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

THE PROPOSED ACQUISITION OF 100.0% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF S & W PTE. LTD. ("S & W") AND S & W PROCESS EQUIPMENT (CHANGSHU) CO. LTD. ("S & W PROCESS EQUIPMENT")

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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 4 February 2014 entered into a sale and purchase agreement (the "**Agreement**") with S & W Engineering Pte Ltd (the "**Vendor**") and Wong Chung Kang ("**Mr. Wong**"), in relation to the proposed acquisition of the entire issued and paid-up share capital (the "**Sale Shares**") of S & W and S & W Process Equipment (the "**Proposed Acquisition**").

Pursuant to the Proposed Acquisition, the Company will consequently own the entire equity interest in S & W's subsidiary, Changshu Honghua Equipment Co., Ltd ("**Changshu Honghua**"), a company incorporated in the People's Republic of China.

2. INFORMATION ON S & W AND S & W PROCESS EQUIPMENT (THE "TARGET COMPANIES")

2.1 S & W

S & W is a private limited company incorporated in Singapore on 29 November 1994, which, as at the date of this announcement, has an issued and paid-up share capital of S$2,750,000, comprising 2,750,000 ordinary shares.

S & W is involved in the business of manufacturing, repairing, supplying and designing of heat exchangers, pressure vessels, air cooler heat exchangers and skid packager and the building and repairing of ships, tankers and other ocean-going vessels (the "**Target Business**").

The book value and net tangible asset value of S & W for the financial year ended 31 December 2012 ("**FY2012**") was approximately S$5,234,000. The profit before income tax of S & W for FY2012 was approximately S$1,073,000.

2.2 S & W Process Equipment

S & W Process Equipment is a company incorporated in the PRC on 22 January 2008, which, as at the date of this announcement, has a registered capital of USD600,000.

S & W Process Equipment is similarly involved in the Target Business.

The book value and net tangible asset value of S & W Process Equipment for the financial year ended 31 December 2012 ("**FY2012**") was approximately S$225,000. The loss before income tax of S & W Process Equipment for FY2012 was approximately S$338,000.

3. PURCHASE CONSIDERATION

3.1 Details of the Purchase Consideration

The aggregate consideration for the Proposed Acquisition will be S$5,100,000 (the "**Purchase Consideration**"), which shall be satisfied through an aggregate of (i) the allotment and issuance of new ordinary shares in the capital of the Company (the "**Consideration Shares**") to the Vendor (and/or its nominee); and (ii) the payment of a cash consideration component.

The issue price for each of the Consideration Shares (the "**Issue Price**") shall be calculated based on the weighted average price of the Shares for trades done on the SGX-ST for the ten (10) business days period after the date of the Agreement, but shall not be priced at:

(a) more than ten per cent. (10.0%) discount to the weighted average price of the shares of the Company for trades done on the SGX-ST on the date of the Agreement; and

(b) shall not be lower than the minimum price of S$0.424 per Consideration Share.

The Purchase Consideration was arrived at pursuant to arms' length negotiations between the Company and the Vendor (collectively, the "**Parties**" and each a "**Party**") on a willing-buyer willing-seller basis, after taking into account the adjusted net tangible assets of the Target Companies as at 31 August 2013.

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

(a) a 1st payment tranche of **S$1,225,000**, of which S$600,000 shall be satisfied in cash, and the remaining S$625,000 shall be satisfied by the allotment and issue by the Company to the Vendor (and/or its nominee) of Consideration Shares with a total aggregate value of S$625,000 (the "**1st Tranche Consideration Shares**"), credited as fully paid-up, at the Issue Price, on the date of completion (the "**Completion Date**");

(b) a 2nd payment tranche of **S$1,525,000**, of which S$900,000 shall be satisfied in cash, and the remaining S$625,000 shall be satisfied by the allotment and issuance by the Purchaser to the Vendor (and/or its nominee) of Consideration Shares with a total aggregate value of S$625,000 (the "**2nd Tranche Consideration Shares**"), credited as fully paid-up, at the Issue Price, on the day falling six (6) months from the date of the Agreement, subject always to completion of the Proposed Acquisition (the "**Completion**") having taken place; and

(c) a 3rd payment tranche of **S$2,350,000**, which shall be fully satisfied in cash, on the day falling three (3) years from the date of the Agreement, subject always to Completion having taken place. Notwithstanding the foregoing, the consideration amount of S$2,350,000 under this payment tranche may be adjusted upwards or downwards accordingly based on the outcome of the profit warranty (the "**Profit Warranty**"), as further described in paragraph 4.4 below.

3.2 Funding of the Purchase Consideration

It is the current intention of the Company to fund the cash component of the Purchase 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 Listing of and Quotation for the 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 Consideration Shares when allotted and issued, shall rank *pari passu* in all respects with the then existing issued Shares as at its date of allotment and issuance.

4. MATERIAL CONDITIONS OF THE AGREEMENT

4.1 Conditions Precedent

The sale and purchase of the Sale Shares is conditional upon, *inter alia*:

(a) the completion of a legal, financial and tax due diligence exercise on the Target Companies and Changshu Honghua and 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 the 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 the Vendor and/or each of the Target Companies (if necessary) for the proposed transfer of the Sale Shares from the Vendor to the Company having been obtained;

(e) the approval of the board of directors and the shareholders (if necessary) of the Company and/or its designated subsidiaries (if necessary) for the transactions contemplated in the Agreement having been obtained;

(f) no material adverse change in the prospects, operations or financial conditions of the Target Companies occurring on or before the Completion Date;

(g) the Company being continually listed on the Main Board, unless the Vendor otherwise agrees in writing;

(h) all warranties provided by each of the Company, the Vendor and Mr. Wong (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 Target Business has been carried on in a satisfactory manner, and all approvals and consents required for the Target Business 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; and

(k) the Completion Date being no later than six (6) months from the date of execution of the Agreement, or otherwise as may be mutually agreed between the Parties in writing.

4.2 Completion

Completion 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) but in any event no later than six (6) months from the date of execution of the Agreement, or such other date as 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 terms of the Agreement, the Parties have agreed that the Company shall, subject to the relevant laws, regulations and accounting policies, be deemed to have taken effective control of the Target Companies on 1 December 2013.

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 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 of the Agreement, save that the Parties' obligations in relation to confidentiality under the Agreement shall survive the termination of the Agreement.

4.4 Moratorium

The Vendor has undertaken to the Company that it shall not (and it shall procure that its nominee (if applicable) shall not):

(i) for a period of six (6) months from the date of the Agreement (or such longer period if imposed by the SGX-ST), transfer, sell, dispose or realise any of the 1st Tranche Consideration Shares it holds; and

(ii) for a period of twelve (12) months from the date of the Agreement (or such longer period if imposed by the SGX-ST), transfer, sell, dispose or realise any of the 2nd Tranche Consideration Shares it holds.

4.4 Profit Warranty

4.4.1 The Vendor has warranted to the Company that the Target Companies and Changshu Honghua shall collectively achieve an aggregate audited net profit after tax (the "**NPAT**") of not less than S$2,000,000 per year for a three (3)-year period commencing from the date of the Agreement (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. For the avoidance of doubt, the NPAT shall be based on the audited accounts of the Target Companies and Changshu Honghua.

4.4.2 The Parties have agreed that, for each of the first two (2) years of the Relevant Period:

(i) in the event that the Target Companies and Changshu Honghua do not achieve the Profit Warranty, the consideration amount payable under the 3rd payment tranche shall be adjusted downwards proportionately, equivalent to the shortfall of the Profit Warranty; and

(ii) conversely, in the event that the Target Companies and Chuangshu Honghua exceed the Profit Warranty, the consideration amount payable under the 3rd payment tranche shall be adjusted upwards, based on an amount that is twenty per cent. (20%) of the excess of the Profit Warranty.

4.4.3 Further to the above, the Parties have acknowledged that at the end of the third year of the Relevant Period, there will be a final adjustment to the consideration payable under the 3rd payment tranche by taking into account the cumulative NPAT of the Target Companies and Changshu Honghua, assessed against the aggregate Profit Warranty of $6,000,000 over the Relevant Period. For the avoidance of doubt, such necessary adjustments would be made at the end of the third year of the Relevant Period such that:

(i) if the cumulative NPAT of the Target Companies and Changshu Honghua over the Relevant Period is S$6,000,000, the consideration amount payable under the 3rd payment tranche (i.e. S$2,350,000) would remain unchanged;

(ii) if the cumulative NPAT of the Target Companies and Changshu Honghua over the Relevant Period exceeds S$6,000,000, the consideration amount payable under the 3rd payment tranche shall be S$2,350,000 plus an amount that is twenty per cent. (20%) of the excess of S$6,000,000; and

(iii) if the cumulative NPAT of the Target Companies and Changshu Honghua over the Relevant Period is less than the S$6,000,000, the consideration amount payable under the 3rd payment tranche shall be S$2,350,000 minus the shortfall from S$6,000,000.

4.4.4 In the event of paragraph 4.4.3(ii) above, the Company shall have to pay to the Vendor the surplus amount on the day falling thirty-nine (39) months from the date of the Agreement. Similarly, in the event of paragraph 4.4.3(iii) above and if the resultant figure is a negative figure, the Company will not have to pay the Vendor any amount of consideration under the 3rd payment tranche, and instead, the Vendor and Mr. Wong warrant to make good to the Company the shortfall of the Profit Warranty in cash (the "**Cash Compensation**"). The Cash Compensation shall be payable by the Vendor to the Company on the day falling thirty-nine (39) months from the date of the Agreement.

4.4.5 After Completion, any material tangible or intangible asset of S & W (with an asset value of more than 10% of the total asset value of S & W as at the date of the Agreement) can only be disposed with the prior written consent of Mr Wong. In the event of such disposal, any necessary adjustments to be made to the Profit Warranty will then be subject to the mutual consent of the parties to the Agreement. For the avoidance of doubt, this restriction on disposal shall only apply to the disposal of S & W's assets. In the event that any material or intangible asset of S & W Process Equipment and/or Changshu Honghua is proposed to be disposed after Completion, the Company shall seek prior approval of the board of directors of S & W before doing so.

4.5 Vendor Group's Undertakings

4.5.1 Transfer of S & W Offshore Pte. Ltd. ("**S & W Offshore**")

The Vendor, together with Mr. Wong (collectively, the "**Vendor Group**") has, *inter alia*, undertaken to the Company that prior to Completion, they shall procure that S & W transfers its entire equity interest in S & W Offshore to any other parties. For the avoidance of doubt, on Completion, the Company shall, in addition to the Sale Shares, consequently own the entire equity interest of Changshu Honghua only, but will not own any equity interest of S & W Offshore.

4.5.2 Service Contracts

The Vendor Group has further undertaken to the Company that prior to or on Completion, they shall use their best endeavours to procure that the relevant key management of the Target Companies and Changshu Honghua (to be determined by the Company at a later date) enter into respective three (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 the Target Companies or Changshu Honghua, respectively, provided always that (i) any notice of termination of the Service Agreements shall be at least three (3) months; and (ii) the terms of the Service Agreements shall be subject to (a) the review and recommendation by the Company's remuneration committee; and (b) the approval of the Board, such recommendation and approval not to be unreasonably withheld.

4.6 Company's Undertakings

4.6.1 The Company has undertaken to the Vendor that, three (3) months after Completion, it shall act as guarantor in replacement or substitution of any guarantees previously given by the Vendor and/or its shareholders or directors (or such other person where applicable) (as at the date of the Agreement) in respect of facilities from banks or trade suppliers granted to the Target Companies. For the avoidance of doubt, the Company will not replace or substitute any guarantee given in respect of facilities from banks or trade suppliers granted to S & W Offshore.

4.6.2 The Company undertakes that during the Relevant Period of the Profit Warranty, it will provide and/or assist the Target Companies to acquire funding which is reasonably necessary to continue the normal operations of the Target Business, at normal commercial terms with funding costs and/or interest rates comparable to the prevailing interest rate as at the date of the Agreement.

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 Marine Oil & Gas companies.

The Target Companies' business is highly complementary to the Group's existing business and allows the Group an opportunity to accelerate expansion plans and increase its revenue base with a fuller range of marine MRO services. The Board believes that the Group's existing expertise in this area, combined with the Group's client base and industry reputation, will create positive synergies and economies of scale which may lead to improved performance of the Target Companies.

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 Target Companies for FY2012 and assuming that:

(i) the completion of the proposed acquisition of the entire paid up and issued share capital of Chinyee Engineering & Machinery Pte. Ltd. ("**Chinyee**") (as announced by the Company on 8 November 2013) (the "**Chinyee Acquisition**") and the 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 Chinyee Acquisition is estimated to be approximately S$2,197,000, and the Proposed Acquisition will result in a gain on bargain purchase of approximately S$3,984,000;

(iii) the cash component of the purchase consideration of the Chinyee Acquisition of S$8,250,000 and the cash component of the Purchase Consideration of S$3,850,000 are financed entirely using the proceeds from the Series 1 Notes; and

(iv) all the new ordinary shares in the Company to be issued as part of the Chinyee Acquisition and the Consideration Shares are issued to the vendors of Chinyee and the Vendor (and/or its nominee) respectively at the minimum Issue Price of S$0.424 per 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 Chinyee Acquisition and the Proposed Acquisition	293,665,948	58,441
Chinyee Acquisition	5,483,549	2,750
Issued share capital after the Various Issuances and the Chinyee Acquisition but before the Proposed Acquisition	299,149,497	61,191
Proposed Acquisition	2,948,113 (5)	1,250
Enlarged issued share capital (immediately after the Proposed Acquisition)	302,097,610	62,441

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 share 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**").

(5) Assuming that a total of 2,948,113 Consideration Shares are issued to the Vendor based on the minimum Issue Price of S$0.424 per Consideration Share.

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6.2 Net tangible assets ("NTA")

	As at 31 December 2012[(1)]	After the Various Issuances	After the Chinyee Acquisition	After the Proposed Acquisition
NTA (S$'000)	**44,913**	**49,378**	**49,931**	**55,420**
NTA per Share (cents)	**15.77**	**16.81**	**16.69**	**18.35**

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 Chinyee Acquisition	After the Proposed Acquisition
Net profit for FY2012 (S$'000)	**13,180**	**13,180**	**11,601**	**12,336**
Weighted average no. of Shares for FY2012 ('000)	**269,015**	**277,872**	**283,356**	**286,304**
EPS for FY2012 (cents)	**4.90**	**4.74**	**4.09**	**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 Acquisition of Chinyee	After the Proposed Acquisition
Net borrowings (S$'000)	**40,859**	**40,859**	**53,236**	**75,115**
Shareholders' equity (S$'000)	**90,322**	**94,787**	**97,537**	**102,771**
Net gearing (times)	**0.45**	**0.43**	**0.55**	**0.73**

7. CHAPTER 10 OF THE MAIN BOARD LISTING MANUAL

7.1 Relative Figures under Rule 1006 of the Listing 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 net profits attributable to the Target Companies, compared with the net profits of the Group [(2)]	(7.51)%
Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation [(3)]	3.18%
Rule 1006(d)	The number of Consideration Shares to be issued by the Company, compared with the number of shares previously in issue [(4)]	1.00%

Notes:

(1) Rule 1006(a) of the Listing Rules is not applicable as it only applies to a disposal of assets.

(2) "Net profits" is defined as profit or loss before income tax, minority interests, and extraordinary items.

Net profits for the Group has been calculated based on the latest announced consolidated unaudited net profits for the financial period from 1 January 2013 to 30 September 2013.

Net profits attributable to the assets to be acquired has been calculated based on the latest available consolidated unaudited net profits for both the Target Companies for the financial period from 1 January 2013 to 30 September 2013.

As the relative figure calculated under Rule 1006(b) is negative, the Company will consult the SGX in accordance with Rule 1007(1).

(3) The market capitalisation of the Company of approximately S$160 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 S$0.5456 on 3 February 2014 (being the immediate market day preceding the date of signing of the Agreement).

(4) Assuming that a total of 2,948,113 Consideration Shares are issued to the Vendor 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 Rule 1006(d) of the Listing Rules do not exceed 20%, the approval of shareholders of the Company for the Proposed Acquisition will not be required.

7.2 Disclosure under Rule 1013 of the Listing Manual

In consideration of the Profit Warranty set out in paragraph 4.4 above, the Company wishes to provide the following information in accordance with Rule 1013(1):

7.2.1 *The views of the Board in accepting the Profit Warranty and the factors taken into consideration and basis for such a view*

Having reviewed, *inter alia*, the business plans of the Target Companies and Changshu Honghua, and the mechanism agreed between the Parties to adjust the consideration amount under the 3rd payment tranche, the Board is of the view that the Profit Warranty is in the interests of, and will help to safeguard the interests of, the Company and its shareholders.

7.2.2 *The principal assumptions including commercial bases and assumptions upon which the quantum of the Profit Warranty is based*

The Profit Warranty was determined at arms' length and on a willing-buyer willing-seller basis, and was arrived at based on reasonable assumptions from past results and performance of the Target Companies and Changshu Honghua, including that:

(a) there will be no material changes in the existing political, economic, legal and social conditions, and regulatory and fiscal measures in the countries in which the Target Companies and Changshu Honghua operate;

(b) there will be no significant changes in the structure of the Target Companies and Changshu Honghua and their principal sources of revenue;

(c) there will be no material loss of major customers, major suppliers, strategic partners, which are essential for the operations of the Target Companies and Changshu Honghua;

(d) there will be no material adverse effect from any industrial or commercial disputes, which will affect the profitability and financial position of the Target Companies and Changshu Honghua; and

(e) there will be no material changes in the inflation rates or material capital expenditure during the period of the Profit Warranty.

7.2.3 *The manner and amount of compensation to be paid by the Vendor or Mr. Wong in the event that the Profit Warranty is not met and the conditions precedent, if any, and the detailed basis for such a compensation*

As stated in paragraph 4.4 above, under the Agreement, in the event that the Vendor fails to achieve the Profit Warranty, the consideration amount payable under the 3rd payment tranche shall be adjusted downwards proportionately. Further, in the event that pursuant to the aforesaid adjustment, the balance consideration amount payable under the 3rd payment tranche results in a negative figure, the Vendor and Mr. Wong have warranted to make good to the Company the shortfall of the Profit Warranty in cash on the day falling thirty-nine (39) months from the date of the Agreement.

The Company considers that such a compensation mechanism is fair and in the interests of the Company.

7.2.4 *The safeguards put in place (such as the use of a banker's guarantee) to ensure the Company's right of recourse in the event that the Profit Warranty is not met, if any*

After reviewing the business plans of the Target Companies and Changshu Honghua, and as the 3rd payment tranche will only be paid at the end of the Relevant Period after making the relevant adjustments based on the cumulative NPAT of the Target Companies and Changshu Honghua as compared against the Profit Warranty, the Company is of the view that it has a reasonable safeguard in the event that the Profit Warranty is not achieved. Furthermore, as the Vendor and Mr. Wong has each given a warranty to make good to the Company the shortfall of the Profit Warranty in cash, the Company does not see a need for any additional safeguards.

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

A copy of the Agreement is available for inspection 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 GLENNDLE
Executive Chairman & Chief Executive Officer
4 February 2014

About Mencast

Listed on SGX, Mencast is the first and only company in the region to service the entire energy cycle from exploration to production, distribution, maintenance and environmental remediation.

With eight consecutive years of record earnings, Mencast is on track to achieve our goal of becoming a global leader in the Oil & Gas Maintenance Repair and Overhaul industry.
For more information please see http://www.mencast.com.sg.

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