

MENCAST HOLDINGS LTD.

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

PROPOSED DISPOSAL OF LEASEHOLD INDUSTRIAL PROPERTY AT 11 TUAS BASIN CLOSE SINGAPORE

1. INTRODUCTION

The board of directors (the “**Board**”) of Mencast Holdings Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Group’s wholly owned subsidiary, S & W Pte. Ltd. (the “**Vendor**”), has on 22 December 2016 granted CES-Precast Pte. Ltd. (the “**Purchaser**”) an option to purchase (the “**Option**”) a leasehold industrial property at 11 Tuas Basin Close Singapore (the “**Property**”) for a consideration of S\$6.35 million, which may be adjusted to S\$6.88 million (the “**Proposed Disposal**”).

2. THE PROPOSED DISPOSAL

2.1 Information on the Purchaser

The Purchaser is a company incorporated in Singapore and is a wholly-owned subsidiary of Chip Eng Seng Corporation Ltd, a company listed on the mainboard of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

2.2 Information on the Property

The Property comprises mainly open and covered yards and an office block with a land area of about 14,730.20 square meters. The Property is a leasehold estate with a balance leasehold tenure from Jurong Town Corporation (“**JTC**”) expiring on 15 March 2021.

The Purchaser and the Vendor will jointly apply to JTC to extend the leasehold tenure of the Property until 31 December 2021, upon such approval being obtained within 6 months from the completion of the Proposed Disposal (“**Completion**”), the Purchase Consideration shall be adjusted to S\$6.88 million (the “**Lease Extension**”).

2.3 Value of the Property

As at 30 September 2016, the net book value of the Property is approximately S\$6.50 million and there are no profits attributable to the Property.

Based on the latest announced unaudited financial statements of the Group for the 9 months ended 30 September 2016:

- (a) assuming the Lease Extension is obtained, the proceeds from the Proposed Disposal will represent an excess of S\$380,000 over the book value of the Property and the Proposed Disposal is expected to result in a net gain on disposal of approximately S\$370,000 (after deducting related expenses); and
- (b) if the Lease Extension is not obtained, the proceeds from the Proposed Disposal will represent a deficit of S\$150,000 over the book value of the Property and the Proposed Disposal is expected to result in a net loss on disposal of approximately S\$160,000 (after deducting related expenses).

2.4 Purchase Consideration

The purchase consideration for the Proposed Disposal is S\$6.35 million (the “**Purchase Consideration**”), which shall be increased to S\$6.88 million if the Lease Extension is obtained (the “**Adjusted Purchase Consideration**”).

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis, after taking into account, *inter alia*, the net asset value of the Property, the remaining leasehold tenure, and prevailing market conditions.

Pursuant to the Option, the Purchase Consideration shall be satisfied in cash in the following manner:

- (a) if the Lease Extension is obtained at least 7 days before Completion, the Purchaser shall, on Completion, pay the Vendor the balance of the Adjusted Purchase Consideration;
- (b) if the Lease Extension is not obtained at least 7 days before Completion, the Purchaser shall, on Completion, pay the Vendor the balance of the Purchase Consideration, and pay to the Purchaser’s solicitors a sum equal to the difference between the Adjusted Purchase Consideration and the Purchase Consideration (the “**Stakeheld Sum**”). The Stakeheld Sum shall be released to the Vendor within 14 days from receipt of the Lease Extension, or, if the Lease Extension is not obtained within 6 months from Completion, the Stakeheld Sum shall be released to the Purchaser.

2.5 Salient Terms of the Option

The Option is subject to “The Law Society of Singapore’s Conditions of Sale 2012” in so far as the same are applicable to a sale by private treaty and are not varied by or inconsistent with the Option.

Conditions

Pursuant to the Option, the Proposed Disposal is subject to, *inter alia*, the following:

- (a) the Purchaser obtaining clearance from the relevant authorities for the proposed change of use of the Property to the production of Prefabricated Prefinished Volumetric Construction ; and
- (b) the approval from JTC for the assignment of the Property to the Purchaser.

Costs and expenses

Pursuant to the Option:

- (a) the Purchaser shall bear all fees payable to the relevant authorities in respect of the proposed change of use of the Property;
- (b) the Vendor shall bear all fees payable to JTC in respect of obtaining JTC’s approval, all assignment fees, sale levy, and any other charges costs and expenses imposed by JTC in respect of the sale of the Property;
- (c) the Vendor shall bear any land premium, fixed asset investment criteria, administrative consent, survey and/or processing fees payable to JTC or other relevant authorities in connection with the Lease Extension; and

- (d) the Purchaser shall bear any land rent, water frontage fees and licence fees payable to JTC in respect of the Lease Extension.

2.6 Rationale for the Proposed Disposal

Since 2015, the Vendor's operations have been relocated from the Property to the Group's other facilities and thus remains under-utilised. The Proposed Disposal is in line with the Group's strategy to divest under-utilised assets for cost savings and improved cash flow, and will allow the Group to unlock the value of the Property.

The proceeds from the Proposed Disposal will provide the Group with additional working capital to fund the operations and expansion of its core businesses and also to undertake new investment opportunities that may arise in the future towards achieving a higher level of shareholders' value.

2.7 Use of Proceeds

The Company expects to receive net proceeds of S\$6.87 million from the Proposed Disposal (excluding estimated transactional costs of S\$10,000 to be incurred in connection with the Proposed Disposal).

The Company intends to utilise the proceeds from the Proposed Disposal for repayment of bank borrowings and as general working capital for the requirements of the Group's businesses and operations.

2.8 Financial Effects

The *pro forma* financial effects of the Proposed Disposal (in both scenarios where the Lease Extension is obtained and not obtained) on the Group have been prepared based on the Group's audited consolidated financial statements for the financial year ended 31 December 2015. These *pro forma* financial effects are purely for illustrative purposes only and do not reflect the future actual financial position and results of the Group after Completion.

(a) Net tangible asset ("NTA") per share

Assuming that the Proposed Disposal had been completed on 31 December 2015, the *pro forma* financial effects of the Proposed Disposal on the NTA per share of the Group for the financial year ended 31 December 2015 would have been as follows:

| | Before the Proposed Disposal | After the Proposed Disposal (Lease Extension obtained) | After the Proposed Disposal (Lease Extension not obtained) |
|--|------------------------------|--|--|
| NTA (S\$'000) | 125,724 | 126,094 | 125,564 |
| Number of issued shares excluding treasury shares ('000) | 364,269 | 364,269 | 364,269 |
| NTA per share (cents) | 34.51 | 34.62 | 34.47 |

(b) Earnings per share (“EPS”)

Assuming that the Proposed Disposal had been completed on 1 January 2015, the *pro forma* financial effects of the Proposed Disposal on the EPS of the Group for the financial year ended 31 December 2015 would have been as follows:

| | Before the Proposed Disposal | After the Proposed Disposal (Lease Extension obtained) | After the Proposed Disposal (Lease Extension not obtained) |
|---|------------------------------|--|--|
| Net profit / attributable to shareholders (S\$'000) | 1,582 | 1,952 | 1,422 |
| Weighted average number of issued shares ('000) | 361,035 | 361,035 | 361,035 |
| EPS / (cents) | 0.44 | 0.54 | 0.39 |

2.9 Relative Figures pursuant to Rule 1006 of the Listing Manual

| | | |
|-----|--|--|
| (a) | Rule 1006(a) The net asset value (“NAV”) of the Property of approximately S\$6,500,000 as at 30 March 2016, compared with the Group's NAV of S\$141,019,263 as at 30 September 2016 ⁽¹⁾ | 5.0% |
| (b) | Rule 1006(b) The net profits attributable to the Property compared with the Group's net profits ⁽²⁾ | Not applicable as there is no profit attributable to the Property |
| (c) | Rule 1006(c) The aggregate value of the Consideration of S\$6,880,000 ⁽³⁾ , compared with the Company's market capitalisation ⁽⁴⁾ of approximately S\$63,260,779 (based on the weighted average price of the Company's shares on the SGX-ST of S\$0.150 on 20 December 2016) | 11.0% ⁽³⁾ |
| (d) | Rule 1006(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue | Not applicable as this is a disposal |
| (e) | Rule 1006(e) The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable as this is not a disposal of a mineral, oil gas asset by a mineral, oil and gas company |

Notes:

- (1) Based on the latest announced unaudited consolidated accounts of the Group for the 9 months ended 30 September 2016.

- (2) No profits are attributable to the Property as the operations of the Vendor at the Property have been relocated to the Group's other facilities in 2015.
- (3) Assuming the Lease Extension is not obtained, the aggregate consideration shall be S\$6.35 million and the relative figure pursuant to Rule 1006(c) is 10.0%.
- (4) Based on the market capitalisation of the Company determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the Option.

As the relative figures calculated under Rule 1006(a) and (c) of the Listing Manual exceed 5% (but do not exceed 20%), the Proposed Disposal is a discloseable transaction under Chapter 10 of the Listing Manual. Accordingly, shareholders' approval is not required for the Proposed Disposal.

3. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save for their respective directorships and/or shareholdings in the Company, if any, none of the directors and/or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

4. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

5. DOCUMENTS FOR INSPECTION

A copy of the Option is available for inspection during normal business hours at the registered office of the Company at 42E Penjuru Road, Mencast Central, Singapore 609161 for a period of three (3) months from the date of this announcement.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Executive Chairman & Chief Executive Officer
22 December 2016

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>**

Contacts:

Jojo Alviedo

Chief Financial Officer

David Leow

Chairman of Corporate Strategy and Communications Committee, Board of Directors

Tel: 65 6268 4331

E-mail: ir@mencast.com.sg