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

PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF STONE MARINE SINGAPORE PRIVATE LIMITED

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1. INTRODUCTION

The board of directors (the "**Board**") of Mencast Holdings Ltd. (the "**Company**") wishes to announce that the Company has on 8 March 2016 entered into a binding term sheet (the "**Termsheet**") with Stone Marine Overseas Limited (the "**Vendor**") and Langham Industries Limited (the "**Beneficial Owner**"), 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 (the "**Proposed Acquisition**").

2. INFORMATION ON THE TARGET

The Target is a private limited company incorporated in Singapore on 23 July 1969, which, as at the date of this announcement, has an issued and paid-up share capital of S$250,000, comprising 25,000 ordinary shares. The Vendor is the sole shareholder of the Target.

The Target is involved in the business of manufacturing and repair of marine propellers, associated stern gear and seals.

The book value and net tangible asset value of the Target for the financial year ended 31 December 2015 ("**FY2015**"), after only taking into account the assets and liabilities of the Target detailed in Paragraph 3.1 below, is approximately S$1,679,000. The net profits attributable to the Target for FY2015 is approximately S$172,000.

3. SALIENT TERMS OF THE TERMSHEET

Subject to the definitive sale and purchase agreement and/or such other agreements as may be required in respect of the Proposed Acquisition (the **"Definitive Agreements**"), the salient terms of the Termsheet are as follows:

3.1 Consideration

The consideration for the Proposed Acquisition (the "**Consideration**") shall be approximately S$2,500,000 minus the aggregate amount of all outstanding debt of the Target (but excluding the shareholder's loan by the Vendor to the Target) immediately prior to completion of the Proposed Acquisition ("**Completion**")[1].

The Consideration was agreed upon after arms' length negotiations between the Company, the Vendor and the Beneficial Owner (collectively, the "**Parties**" and each a "**Party**") on a willing-buyer

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[1] As at the date of this announcement, the aggregate amount of all outstanding debt of the Target (excluding the shareholder's loan by the Vendor to the Target) is approximately S$850,000.

willing-seller basis, after taking into account the Target's net tangible assets as at 31 December 2015, including the following assets and liabilities of the Target:

(a) plant and machinery; and

(b) finance leases on plant and machinery.

The Consideration will be payable in cash upon Completion.

It is the current intention for the Company to fund the Consideration from internal cash resources.

3.2 Conditions Precedent

The execution of the Definitive Agreements is conditional upon, *inter alia*:

(a) the finalisation on terms satisfactory to all Parties of the Definitive Agreements, including but not limited to a sale and purchase agreement;

(b) the obtaining of all necessary approvals, consents, waivers from any third party, governmental or regulatory body or relevant competent authority, or as required under any agreements with banks or financial institutions (if such approvals, consents or waivers cannot be obtained before 60 days from the execution of the Termsheet, then as conditions precedent to Completion subject to mutual agreement between the Parties);

(c) satisfactory completion by the Company of financial, legal, tax and other due diligence exercises on the Target;

(d) no material adverse change as satisfactorily determined by the Company in the operations or financial conditions of the Target group having occurred on or before the date of execution of the Definitive Agreements;

(e) the business of the Target having been carried on in a satisfactory manner as may be reasonably determined by the Company, and all approvals and consents required for the business of the Target having been obtained and remaining valid and effective on the date of execution of the Definitive Agreements; and

(f) the delivery by the Company of undertakings from Mr Sim Soon Ngee Glenndle and his family members to vote in favour of the resolution to be proposed at the extraordinary general meeting of the Company to approve the Proposed Acquisition (if required).

Completion under the Definitive Agreements is conditional upon, *inter alia*:

(a) save to the extent caused by the Company after the Take-Over Date (as defined in Paragraph 3.4(a) below, there being no breach of any warranty, representation, undertaking or obligation by the Parties as set out in the Definitive Agreements, and such warranty and representation being true, accurate and correct as at the date of Completion (the "**Completion Date**");

(b) the obtaining of the approval of shareholders of the Company for the Proposed Acquisition and the transactions thereunder (if necessary); and

(c) the execution and performance of the Definitive Agreements by the Parties not being prohibited, restricted or otherwise adversely affected by any relevant statute, order or rule promulgated by any legislative, executive or regulatory authority.

3.3 Completion

Completion is expected to occur simultaneously with the execution of the Definitive Agreements but in the event that completion is unable to take place on the date of the execution of the Definitive Agreements, Completion shall occur on a date falling no later than three (3) months from the date of the execution of the Definitive Agreements, subject to such extension as may be agreed between the Parties.

3.4 Undertakings from the Company

The undertakings to be provided by the Company are, *inter alia*:

(a) to reimburse on a pro-rata basis (i) all salary payments accruing and payable to the employees of the Target; and (ii) all operating expenses incurred by the Target, commencing from 16 March 2016 (the "**Take-Over Date**") up to and including the date of execution of the Definitive Agreements or the Completion Date (as applicable);

(b) to procure that with effect from the Take-Over Date, all contracts relating to the acquisition of materials by the Target as may be required for the operations of the Target shall be carried out through the Company;

(c) to procure the discharge of the charge over the assets of the Target granted in favour of Ethoz Capital Ltd. on or prior to Completion (or in the event that the Company wishes to retain the loan owing by the Target to Ethoz Capital Ltd. (the "**Ethoz Loan**") in the Target, the Company shall provide new security for the Ethoz Loan so that such existing charge may be discharged);

(d) to use and procure that its employees and agents use all reasonable care and diligence in its access, use and control of the Property and employees of the Target;

(e) to the extent that there are any uncollected receivables of the Target as at the Completion Date, to procure that, after Completion, the Target shall collect such receivables and pay the same to the Vendor within 14 days upon receipt; and

(f) to procure that the Target pays to the Vendor the proceeds from the sale of the Property (as further detailed in Paragraph 3.6 below) within 7 days of the receipt of such proceeds.

3.5 Undertakings from the Vendor and the Beneficial Owner

The undertakings to be provided jointly and severally by the Vendor and the Beneficial Owner are, *inter alia*:

(a) to ensure with effect from the Take-Over Date that the Company shall have full access, use and control of the Property and employees of the Target for the benefit of the Company. Further, the Vendor and Beneficial Owner shall use reasonable endeavours to ensure that employees of the Target provide all relevant internal training, expertise and know-how, as well as commercially reasonable efforts and assistance, to the staff and employees of the Company; and

(b) to use reasonable endeavours with effect from the Completion Date to procure and assist in the proper and smooth handover of the Target to the new management of the Target.

3.6 Property

Post-Completion, unless otherwise agreed between the Parties, the Company (as assisted by the Vendor and/or the Beneficial Owner) shall dispose of the property currently held by the Target (the

"**Property**"), to a third party purchaser for an aggregate consideration of such amount as may be agreed by the Vendor and the Beneficial Owner.

The Vendor and the Beneficial Owner will use reasonable endeavours to ensure that the Property is sold within six (6) months from the date the Target vacates the Property.

As security in favour of the Vendor prior to the effective disposal of the Property, a mortgage over the Property in favour of the Vendor shall be granted by the Target on or immediately prior to Completion. The mortgage shall be discharged immediately prior to the completion of the sale of the Property to a third party purchaser.

3.7 Licensing Arrangement

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), the Beneficial Owner shall procure that Stone Marine Propulsion Limited grant a licence (the "**Licence**") to the Target and/or its subsidiaries (as and when incorporated) 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.

Additionally, the Beneficial Owner shall procure that Stone Marine Propulsion Limited and Bruntons Propellers shall provide the Target with a first right to provide a quotation for any orders for the Stone Marine Products.

The Target 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 Vendor and Beneficial Owner 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 as at the date of the Termsheet.

3.8 Supply Arrangement for Design of Propellers

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), the Beneficial Owner shall procure, at the request and order of the Target, the supply to the Target of the design of propellers relating to (i) commercial propellers; and (ii) military propellers.

The Target 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 acquisition is part of a business relationship that allows Mencast to leverage the design capabilities and strong technological innovation of Langham, the parent company of the Target. Langham 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 will open up the premium military and naval vessel market as well as allowing the Group an opportunity to offer its existing services to these new markets. 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. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For illustrative purposes only and based on the unaudited consolidated financial statements of the Group for FY2015, the financial effects of the Proposed Acquisition on (i) the net tangible assets ("**NTA**"); and (ii) the earnings per share ("**EPS**") of the Group are as follows, assuming that Completion of the Proposed Acquisition took place, in respect of profit and loss statements on 1 January 2015, and in respect of balance sheets on 31 December 2015:

5.1 NTA

	As at 31 December 2015	**After the Proposed Acquisition**
NTA (S$'000)	82,545	83,860
NTA per Share (cents)	22.66	23.02

5.2 EPS

	As at 31 December 2015	**After the Proposed Acquisition**
Net profit attributable to equity holders (S$'000)	1,582	2,897*
Weighted average number of shares ('000)	361,035	361,035
EPS (cents)	0.44	0.80

* The net profit attributable to equity holders of S$2,897,000 after the Proposed Acquisition, included a one-time gain on bargain purchase of approximately S$1,143,000.

6. CHAPTER 10 OF THE MAIN BOARD LISTING MANUAL

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

Rule 1006(b)	The net profits attributable to the assets to be acquired, compared with the net profits of the Group (2)	7.41%

Rule 1006(c)	The aggregate consideration for the Proposed Acquisition, compared with the Group's market capitalisation (3)	2.98%

Notes:

(1) Rules 1006(a) and (e) of the Listing Manual is not applicable as it only applies to a disposal of assets. Rule 1006(d) of the Listing Manual is not applicable as the Company will not be issuing equity securities as consideration for the Proposed Acquisition.

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

Net profits for the Group of approximately S$2,315,000 has been calculated based on the latest announced consolidated unaudited net profits for FY2015.

Net profits attributable to the assets to be acquired of approximately S$172,000 has been calculated based on the latest available consolidated unaudited net profits for the Target for FY2015.

(3) Assuming there is no outstanding debt of the Target immediately prior to Completion (excluding the shareholder's loan by the Vendor to the Target), the Consideration shall be S$2,500,000.

The market capitalisation of the Company of approximately S$83,781,818 is determined by multiplying the 418,909,092 Shares in issue as at the date of this announcement by the volume-weighted average price of the Shares of S$0.20 on 7 March 2016 (being the immediate market day preceding the date of signing of the Termsheet).

As shown in the table above, as the relative figures computed on the basis set out in Rule 1006(b) and Rule 1006(c) of the Listing Manual do not exceed 20%, the approval of shareholders of the Company for the Proposed Acquisition will not be required.

7. 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.

8. DETAILS OF ANY SERVICE CONTRACTS

No directors are proposed to be appointed to the Company in connection with the Proposed Acquisition.

9. DOCUMENTS FOR INSPECTION

A copy of the Termsheet 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 GLENNDLE
Executive Chairman & Chief Executive Officer
8 March 2016

Mencast

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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