

MENCAST HOLDINGS LTD.

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

PROPOSED TRANSFER OF 2,100,000 ORDINARY SHARES IN THE CAPITAL OF VAC-TECH ENGINEERING PTE LTD FROM MENCAST HOLDINGS LTD. TO MENCAST ENERGY PTE. LTD. WHICH CONSTITUTES (I) A NON-DISCLOSEABLE TRANSACTION; AND (II) AN INTERESTED PERSON TRANSACTION

1. INTRODUCTION

The board of directors (the “**Board**”) of Mencast Holdings Ltd. (the “**Company**”) refers to:

- (i) the announcements dated 7 May 2012, 6 July 2012, 31 July 2012, 3 September 2012, 6 June 2013, 2 May 2014 and 9 May 2014 in relation to the acquisition of 2,100,000 ordinary shares (the “**Vac-Tech Shares**”), comprising 70.0% of the entire issued capital of Vac-Tech Engineering Pte Ltd (“**Vac-Tech**”) by the Company; and
- (ii) the announcements dated 10 April 2012 and 20 June 2013 in relation to the joint venture agreement entered into amongst the Company, MIS Investment Pte. Ltd. (“**MIS Investment**”) and Mencast Energy Pte. Ltd. (“**Mencast Energy**”),

(collectively, the “**Announcements**”).

Unless otherwise defined, all capitalised terms used and not defined herein shall have the same meanings given to them in the Announcements.

Further to the Announcements, the Board wishes to announce that as part of an internal restructuring exercise, the Company shall transfer its entire 70.0% equity interest in Vac-Tech, comprising the Vac-Tech Shares, to Mencast Energy, a company jointly owned by the Company and MIS Investment (the “**Proposed Transfer**”).

As at the date of this announcement, Mencast Energy is a 70.0%-held subsidiary of the Company. Accordingly, the Company will in effect be disposing of 21.0% equity interests in Vac-Tech under the Proposed Transfer, pursuant to which Vac-Tech will become an indirectly-owned subsidiary of the Company.

The Proposed Transfer would amount to a non-discloseable transaction under Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), and an interested person transaction within the meaning of Chapter 9 of the Listing Manual.

2. INFORMATION ON VAC-TECH

Vac-Tech is principally engaged in the energy services segment, which focuses on the high-tech and high value sector in the marine and oil and gas industry to reclaim and lengthen the asset life cycle of clients and strengthen their business model with a goal to becoming environmentally sustainable.

3. RATIONALE FOR THE PROPOSED TRANSFER

The Proposed Transfer will enable the Company to streamline its different business segments.

The Company, together with its subsidiaries (the “**Group**”), currently operates three business segments, being (i) the offshore and engineering segment; (ii) the marine segment; and (iii) the energy services segment. Under the energy services segment, which includes Mencast Energy,

the Group provides services such as oil residue reclamation, hydro cleansing of oil and gas tanks, encapsulation of wastes prior to landfill disposal and design and launch of carbon footprint management initiatives and green initiatives.

The business and operations of Vac-Tech, which consists of industrial services comprising specialised services, hydro jetting, robotic heat exchanger cleaning and environmental services comprising tank desludging, closely relates to and falls within the Group's energy services segment. Following the Proposed Transfer of the Vac-Tech Shares to Mencast Energy, Vac-Tech will become a direct subsidiary of Mencast Energy under the Group's energy services segment.

4. VALUE OF THE CONSIDERATION

The aggregate consideration for the Proposed Transfer is S\$8,400,000 (the "**Purchase Consideration**"), as determined on a willing-buyer willing-seller basis after taking into account an independent valuation conducted by Robert Khan & Co Pte Ltd on Vac-Tech as at 24 April 2012 (the "**Valuation**") and the performance of the business of Vac-Tech over the past two years. The Company had commissioned the Valuation as part of its due diligence exercise at the time of acquisition of Vac-Tech.

The Company is of the view that as Vac-Tech has yet to achieve the Profit Warranty (ie. audited net profit of not less than S\$5,000,000 for the period from 1 May 2012 to 31 July 2015), and the current net profit of Vac-Tech is comparable to net profit as at the time of its acquisition, it is reasonable to base the Purchase Consideration on the Valuation even though it was carried out 2 years ago.

The Purchase Consideration shall be settled internally within the Group.

The book value and net tangible asset value of the Vac-Tech Shares as at 30 September 2014 is approximately S\$9,610,000.

5. PROPOSED TRANSFER AS AN INTERESTED PERSON TRANSACTION

5.1 Details of the Interested Persons under the Proposed Transfer

As at the date of this announcement, each of the Company and MIS Investment holds 70.0% and 30.0% equity interests in the capital of Mencast Energy, respectively. MIS Investment is a private investment company owned by the Company's Executive Chairman and Chief Executive Officer, Mr Sim Soon Ngee Glendle (holding 80.0% equity interests), and his sibling, Ms Sim Wei Wei (holding 20.0% equity interests).

As such, Mencast Energy is an associate of Mr Sim Soon Ngee Glendle, and is therefore an "interested person" in relation to the Company within the meaning of Rule 904 of the Listing Manual. Accordingly, any transactions entered into between the Company and Mencast Energy would be interested person transactions, and therefore, the Proposed Transfer is subject to Chapter 9 of the Listing Manual.

5.2 Value of the Interested Person Transaction

Notwithstanding the Purchase Consideration of S\$8,400,000, the Company had, on 24 April 2013, obtained written confirmation from the SGX-ST that as it holds 70.0% in the capital of Mencast Energy, the "amount at risk" and accordingly the value of the transaction is essentially 30.0% (representing the equity interests of MIS Investment) of the Purchase Consideration (ie. S\$2,520,000).

Pursuant to Rule 905 of the Listing Manual, as the value of the Proposed Transfer represents approximately 4.28% of the Group's latest audited net tangible asset of approximately S\$58,902,000 as at 31 December 2013, the Proposed Transfer necessitates an immediate announcement by the Company.

5.3 Audit Committee Statement

Having considered the terms and rationale for the Proposed Transfer, the Audit Committee of the Company is of the view that:

- (i) the Proposed Transfer is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders; and
- (ii) using the previous Valuation of S\$8,400,000 is still a fair consideration for the Proposed Transfer.

5.4 Total value of Interested Person Transactions

Save for the Proposed Transfer, the Company has not entered into any interested person transaction with Mencast Energy for the current financial year ended 31 December 2014.

Save for the Proposed Transfer, the Company has also not entered into any interested person transactions for the current financial year ended 31 December 2014.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSFER

The Proposed Transfer is not expected to have any material impact on the net tangible assets per Share, earnings per Share and operating results of the Company for the current financial year.

7. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Transfer computed on the bases set out in Rule 1006 of the Listing Manual amount to less than 5%, and accordingly, the Proposed Transfer constitutes a non-discloseable transaction under Chapter 10 of the Listing Manual.

8. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

Save as disclosed above, none of the Directors, controlling shareholders or substantial shareholders of the Company has any direct or indirect interest in the Proposed Transfer.

In view of his interest in the Proposed Transfer (as detailed in paragraph 5.1 above), Mr Sim Soon Ngee Glennle has abstained from voting on the board resolution approving the Proposed Transfer.

9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Valuation 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.

10. MISCELLANEOUS

The Company will make further announcements should there be any material updates to the Proposed Transfer.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Executive Chairman and Chief Executive Officer
15 January 2015

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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