

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 CHINYEE ENGINEERING & MACHINERY PTE LTD. (“CYE”)

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 8 November 2013 entered into separate sale and purchase agreements (the “**Agreements**”) with Wong Hua Choon and WillieWong Group Pte. Ltd. (the “**Majority Vendors**”), and Frontken (Singapore) Pte Ltd (the “**Minority Vendor**”), respectively (collectively the “**Vendors**”), in relation to the proposed acquisition of the entire issued and paid-up share capital (the “**Sale Shares**”) of CYE (the “**Proposed Acquisition**”).

2. INFORMATION ON CYE

CYE is a company incorporated in Singapore on 14 August 1979 with an issued and paid-up share capital of S\$6,987,000 comprising 6,987,000 shares as at the date of this announcement.

CYE is a leading provider of precision manufactured components and assemblies, providing one-stop quality manufacturing solutions from re-engineering, prototyping, mass-production to wide range of post-machining processes such as coatings, heat treatment, integration, decontamination and similar services.

The book value and net tangible asset value of CYE for FY2012 was approximately S\$5.1 million. The loss before income tax of CYE for the financial year ended 31 December 2012 (“**FY2012**”) was approximately (S\$926,000).

3. THE PURCHASE CONSIDERATION

3.1 Details of the Purchase Consideration

The aggregate consideration for the Proposed Acquisition will be S\$11.0 million (the “**Aggregate Consideration**”), of which S\$9.3 million will payable to the Majority Vendors (the “**Majority Vendors Consideration**”) and S\$1.7 million will be payable to the Minority Vendor (the “**Minority Vendor Consideration**”). This Majority Vendor Consideration (and therefore the Aggregate Consideration) may be subject to downward adjustments as outlined in paragraph 3.11 below.

The Aggregate 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 account the net tangible assets of CYE as at 31 August 2013, as adjusted to exclude investments in subsidiaries and investment property and any amounts owing to and from shareholders and its related parties of such shareholders.

3.1.1 Majority Vendors Consideration

Notwithstanding paragraph 3.1 above, as the Majority Vendors Consideration takes into account the shareholders’ loan of approximately S\$2.3 million which is owed by CYE to the Majority Vendors as at the date of this announcement, the Majority Vendors Consideration may be adjusted upwards or downwards, depending on (i) the actual amount of shareholders’ loan owed by CYE to the Majority Vendors as at 31 August 2013; and (ii) how much of such shareholders’ loans are repaid by CYE to the Majority Vendors on or before the date of Completion (the “**Completion Date**”). For the avoidance of doubt, if all the shareholders’ loans amount to S\$2.3 million and the entire S\$2.3 million is repaid by CYE to the Majority Vendors, the Majority Vendor Consideration payable shall be only S\$7.0 million (i.e. S\$9.3 million less S\$2.3 million) and the Aggregate Consideration will be \$8.7 million.

The Majority Vendors Consideration shall be satisfied through an aggregate of (i) the allotment and issuance of new ordinary shares in the Company (the “**Consideration Shares**”); and (ii) the payment of a cash consideration component, via 3 payment tranches.

The issue price for each of the Consideration Shares (the “**Issue Price**”) shall be calculated 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 10 business days period after the date of the Agreement with the Majority Vendors (the “**Majority Vendors Agreement**”), but shall not be priced at:

- (a) more than 5.0% discount to the weighted average price of the Shares for trades done on the SGX-ST on the date of the Majority Vendors Agreement;
- (b) more than 5.0% premium to the weighted average price of the Shares for trades done on the SGX-ST on the date of the Majority Vendors Agreement; or
- (c) less than the minimum price of S\$0.424 per Consideration Share.

The terms of payment of the Majority Vendor Consideration shall be as follows:

- (a) a 1st payment tranche of S\$3.8 million, or such lesser sum after taking into account the adjustments if all the shareholders’ loans or any part thereof are repaid by CYE. (For the avoidance of doubt, if the entire shareholders’ loan of S\$2.3 million is repaid by CYE to the

Majority Vendors, the amount payable under the 1st payment tranche shall only be S\$1.5 million).

On Completion Date, the Company shall pay such amount that is payable under the 1st payment tranche into an escrow account. Upon 5 business days after the Majority Vendors have informed the Company that their relevant undertakings in respect of rectification of all defects relating to their Sale Shares as further detailed under paragraph 4.5.1 of this Announcement under the Majority Vendors Agreement have been fulfilled and the Company is reasonably satisfied of the same, the Company shall procure the S\$3.8 million (or such adjusted amount payable under the 1st payment tranche) to be transferred from the aforesaid escrow account to the Majority Vendors.

Assuming that such amount payable is S\$3.8 million, the amount of cash which the Majority Vendors shall receive under the 1st payment tranche is as follows (such amounts will be adjusted proportionately if the amount payable under the 1st payment tranche is adjusted):

	Amount of cash which the respective Majority Vendors shall receive
Wong Hua Choon ("Vendor #1")	S\$2,808,960
WillieWong Group Pte. Ltd. ("Vendor #2")	\$231,040
Total	<u>S\$3,800,000</u>

- (b) a 2nd payment tranche of S\$2.75 million, of which S\$1.375 million shall be payable in cash and the remaining S\$1.375 million shall be fully satisfied by the allotment and issuance by the Company to the Majority Vendors of the Consideration Shares at the Issue Price (the "**2nd Tranche Consideration Shares**"), credited as fully paid-up, on the day falling 12 months from the Completion Date.

The total aggregate value of the 2nd Tranche Consideration Shares which the Majority Vendors shall receive under the 2nd payment tranche is as follows:

	Amount of cash which the Majority Vendors shall receive	Total aggregate value of 2nd Tranche Consideration Shares which the Majority Vendors shall receive
Vendor # 1	S\$1,016,400	S\$1,016,400
Vendor #2	S\$83,600	S\$83,600
Total	<u>S\$1,375,000</u>	<u>1,375,000</u>

- (c) a 3rd payment tranche of S\$2.75 million, of which S\$1.375 million shall be payable in cash and the remaining S\$1.375 million shall be fully satisfied by the allotment and issuance by the Company to the Majority Vendors of the Consideration Shares at the Issue Price (the “**3rd Tranche Consideration Shares**”), credited as fully paid-up, on the day falling 24 months from the Completion Date.

The total aggregate value of the 3rd Tranche Consideration Shares which the Majority Vendors shall receive under the 3rd payment tranche is as follows:

	Amount of cash which the Majority Vendors shall receive	Total aggregate value of 3rd Tranche Consideration Shares which the Majority Vendors shall receive
Vendor #1	S\$1,016,400	S\$1,016,400
Vendor #2	S\$83,600	S\$83,600
Total	<u>S\$1,375,000</u>	<u>1,375,000</u>

3.1.2 Minority Vendor Consideration

On Completion Date, the Company shall pay the Minority Vendor Consideration into an escrow account. Upon 5 business days after the Minority Vendor has informed the Company that its relevant undertaking in respect of the rectification of all defects relating to its Sale Shares as further detailed under paragraph 4.5.1 of this Announcement under the agreement entered into with the Minority Vendor (the “**Minority Vendor Agreement**”) has been fulfilled and the Company is reasonably satisfied of the same, the Company shall procure the Minority Vendor Consideration to be transferred from the aforesaid escrow account to the Minority Vendor.

3.2 Funding of the Purchase Consideration

It is the current intention of the Company to fund the cash component of the Aggregate Consideration from the proceeds from the issue of S\$50,000,000 fixed rate notes due 2016 (the “**Series 1 Notes**”) under the Company’s S\$200,000,000 multicurrency medium term note programme. Please refer to the announcement released by the Company on the SGXNET on 12 September 2013 for further information in relation to the Series 1 Notes.

3.3 Consideration Shares

An application will be made to the SGX-ST, for the listing of and quotation for the Consideration Shares on the main board of the SGX-ST (the “**Main Board**”). An appropriate announcement will be made by the Company upon receipt of the approval in-principle from the SGX-ST (the “**Approval In-Principle**”) for the listing of and quotation for the Consideration Shares on the Main Board.

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 AGREEMENTS

4.1 Conditions Precedent

Neither the Company nor the Vendors shall be obliged to complete the Proposed Acquisition unless the sale and purchase of each Vendor's Sale Shares as envisaged under the Agreements are completed simultaneously on Completion Date.

The Agreements are conditional upon, *inter alia*, the

- (a) the completion of legal, financial and tax due diligence and the results of such due diligence being satisfactory to the Company, in its sole and absolute discretion;
- (b) the Approval In-Principle for the listing of and quotation for the Consideration Shares on Main Board, 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 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 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 CYE for the proposed transfer of the Sale Shares from the Vendors to the Company having been obtained;
- (e) the approval of the board of directors and the shareholders (if necessary) of the Company for the transactions contemplated in the Agreements having been obtained;
- (f) no material adverse change in the prospects, operations or financial conditions of CYE occurring on or before the Completion Date;
- (g) all warranties provided by the Company and the Vendors (as the case may be) under the Agreements being complied with, true, accurate and correct as at the date of the Agreements and each day up to and including the Completion Date;

- (h) the Company being satisfied in its reasonable discretion, that the business of CYE 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 CYE have been obtained, and are and shall remain on Completion Date valid and effective and not withdrawn or amended;
- (i) the execution and performance of the Agreements by the Parties hereto 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;
- (j) the sale and purchase of all the Sale Shares being completed simultaneously under the Agreements; and
- (k) the Completion Date being no later than 6 months from the date of execution of the Agreements, or otherwise as may be mutually agreed between the Parties in writing.

4.2 Completion

The completion of the Proposed Acquisition is expected to occur within 5 business days from the date of satisfaction of all the conditions precedent set out in the Agreements (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 Agreements is not fulfilled by the relevant Party or is not waived by the other Party on Completion Date, 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 Agreements.

4.4 Moratorium

Each of the Majority Vendors jointly and severally undertakes to the Company that he shall not, for a period of 12 months from the respective dates of issuance of 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.

4.5 Vendors' Undertakings

4.5.1 Rectification of defects in allotment, issuance and/or transfer of Sale Shares

Each of the Majority Vendors and the Minority Vendor has undertaken to the Company that they shall procure the rectification of all defects in relation to the allotment, issuance and/or transfer of their Sale Shares as soon as practicable after the signing of the Agreements, and shall cause the same to be completed on or before 31 March 2014.

4.5.2 Service Contracts

Each of the Majority Vendors has, *inter alia*, undertaken to the Company that, prior to or on Completion Date, they shall procure that the relevant key management of CYE (to be determined by the Parties at a later date) enter into respective 3-year service agreements with the Company or its designated subsidiaries (the "**Service Agreements**"), commencing from Completion Date and on such terms that may be mutually agreed between them and the Company and that are at least equivalent to their latest service agreements with CYE, provided always that (i) any notice of termination of the Service Agreements shall be at least 3 months; and (ii) the Service Agreements shall be subject to (a) the review and recommendation by the Company's remuneration committee; and (b) the approval of the Company's board of directors, such recommendation and approval not to be unreasonably withheld.

5. RATIONALE FOR THE PROPOSED ACQUISITION

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

CYE's facilities, pool of CNC machines and machinists is highly complementary to Mencast existing business and allows the Group an opportunity to accelerate expansion plans. Notwithstanding CYE's current loss, the Group believes our existing expertise in this area, combined with our client base, industry reputation and will create positive synergies and economies of scale which may lead to improved performance at CYE.

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 CYE for FY2012 and assuming that:

- (i) completion of the Proposed Acquisition took place, in respect of profit and loss statements on 1 January 2012, and in respect of balance sheets on 31 December 2012;
- (ii) the amount of goodwill arising from the Proposed Acquisition is estimated to be approximately S\$2.197 million and there is no impairment made for this goodwill;
- (iii) the cash component of the Purchase Consideration of S\$8.25 million in aggregate is financed entirely using the proceeds from the Series 1 Notes; and
- (iv) all the Consideration Shares are issued to the Vendors at the minimum Issue Price of S\$0.424 per Consideration Share on 1 January 2012, in respect of profit and loss statements, and on 31 December 2012 in respect of balance sheets.

6.1 Share capital

	No. of Shares	S\$ '000
Issued share capital as at 31 December 2012	226,025,258	53,976
Various Issuances:		
- Issuance of shares on 18 February 2013 ⁽¹⁾	1,760,564	1,000
- Issuance of shares on 12 June 2013 ⁽²⁾	7,346,939	3,600
- Issuance of bonus shares on 20 June 2013 ⁽³⁾	56,946,452	-
- Issuance of shares on 1 October 2013 ⁽⁴⁾	1,836,735	-
	67,890,690	4,600
Treasury shares arising from share buy back	(250,000)	(135)
Issued share capital after the Various Issuances but before the Proposed Acquisition	293,665,948	58,441
Proposed Acquisition	6,485,849	2,750
Enlarged issued share capital (immediately after the Proposed Acquisition)	300,151,797	61,191

Notes:-

- (1) On 18 February 2013, the Company issued 1,760,564 shares as the 2nd tranche of the consideration shares which was payable for the purposes of the acquisition of certain assets of Team International and Team Precision Engineering.
- (2) On 12 June 2013, the Company issued 7,346,939 Shares as the 3rd tranche of the consideration shares which was payable for the purposes of the acquisition of Top Great Engineering & Marine Pte Ltd.
- (3) On 20 June 2013, the Company issued 56,946,452 bonus shares on the basis of 1 bonus shares for every 4 existing shares held by shareholders of the Company (the "**Bonus Issue**").
- (4) On 1 October 2013, the Company issued 1,836,735 bonus shares to the vendors of the acquisition of Top Great Engineering & Marine Pte Ltd pursuant to the supplemental agreement dated 6 June 2013 (the "**Additional Top Great Issue**").

6.2 Net tangible assets (“NTA”)

	As at 31 December 2012 (1)	After the Various Issuances	After the Proposed Acquisition
NTA (S\$'000)	44,913	49,378	49,931
NTA per Share (cents)	15.77	16.81	16.64

Note:-

(1) Based on 284,808,444 shares as at 31 December 2012 (adjusted to include the Bonus Issue and Additional Top Great Issue).

6.3 Earnings per Share (“EPS”)

	As at 31 December 2012⁽¹⁾	After the Various Issuances	After the Proposed Acquisition
Net profit for FY2012 (S\$'000)	13,180	13,180	12,254
Weighted average no. of Shares for FY2012 ('000)	269,015	277,872	284,358
EPS for FY2012 (cents)	4.90	4.74	4.31

Note:-

(1) For comparative purposes, the weighted average number of ordinary shares of 269,014,774 is based on the shares as at 31 December 2012 as adjusted to include the Bonus Issue and Additional Top Great Issue.

6.4 Gearing

	As at 31 December 2012	After the Various Issuances	After the Proposed Acquisition
Net borrowings (S\$'000)	40,859	40,859	45,717
Shareholders' equity (S\$'000)	90,322	94,787	97,537
Net gearing (times)	0.45	0.43	0.47

7. CHAPTER 10 OF THE SGX-ST MAIN BOARD MANUAL

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

Rule 1006(b)	The aggregate net profits attributable to CYE, compared with the net profits of the Group ⁽²⁾	Not applicable
Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation ⁽³⁾	7.34%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue ⁽⁴⁾	2.21%

Notes:

- (1) Rule 1006(a) of the Listing Rules is not applicable as it applies only for a disposal of assets and Rule 1006(e) of the Listing 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) Rule 1006(b) of the Listing Rules is not applicable as CYE is loss making in FY2012.
- (3) The market capitalisation of the Company of approximately S\$149.77 million is determined by multiplying the 293,665,948 Shares in issue as at the date of this announcement by the volume-weighted average price of the Shares of approximately S\$0.51 on 7 November 2013 (being the immediate market day preceding the date of signing of the Agreements).
- (4) Assuming that a total of 6,485,849 Consideration Shares are issued to the Majority Vendors at the minimum Issue Price of S\$0.424 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 Listing Rules exceeds 5% but does not exceed 20%, the Proposed Acquisition, considered in aggregate in accordance with Rule 1005 of the Listing Rules, would constitute a discloseable transaction under Chapter 10 of the Listing Rules. Accordingly, the approval of shareholders of the Company 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 Listing Rules) has any interest, direct or indirect, in the Proposed Acquisition (other than by reason of their shareholding interest in the Company).

9. DOCUMENTS FOR INSPECTION

Copies of the Agreements are available for inspection at the Company's registered office at, 42E Penjuru Road, Singapore 609161 for a period of 3 months from the date of this announcement.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Executive Chairman & Chief Executive Officer
8 November 2013

ABOUT MENCAST HOLDINGS LTD.

Listed on SGX-Catalist on 25 June 2008 and transferred to SGX-Mainboard on 14 December 2011, Mencast Group is a Singapore-based marine maintenance, repair and overhaul ("Marine MRO") provider comprising Marine, Offshore & Engineering and Energy Services. As an industry leader in sterngear equipment manufacturing and servicing, the Group specializes in the provision of propeller and sterngear products and services for a wide range of vessels catering to customers worldwide in the Marine and Offshore Oil and Gas industries.

Mencast's Offshore & Engineering services include offshore structures, engineering, manufacturing, inspection and maintenance, including rope access services. Marine services include sterngear manufacturing and refurbishment works, ship inspection, repair & maintenance services and engineering & fabrication works. It also includes diving services. For the Energy segment, services provided encompasses oil sludge and slop reclamation, hydro cleaning oil and gas tanks, encapsulation of wastes prior to landfill disposal and design and launch carbon footprint management initiatives and green initiatives.

Mencast is one of the first sterngear equipment manufacturers in Singapore to obtain the ISO9001:2000 Quality Management System. Also, it had achieved the Singapore SME 500 award for two consecutive years in 2005 and 2006.

For more information, please refer to the corporate website: www.mencast.com.sg

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