

**MENCAST HOLDINGS LTD.**

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

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**PROPOSED DISPOSAL OF 50% EQUITY INTEREST IN VAC-TECH ENGINEERING PTE LTD**

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**1. Introduction**

The Board of Directors ("**Board**") of Mencast Holdings Ltd. ("**Company**", and together with its subsidiaries the "**Group**") wishes to announce that Mencast Energy Pte. Ltd. ("**Mencast Energy**"), a subsidiary of the Company, had on 28 June 2019, entered into a sale and purchase agreement (the "**SPA**") with Grand Victor Corp Pte. Ltd. ("**Purchaser**", and together with Mencast Energy the "**Parties**" and each a "**Party**") for the disposal by Mencast Energy of 50% equity interest in Vac-Tech Engineering Pte Ltd ("**Vac-Tech**"), represented by 1,500,000 shares in Vac-Tech ("**Sale Shares**"), on the terms and conditions of the SPA (the "**Proposed Disposal**").

As at the date of this announcement and prior to the Proposed Disposal, Mencast Energy holds 2,100,000 shares in Vac-Tech representing 70% of its existing issued and paid-up share capital, and the Purchaser is the beneficial owner of the remaining 900,000 shares in Vac-Tech representing 30% of its existing issued and paid-up share capital, held through its nominee, Focus Return Investments Inc. Save for the foregoing, the Purchaser is an independent third party which is not related to the Company, its subsidiaries, directors or controlling shareholder.

Upon the completion of the Proposed Disposal, Mencast Energy will hold 600,000 shares in Vac-Tech representing 20% of its existing issued and paid-up share capital, and the Purchaser will become the beneficial owner of 2,400,000 shares in Vac-Tech representing 80% of its existing issued and paid-up share capital.

The Company holds 70% of the existing issued and paid-up share capital of Mencast Energy, with the remaining 30% held by MIS Investment Pte Ltd, a private investment company owned by the family of Sim Soon Ngee Glenndle, the Executive Chairman and Chief Executive Officer of the Company.

**2. Information on Vac-Tech and the Purchaser**

Vac-Tech was incorporated in Singapore on 14 June 1995 and is, at present, principally engaged in the business of sludge treatment, catalyst handling, environmental services and industrial cleaning services. As at the date of this announcement, the issued and paid-up capital of Vac-Tech is S\$3,000,000 divided into 3,000,000 shares.

As informed by the Purchaser, the Purchaser is backed by a consortium led by Sing Lun Industrial Pte Ltd ("**SLI**") and institutional investors. SLI is a Southeast Asia focused strategic investment holding company with interest and expertise in various industries including manufacturing, oil and gas and real estate. It adopts an industrialist and value-added approach to investments and brings to its portfolio companies an extensive network of like-minded financiers (including private equity and debt providers).

**3. Principal Terms of the Proposed Disposal****3.1. Consideration**

The aggregate consideration (the "**Consideration**") for the purchase of the Sale Shares was arrived at

on a willing buyer, willing seller basis after taking into account, *inter alia*, the financial performance and prospects of Vac-Tech, and the rationale and use of proceeds as set out in paragraph 4 below. The Group is expected to record a net gain on the Proposed Disposal of approximately S\$0.8 million, and the Consideration translates to be 2 times above Vac-Tech's adjusted NTA of S\$9.18 million as at FY2018.

In accordance with the terms of the SPA, the Consideration will be satisfied in the following manner:

- (a) S\$9,312,500 (the "**Closing Amount**"), to be paid to Mencast Energy on Closing (as defined below); and
- (b) adjustments to the Closing Amount, consisting of a net debt component and a net working capital component, and based on the unaudited management accounts of Vac-Tech for the financial year ended 31 December 2019 drawn up to 30 June 2019, to be paid to either Mencast Energy (by the Purchaser) or to the Purchaser (by Mencast Energy):
  - (i) on Closing (if the Adjustment Date (as defined below) falls on or prior to Closing; or
  - (ii) within 10 business days on which the adjustment is determined in accordance with the terms of the SPA (the "**Adjustment Date**").

The aggregate adjustments to the Closing Amount described above will be capped at a maximum of S\$4,000,000 above or below the Closing Amount.

### 3.2. Conditions Precedent

The Proposed Disposal is subject to and conditional upon, *inter alia*, the following (the "**Conditions Precedent**"):

- (a) the passing at a general meeting of the Company of a resolution to approve the sale of the Sale Shares by Mencast Energy to the Purchaser;
- (b) the Parties agreeing on a management transition plan, including to the terms of the employment agreements to be entered into between Vac-Tech and the key management personnel of Vac-Tech; and
- (c) Vac-Tech entering into a business arrangement agreement with the Company on terms agreed between the Parties the usage of the waste treatment facilities, dormitories and offices of the Company, where such business arrangement shall not be less favourable to Vac-Tech than the terms in place which have been disclosed to the Purchaser.

### 3.3. Completion

Completion of the Proposed Disposal ("**Completion**" and the date of Completion, the "**Completion Date**") will take place on the first (1<sup>st</sup>) business day falling five (5) business days following satisfaction or waiver of the last of the Conditions Precedent and prior to such completion, Mencast Energy shall, *inter alia*, procure and ensure that:

- (a) Vac-Tech shall collaborate with the Purchaser in relation to all material matters concerning the running of Vac-Tech; and
- (b) such representatives and advisers as the Purchaser requests may be designated to work with

Mencast Energy and Vac-Tech with regard to the management and operations of Vac-Tech. In this regard, Mencast Energy shall (i) consult, and cause Vac-Tech to consult, with such representatives and advisers with respect to any action which may materially affect the business of Vac-Tech, and (ii) provide, and cause Vac-Tech to provide, to such representatives and advisers such information as they may reasonably request for such purpose.

#### **4. Rationale and Use of Proceeds**

Vac-Tech's business operations are highly labour intensive, and labour cost is a major cost component which is constantly monitored by the Group in its endeavor to contain its cost structure. As at 31 May 2019, the operations headcount of Vac-Tech <sup>(1)</sup> stands at 172, compared to the Group's <sup>(2)</sup> total operations headcount of 437, or equivalent to 39.36% of the Group's operations headcount. In this regard, the Proposed Disposal is in line with the Group's plan to reduce reliance on labour and accordingly leading to a leaner cost structure, going forward.

The nature of Vac-Tech's business is also such that it is highly dependent on continued capital expenditure investments such as in machinery and equipment.

Given Vac-Tech's high capital and cost intensive nature, and in light of the Group's on-going debt restructuring exercise, which encompasses *inter alia* the disposal of under-utilized and/or non-core assets and other forms of deleveraging, the Group expects to face difficulties in continuing to adequately support the growth of Vac Tech. It would also be difficult for the Group to seek fresh credit or loan facilities to support Vac-Tech's business capital expenditure requirements, given that it is still in the midst of a debt restructuring period.

Following the Proposed Disposal, the funding for Vac-Tech will be determined in accordance with a funding hierarchy agreed with the Purchaser, which consists of external financing, followed by shareholder loans extended by the Purchaser to Vac-Tech, followed by the issuance of new shares to the respective shareholders of Vac-Tech. The Board is of the view that the Proposed Disposal would be beneficial to the continued growth of Vac Tech, and this would in turn be beneficial to the Group, particularly for the Group's waste treatment plants which will be able to continue processing industrial waste collected by Vac Tech in its business operations.

Mencast Energy expects to receive net proceeds of approximately S\$9,232,000 <sup>(3)</sup> from the Proposed Disposal (after deducting professionals and related expenses incurred), of which the Company will receive a distribution of S\$6,438,750 which is intended to be applied towards the repayment of bank borrowings and working capital requirements of the Group.

#### **5. Financial Effects**

##### **5.1. Bases and Assumptions**

The pro forma financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 and are purely for illustrative purposes only and do not reflect the actual future financial position of the Group following completion of the Proposed Disposal. The pro forma financial effects have also been prepared based on, *inter alia*, the following assumptions:

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<sup>(1)</sup> Including foreman and supervisors.

<sup>(2)</sup> Singapore entities only (excluding Malaysia, Indonesia and China).

<sup>(3)</sup> Assuming that no adjustments are made to the net debt and net working capital components described in Paragraph 3.1(b).

- (a) the Proposed Disposal had been effected on 31 December 2018, being the end of the most recently completed financial year of the Group, for illustrating the financial effects on the consolidated net tangible assets ("**NTA**") of the Group;
- (b) the Proposed Disposal had been effected on 1 January 2018, being the beginning of the most recently completed financial year of the Group, for illustrating the financial effects on the consolidated earnings of the Group; and
- (c) estimated expenses for the Proposed Disposal are assumed to be approximately S\$80,000.

## 5.2. NTA

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA attributable to Shareholders (S\$'000)	15,475	17,116
Number of Shares ('000)	425,919	425,919
NTA per Share attributable to Shareholders (cents)	3.63	4.02

## 5.3. Earnings Per Share ("EPS")

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S\$'000)	(8,165)	(7,370)
Number of Shares ('000)	425,919	425,919
EPS/(Loss per Share) (cents)	(1.93)	(1.73)

## 6. **Computation Pursuant to Rule 1006 of the SGX-ST Listing Manual**

For the purposes of Chapter 10 of the SGX-ST Listing Manual, the relative figures for the Proposed Disposal using the applicable bases of comparison under Rule 1006 of the Listing Manual based on the unaudited consolidated accounts of the Company for the period ended 31 March 2019 are as follows:

Listing Rule	Content	Percentage (%)
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the group's net asset value	30.5% <sup>(4)</sup>
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	(30.9%)

<sup>(4)</sup> Based on the adjusted net asset value of Vac Tech of S\$10.2 million as of 31 March 2019.

Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	23.7% <sup>(5)(6)</sup>
Rule 1006(d)	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
Rule 1006(e)	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.	Not applicable

As the relative figures in respect of Rules 1006(a) and 1006(c) of the Listing Manual exceeds 20%, the Proposed Disposal constitutes a major transaction under Rule 1014(1) of the Listing Manual and is accordingly subject to the approval of shareholders at an extraordinary general meeting ("**EGM**") to be convened pursuant to Rule 1014(2) of the Listing Manual.

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal and a circular containing details thereof will be dispatched to the Shareholders in due course.

## 7. Further Information

- 7.1. 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.
- 7.2. Interests of Directors and Controlling Shareholders: Save as disclosed above, none of the directors or controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Disposal except through their shareholdings (if any) in the Company.
- 7.3. Documents Available for Inspection: A copy of the SPA will be 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 3 months from the date of this Announcement.
- 7.4. Cautionary Statement: Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders are also advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers

## BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE  
Executive Chairman & Chief Executive Officer  
28 June 2019

<sup>(5)</sup> Assuming that no adjustments are made to the net debt and net working capital components described in Paragraph 3.1(b)

<sup>(6)</sup> Based on a market capitalization of S\$38,929,000 which is computed based on 425,919,124 issued Shares at S\$0.0914 per Share.

## **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.

**For more information on Mencast, visit <http://www.mencast.com.sg>**

### **Contacts:**

#### **Chris San**

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](mailto:ir@mencast.com.sg)**