Completion Date, such condition(s) being fulfilled before the Completion Date;

- (c) no material adverse change (as determined by the Company in its reasonable discretion) in the prospects, operations or financial conditions of the business of TID and/or TPE occurring on or before the Completion Date;
- (d) 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;
- (e) the Company being satisfied in its reasonable discretion, that the business of TID and/or TPE 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 TID and/or TPE have been obtained, and are and shall remain on the Completion Date valid and effective and not withdrawn or amended;
- (f) 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;
- (g) the sale and purchase of all the Team Assets being completed simultaneously under the Agreement;
- (h) the commencement of the winding up of TID and TPE; and
- (i) Messrs Huang Zhi Yong and Cheng Shao Rong entering into 3-year service agreements (collectively the “**Service Agreements**” and each a “**Service Agreement**”) with the Company (or any other company in the Company’s group of companies) on such terms that may be mutually agreed between the Parties, provided always that, if necessary, the Service Agreements shall be subject to the review and recommendation by the Company’s remuneration and nominating committees and the approval by the Company’s board of directors, such recommendation and approval not to be unreasonably withheld.

5.2 Completion

The completion of the Proposed 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.

5.3 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 December 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.

5.4 Profit Warranty

The Vendors note that, upon completion of the Proposed Acquisition, all the Team Assets will be injected into Mencast Engineering Pte Ltd ("**Mencast Engineering**"), a subsidiary of the Company, and have jointly and severally warranted to the Company that the cumulative net profit after tax (the "**NPAT**") of Mencast Engineering (after the injection of the Team Assets) for the next three (3) financial years ending 31 December 2012, 2013 and 2014 (the "**Period**") shall be a minimum of S\$3.0 million (the "**Profit Warranty**"). For the avoidance of doubt, once Mencast Engineering achieves the NPAT of a minimum of S\$3.0 million at any time within the Period, it shall be deemed that the Vendors have discharged their obligations in relation to the Profit Warranty. 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 Mencast Engineering fails to achieve the NPAT of a minimum of S\$3.0 million within the Period, the Vendors shall pay the Company the shortfall 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 December 2014.

For the avoidance of doubt, if Mencast Engineering achieves the NPAT of a minimum of S\$3.0 million within the Period, there shall be no requirement for the Vendors to make any Cash Compensation to the Company.

5.5 Winding Up and Divestment of Interests

The Vendors jointly and severally undertake to the Company that they shall procure the cessation of the undertaking of the business of TID and TPE on the Completion Date. Further, the Vendors also undertake to the Company that TID and TPE shall be de-registered as partnerships in Singapore with effect from 30 September 2012.

6. RATIONALE FOR THE PROPOSED ACQUISITION

The current core business of 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 Acquisition represents an opportunity for the Group to enhance its production capacity and leverage on the partnerships' skilled workforce to strengthen the skill sets of the Group's current pool of machinists.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

Purely for illustrative purposes, the financial effects of the Proposed 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 TPE and TID for FY2010 and assuming that:

- (i) completion of the Proposed 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 Acquisition is estimated to be approximately S\$3.5 million and there is no impairment made for this goodwill;
- (iii) the cash component of the Purchase Consideration of S\$0.5 million in aggregate is financed entirely using the Group's internal source of funds; and
- (iv) all the Consideration Shares are issued to the Vendors at the minimum Issue Price of S\$0.50 per Consideration Share on 1 January 2010, in respect of profit and loss statements, and on 31 December 2010 in respect of balance sheets.

7.1 Share capital

	Before the proposed acquisitions of Top Great Engineering & Marine Pte Ltd and Unidive Marine Services Pte Ltd on 18 May 2011 and 21 June 2011, respectively (the "Proposed TG and Unidive Acquisitions") and the Proposed Acquisition		After the Proposed TG and Unidive Acquisitions but before the Proposed Acquisition		After the Proposed Acquisition	
	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	211,609	41,951	219,609	45,951

7.2 Net tangible assets ("NTA")

	Before the Proposed TG and Unidive Acquisitions and before the Proposed Acquisition	After the Proposed TG and Unidive Acquisitions but before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 31 December 2010 (S\$'000)	35,736	31,093	31,593
No. of Shares as at 31 December 2010 ('000)	170,573	211,609	219,609

	Before the Proposed TG and Unidive Acquisitions and before the Proposed Acquisition	After the Proposed TG and Unidive Acquisitions but before the Proposed Acquisition	After the Proposed Acquisition
NTA per Share as at 31 December 2010 (cents)	21.0	14.7	14.4

7.3 Earnings per Share (“EPS”)

	Before the Proposed TG and Unidive Acquisitions and before the Proposed Acquisition	After the Proposed TG and Unidive Acquisitions but before the Proposed Acquisition	After the Proposed Acquisition
Net profit for FY2010 (S\$'000)	8,495	15,723	16,671
Weighted average no. of Shares for FY2010 ('000)	157,657	198,694	206,694
EPS for FY2010 (cents)	5.39	7.91	8.07

7.4 Gearing

	Before the Proposed TG and Unidive Acquisitions and before the Proposed Acquisition	After the Proposed TG and Unidive Acquisitions but before the Proposed Acquisition	After the Proposed Acquisition
Net borrowings as at 31 December 2010 (S\$'000)	Net cash	17,365	16,865
Shareholders' equity as at 31 December 2010 (S\$'000)	40,517	57,342	61,342
Net gearing as at 31 December 2010 (times)	Net cash	0.30	0.27

8. CHAPTER 10 OF THE CATALIST RULES

8.1 Computations under Rule 1006 of the Catalyst Rules

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

Rule 1006(b)	The aggregate net profits attributable to the Team Assets, compared with the net profits of the Group	8.1%
Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation ⁽²⁾	4.7%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue ⁽³⁾	4.3%

Notes:

- (1) Rule 1006(a) of the Catalyst Rules is not applicable as it applies only for a disposal of assets and Rule 1006(e) of the Catalyst 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) The market capitalisation of the Company of approximately S\$96.5 million is determined by multiplying the 187,491,000 Shares in issue as at the date of this announcement by the volume-weighted average price of the Shares of approximately S\$0.515 on 11 November 2011 (being the last market day on which the Shares were traded prior to the date of signing of the Agreement).
- (3) Assuming that a total of 8,000,000 Consideration Shares are issued to the Vendors at the minimum Issue Price of S\$0.50 per Consideration Share.

As shown in the table above, as the relative figure computed under Rule 1006(b) of the Catalyst Rules exceeds 5% but is less than 75%, the Proposed Acquisition, considered in aggregate in accordance with Rule 1005 of the Catalyst Rules, would constitute a discloseable transaction under Chapter 10 of the Catalyst Rules. Accordingly, the approval of shareholders of the Company for the Proposed Acquisition will not be required.

8.2 Disclosure under Rule 1013 of the Catalyst Rules

The Board has accepted the Profit Warranty from the Vendors as it is of the view that the Profit Warranty is achievable given it was forecasted after taking into consideration, *inter alia*, the historical and current year financial performance of TPE and TID.

As stated in paragraph 5.4 of this announcement above, under the terms of the Agreement, in the event that Mencast Engineering fails to achieve the Profit Warranty during the Period, the Vendors shall pay the Company the Cash Compensation within six (6) months from 31 December 2014.

The Board is of the view that no safeguards are required to ensure the Company's right of recourse in the event the Profit Warranty is not met as the Company is satisfied with the Vendors' financial standing.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the directors of the Company (the “Directors”) has any interest, direct or indirect, in the Proposed 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 Acquisition (other than by reason of their shareholding interest in the Company).

No person is proposed to be appointed to the Board in connection with the Proposed Acquisition.

10. DOCUMENTS FOR INSPECTION

A copy of (i) the Agreement and (ii) the report from the Valuers prepared in connection with the Proposed Acquisition are available for inspection at the Company’s business address at 12, Kwong Min Road, Singapore 628714, 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
28 November 2011

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, Singapore Branch, 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337-5115.