

MENCAST HOLDINGS LTD.

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

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF TOP GREAT ENGINEERING & MARINE PTE LTD ("TOP GREAT")

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 18 May 2011 entered into a sale and purchase agreement (the "**Agreement**") with Wong Boon Huat, Wong Boon Hwee and Wong Boon Kok (collectively the "**Vendors**") in relation to the proposed acquisition of the entire issued and paid-up share capital (the "**Sale Shares**") of Top Great (the "**Proposed Acquisition**").

2. INFORMATION ON THE TOP GREAT GROUP

Top Great is a company incorporated in Singapore on 13 December 2000 with an issued and paid-up share capital of S\$1.00 million comprising 1,000,000 shares as at the date of this announcement.

As at the date of this announcement, Top Great has the following ten (10) subsidiaries:

- (a) Top Great Holdings Pte Ltd, a company incorporated in Singapore;
- (b) Top Great Engineering & Marine Sdn Bhd and McGlynn Sdn Bhd, both of which are incorporated in Malaysia;
- (c) P.T. Top Great Engineering & Marine; a company incorporated in Indonesia;
- (d) Top Great Engineering Services LLC, Towel Top Great Engineering Services LLC, Top Great Trading and Marine Services LLC and Excellent Maintenance Engineering & Trading LLC, all of which are incorporated in Oman;
- (e) Top Great Engineering & Marine Company Limited, a company incorporated in Dubai; and
- (f) Pristine International Ltd, a company incorporated in Samoa.

Save for P.T. Top Great Engineering & Marine (99%-owned), Top Great Engineering Services LLC (70%-owned), Towel Top Great Engineering services LLC (50%-owned) and Top Great Trading and Marine Services LLC (70%-owned), Top Great owns 100% of the shareholding interests of the other subsidiaries set out above.

Top Great, together with its subsidiaries (the “**Top Great Group**”), is principally engaged in the business of engineering design, procurement, fabrication and installation of structural and precision engineering systems and plants. Its business operations include the provision of skilled professionals and manpower as well as full turnkey project management of engineering projects. The latter encompasses every stage from project inception to material procurement, completion and handover.

The Top Great Group serves a large group of customers in the environment, marine and oil & gas sectors from many countries, some of which include Singapore, Malaysia, Indonesia and the Middle East.

The unaudited profit before income tax of the Top Great Group was approximately S\$4.70 million for the financial year ended 31 December 2010 (“**FY2010**”). The unaudited net asset value of the Top Great Group as at 31 December 2010 was approximately S\$10.64 million.

3. THE PURCHASE CONSIDERATION

3.1 Details of the Purchase Consideration

The aggregate consideration for the Proposed Acquisition will be S\$24.0 million (the “**Purchase Consideration**”), of which S\$9.6 million will be satisfied in cash and the balance S\$14.4 million will be satisfied by the allotment and issuance by the Company to the Vendors and their nominee, Song Bong Joo (the “**Nominee**”), 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 ten (10) business days period prior to the date of completion of the Proposed Acquisition (the “**Completion Date**”), or S\$0.410, whichever is higher, subject to a maximum Issue Price of S\$0.490.

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 Top Great Group 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\$13.2 million, of which S\$6.0 million shall be payable in cash on the Completion Date and the balance S\$7.2 million shall be fully satisfied by the allotment and issuance by the Company to the Vendors and the Nominee 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 the Vendors and the Nominee 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
Wong Boon Huat ("Vendor #1")	S\$5,802,000	S\$4,294,900
Wong Boon Hwee ("Vendor #2")	S\$198,000	S\$237,600
Wong Boon Kok ("Vendor #3")	-	S\$1,980,000
Nominee	-	S\$687,500
Total	S\$6,000,000	S\$7,200,000

- (b) a 2nd payment tranche of S\$5.4 million, of which S\$1.8 million shall be payable in cash on the day falling 12 months from the Completion Date and the remaining S\$3.6 million shall be fully satisfied by the allotment and issuance by the Company to the Vendors and the Nominee 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 the Vendors and the Nominee 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
Vendor #1	S\$1,740,600	S\$2,390,000
Vendor #2	S\$59,400	S\$118,800
Vendor #3	-	S\$810,000
Nominee	-	S\$281,200
Total	S\$1,800,000	S\$3,600,000

- (c) a 3rd payment tranche of S\$5.4 million, of which S\$1.8 million shall be payable in cash on the day falling 24 months from the Completion Date and the remaining S\$3.6 million shall be fully satisfied by the allotment and issuance by the Company to the Vendors and the Nominee 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 the Vendors and the Nominee shall receive under the 3rd payment tranche are as follows:

	Amount of cash to be received	Value of 3 rd Tranche Consideration Shares to be received
Vendor #1	S\$1,740,600	S\$2,390,000
Vendor #2	S\$59,400	S\$118,800
Vendor #3	-	S\$810,000
Nominee	-	S\$281,200
Total	S\$1,800,000	S\$3,600,000

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 the proceeds from the placement of new Shares undertaken by the Company in November 2010, 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 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. MATERIAL CONDITIONS OF THE AGREEMENT

4.1 Conditions Precedent

The Agreement 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 Top Great Group which shall include, without limitation, (i) the review of the business of the Top Great Group and operations of the Top Great Group; (ii) the review of the Top Great Group's historical figures; and (iii) the review of any and all documents relating to legal and taxation matters of the Top Great Group, the results of such exercise being satisfactory to the Company, in its sole and absolute discretion;
- (b) 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

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;

- (c) 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;
- (d) the approval of the board of directors of Top Great for the proposed transfer of the Sale Shares from the Vendors to the Company having been obtained;
- (e) the approval of the Board and the shareholders of the Company (the “**Shareholders**”) (if necessary) for the Proposed 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;
- (f) the net tangible assets of the Top Great Group, as shown in the management accounts of the Top Great Group as at 30 April 2011, to be at least S\$10.8 million;
- (g) no material adverse change in the prospects, operations or financial conditions of the Top Great Group occurring on or before the Completion Date;
- (h) 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;
- (i) the Company being satisfied in its reasonable discretion, that the business of the Top Great 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 Top Great Group have been obtained, and are and shall remain on Completion valid and effective and not withdrawn or amended;
- (j) 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;
- (k) the sale and purchase of all the Sale Shares being completed simultaneously

under the Agreement; and

- (l) Wong Boon Huat and Wong Boon Hwee 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 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. Notwithstanding the foregoing, in the event that all the conditions precedent set out in the Agreement have been complied with or satisfied and not breached and Completion takes place in accordance with the Agreement, the Parties agree that Completion shall be deemed to have taken effect on 1 May 2011.

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 Top Great Group shall achieve an aggregate audited net profit after tax (the “**NPAT**”) of not less than S\$8.0 million (the “**Profit Warranty**”) within the 2-year period from 1 May 2011 to 31 April 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 Top Great Group fails to achieve the Profit Warranty within the Relevant Period, the Vendors shall pay to the Company the shortfall in cash (the “**Cash Compensation**”). The Cash Compensation, if any, shall be payable by the Vendor to the Company within six (6) months from 31 April 2013.

For the avoidance of doubt, if the Top Great Group achieves the Profit Warranty anytime within the Relevant Period, it shall be deemed that the Vendors have discharged their obligations in relation to the Profit Warranty and there shall be no need for the Vendors to make any Cash Compensation to the Company.

4.5 Winding Up and Divestment of Interests

The Vendors jointly and severally undertake to the Company that the voluntary winding process of the following subsidiaries of Top Great have commenced and that they shall procure that the following subsidiaries be wound up on or before 30 June 2012:

- (a) Top Great Engineering & Marine Company Limited (incorporated in Dubai); and
- (b) Pristine International Ltd (incorporated in Samoa).

The Vendors further jointly and severally undertake to the Company that Top Great Trading and Marine Services LLC (incorporated in Oman) is in the process of being divested to a third party and that none of them shall have any interest in Top Great Trading and Marine Services LLC on or before 30 June 2012.

The Vendors also jointly and severally undertake to the Company that they shall procure the following:

- (a) that none of the companies in the Top Great Group shall have any interest in Top Great Trading and Marine Services LLC on or before 30 June 2012; and
- (b) that the third party which purchased Top Great Trading and Marine Services LLC shall not at any time after the divestment use the words "Top Great" as part of their company name in any country in which the Company and its subsidiaries (the "**Group**") operates or any other part of the world, or use in any country in which the Group then operates any name which is the same as or similar to any of the trade or service marks of the Top Great Group or any brand name or proposed brand name of any of the Top Great Group's products or proposed products, or represent itself as carrying on or continuing or being connected with any company in the Top Great Group or its business for any purpose whatsoever unless otherwise agreed by the Company in writing.

4.6 Moratorium

Each of the Vendors jointly and severally undertakes to the Company that he, and he shall procure that the Nominee(s), 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 or the Nominee holds.

5. RATIONALE FOR THE PROPOSED ACQUISITION

The Group's current core business 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 leverage on the established client base, industry reputation and accreditations developed by the Top Great Group over its three decades of operations, as well as increase its revenue base with a fuller range of Marine MRO services. This would allow the Group to create positive synergies, economies of scale and strengthen its value proposition to attract and retain new clientele.

6. 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 the Top Great Group 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\$13.4 million and there is no impairment made for this goodwill;
- (iii) the cash component of the Purchase Consideration of S\$9.6 million in aggregate is financed entirely using the Group's internal funds; and
- (iv) all the Consideration Shares are issued to the Vendors at the minimum Issue Price of S\$0.410 per Consideration Share 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 Acquisition		After the Proposed Acquisition	
	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

6.2 Net tangible assets ("NTA")

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA as at 31 December 2010 (S\$'000)	35,736	36,736
No. of Shares as at 31 December 2010 ('000)	170,573	205,695
NTA per Share as at 31 December 2010 (cents)	21.0	17.9

6.3 Earnings per Share (“EPS”)

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit for FY2010 (S\$'000)	8,495	12,875
Weighted average no. of Shares for FY2010 ('000)	157,657	192,779
EPS for FY2010 (cents)	5.39	6.68

6.4 Gearing

	Before the Proposed Acquisition	After the Proposed Acquisition
Net borrowings as at 31 December 2010 (S\$'000)	Net cash	8,306
Shareholders' equity as at 31 December 2010 (S\$'000)	40,517	54,917
Net gearing as at 31 December 2010 (times)	Net cash	0.15

7. CHAPTER 10 OF THE CATALIST 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 Catalist (“**Catalist Rules**”) are as follows:

Rule 1006(b)	The aggregate net profits attributable to the Top Great Group, compared with the net profits of the Group ⁽²⁾	48.0%
Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalization ⁽³⁾	31.5%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue ⁽⁴⁾	20.6%

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 Top Great Group of approximately S\$4.7 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\$76.3 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\$0.4471 on 16 May 2011 (being the market day preceding the date of signing of the Agreement).

- (4) Assuming that a total of 35,121,951 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 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 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 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).

Subject to the completion of the Proposed Acquisition and the entering into of the Service Agreements, it is the intention of the Company for Mr Wong Boon Huat to be appointed as a Director in connection with the Proposed Acquisition. The details of the appointment of Mr Wong Boon Huat as a Director and the terms of his Service Agreement will be announced by the Company in a separate announcement once the Service Agreement has been entered into.

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
Chief Executive Officer
18 May 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.