

MENCAST HOLDINGS LTD.

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

ANNOUNCEMENT IN RELATION TO:

- (A) **LAPSE OF LONG-STOP DATE OF THE BINDING TERMSHEET DATED 8 MARCH 2016 (THE “TERMSHEET”) IN RESPECT OF THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF STONE MARINE SINGAPORE PRIVATE LIMITED; AND**
 - (B) **ENTRY INTO ASSET SALE AND PURCHASE AGREEMENT (THE “ASSET SPA”) IN RESPECT OF THE PROPOSED ACQUISITION OF CERTAIN TARGET ASSETS OF STONE MARINE SINGAPORE PRIVATE LIMITED**
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The board of directors (the “**Board**”) of Mencast Holdings Ltd. (the “**Company**”) refers to the announcement made by the Company on 8 March 2016 (the “**Announcement**”) in relation to the proposed acquisition of the entire issued and paid-up share capital of Stone Marine Singapore Private Limited (the “**Target**”) by the Company.

All capitalised terms used and not defined herein shall have the same meanings given to them in the Announcement.

(A) LAPSE OF LONG-STOP DATE OF THE TERMSHEET

Further to the Announcement, the Board wishes to announce that as the conditions precedent under the Termsheet have not been satisfied by the long-stop date for the execution of the Definitive Agreements (the “**Long-Stop Date**”), and no further extension of time had been agreed to by the Parties, the Termsheet has since lapsed and ceased to have further effect. Accordingly, all obligations of the Parties under the Termsheet have ceased and determined, save for the surviving clauses.

(B) ENTRY INTO THE ASSET SPA**1. Introduction**

The Board wishes to announce that the Company has, on 14 June 2016, entered into a conditional Asset SPA with Stone Marine Overseas Limited, Langham Industries Limited (collectively, the “**Beneficial Owners**”) and the Target, in relation to the proposed acquisition of certain target assets of the Target (the “**Target Assets**”) by the Company or its nominee (the “**Proposed Acquisition**”).

Pursuant to the above, the Proposed Acquisition will now relate to the acquisition of the Target Assets only, instead of the acquisition of the entire issued and paid-up share capital of the Target.

As none of the relative figures computed under Rule 1006 of the Listing Manual exceeds 5%, the Proposed Acquisition is a non-discloseable transaction under Chapter 10 of the Listing Manual.

2. Information on the Target and the Target Assets

As disclosed in the Announcement, the Target is a private limited company incorporated in Singapore on 23 July 1969, and is involved in the business of manufacturing and repair of marine propellers, associated stern gear and seals.

The book value and latest open market value of the Target Assets for the financial year ended 31 December 2015 (“FY2015”) is approximately S\$2,508,000 and S\$3,305,000 respectively.

The Asset SPA meets the definition of a business combination as defined under FRS 103 – “Business Combinations” hence this acquisition will result to a one-time gain on bargain purchase of approximately S\$855,000.

3. Salient Terms of the Asset SPA

The salient terms of the Asset SPA include, *inter alia*, the following:

3.1 Consideration

The consideration for the Proposed Acquisition is S\$2,450,000 (the “**Consideration**”) and was agreed at after arms’ length negotiations, based on a willing-buyer willing-seller basis.

The Consideration shall be paid in several tranches as follows:

- (a) the sum of S\$1,698,667.00 to be payable in three (3) tranches as follows:
 - (i) the first tranche, being the sum of S\$1,000,000 shall be payable on completion of the Proposed Acquisition (“**Completion**”);
 - (ii) the second tranche, being the sum of S\$349,333.50, shall be payable on the date falling six (6) months from Completion; and
 - (iii) the third tranche, being the sum of S\$349,333.50, shall be payable on the date falling twelve (12) months from Completion; and
- (b) the remaining sum of S\$751,333.00 to be payable in equal monthly installments from Completion up to July 2017.

As security for payment of the Consideration in tranches, the Company shall grant a fixed and floating charge over the Target Assets in favour of the Target on the date of Completion (“**Completion Date**”).

The Consideration will be payable in cash, and it is the current intention for the Company to fund the Consideration from internal cash resources.

Completion is expected to take place one (1) month from the date of execution of the Asset SPA, or such other date as the Parties may mutually agree in writing.

3.2 Licence and Supply Arrangement

As disclosed in the Announcement,

- (i) With effect from the Completion Date, and for a term of three (3) years (which may be renewed for successive periods of two (2) year(s) upon mutual agreement between the Parties), Langham Industries Limited shall procure that Stone Marine Propulsion Limited grant a licence (the “**Licence**”) to the Company (or its nominee) for:
 - (a) the manufacture and sale/distribution of "Class S" and "Class 1" propellers of up to 3.5 meters in diameter and the associated stern gears (excluding rudder and steering assemblies) under the “Stone Marine” brand; and
 - (b) the manufacture and sale/distribution of HydroSeals under the “Stone Marine Seals” brand,

(collectively, the “**Stone Marine Products**”), in relevant exclusive and non-exclusive territories.

In addition, Langham Industries Limited shall procure that Stone Marine Propulsion Limited and Bruntons Propellers Ltd shall provide the Company (or its nominee) with a first right to provide a quotation for any orders for the Stone Marine Products.

The Company (or its nominee) shall pay a royalty fee for the Licence.

For the term of the Licence (including such extended term as mutually agreed between the Parties), the Beneficial Owners jointly and severally undertake not to directly or indirectly engage in any business in the exclusive territories which is similar to or in competition with the business of the Target.

- (ii) With effect from the Completion Date, and for a term of three (3) years (which may be renewed for successive periods of two (2) year(s) upon mutual agreement between the Parties), Langham Industries Limited shall procure, at the request and order of the Company (or its nominee), the supply to the Company (or its nominee) of the design of propellers relating to (i) commercial propellers; and (ii) military propellers.

The Company (or its nominee) shall pay for the supply of the design of propellers, and this will be subject to a minimum annual fee.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Group's current core business is in maintenance, repair and overhaul ("MRO") for the Offshore and Marine industries, focusing on high precision, time sensitive and mission critical work. The Group is one of the leading players in MRO for the Offshore and Marine industries.

The Target's business is strongly synergistic to the Group's existing business. The Proposed Acquisition is part of a business relationship that allows Mencast to leverage the design capabilities and strong technological innovation of Langham Industries Limited, the parent company of the Target. Langham Industries Limited is a pioneer of screw propulsion and can trace its history back to the earliest days of propeller manufacturing in the 19th century.

The Target's strength in high performance propellers and sterngear equipment is complementary to the Group's existing business with limited overlap. The acquisition of the Target Assets will allow the Group an opportunity to offer its existing services to the premium military and naval vessel market. The Board believes that the Group's existing expertise in this area, combined with the Target's client base and industry reputation, will create positive synergies and economies of scale for the Group.

5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition, save for their interests by virtue of their shareholdings and/or directorships, as the case may be, in the Company.

6. DOCUMENTS FOR INSPECTION

A copy of the Asset SPA will be made available for inspection during normal business hours at the Company's registered office at, 42E Penjuru Road, Singapore 609161 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 & Chief Executive Officer
14 June 2016

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.

Led by a dedicated and experienced management team, and operating from our waterfront facilities and logistics seaborne hub on 52,120 square meters of land area, Mencast is well on track to achieve its goal of becoming a leader in the Oil & Gas MRO industry. **For more information on Mencast, visit <http://www.mencast.com.sg>**

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