

MENCAST HOLDINGS LTD.

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

RESPONSE TO SGX-ST QUERIES – FIRST QUARTER RESULTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020

The Board of Directors (the "**Board**") of Mencast Holdings Ltd. (the "**Company**", together with its subsidiaries, the "**Group**") would like to respond to the queries raised by the Singapore Securities Exchange Trading Limited ("**SGX-ST**") in an email to the Company on 8 June 2020 (as set out below), in relation to the Company's first quarter results for the financial period ended 31 March 2020 ("**1Q2020**").

1) SGX-ST's query:

It is noted on page 12 of the announced financial results:- "...increase in trade and other receivables and contract assets of \$2.9 million was mainly due to increase in trade receivables for recent deliveries of new built propellers and higher revenue from the Energy Services." What is the nature of the "Contract assets" financial statement line item and please elaborate on the reason(s) for its increase from \$2,945,000 as at 31 December 2019 to \$4,200,000 as at 31 March 2020.

Company's response:

Contract assets are mainly related to fixed price construction contracts arising from the Group's offshore & marine projects, dredging and reclamation business which had contributed to the \$1.3 million increase, a result of higher volume work done. This increase was recognised as contract assets because it does not yet have an unconditional right to consideration at the point of transfer. It will, however, be subsequently transferred to receivables when the right of payment becomes unconditional.

2) SGX-ST's query:

We note that the Group has secured and unsecured borrowings of \$157,512,000 and \$10,416,000 respectively, which are repayable in one year or less, or on demand.

- (a) How does the Group intend to repay the aggregate sum of \$167,928,000?
- (b) How much of the aggregate amount of \$167,928,000 is attributable to borrowings which are repayable on demand? Further, what are the conditions or circumstances which would trigger repayment to be made on demand?
- (c) Please provide further information on whether the Company expects cash flow or liquidity issues with regard to the repayment of the aggregate sum of \$167,928,000, in light of the COVID-19 situation and its impact on the Company's business operations (if any). Please substantiate the Company's stand with specific details.

Where applicable, please elaborate on the matters set out in our Regulator's Column "What SGX expects of issuer's disclosures during COVID-19" dated 22 April 2020.

Company's response:

- 2(a) References are made to the Company's announcements on 1 April 2020 and 13 May 2020. The Company was informed by way of an email dated 26 March 2020 from its major lender that it has in principle agreed to grant an extension of time until 31 August 2020, subject to the final approval of its credit committee, to complete the Disposal and Associated Deleveraging

under the current debt restructuring agreement (“**DRA**”). This includes the finalisation of a revised debt refinancing plan under the DRA.

Since then, the Company and its corporate advisor, RSM Corporate Advisory Pte Ltd (“**RSMCA**”), had engaged in discussions with the lenders in relation to a revised debt refinancing plan which, amongst others, include the following:

- Further extension on principal moratorium to early next year.
- Imposition of a deleverage target whereby the Group is required to divest certain identified non-core assets to pare down existing debts.
- Re-profiling of existing loan tenures of up to 10 years whereby the annual principal and interest dues will be supported by expected EBITDA, based on the current level of business of the Group.

RSMCA had informed the Company by way of email on 26 May 2020 that the major lender is supportive of the revised debt refinancing plan. There is, however, no definitive agreement in relation to the debt refinancing plan been entered into by the Group as at the date of this announcement. Discussions are still on-going with the rest of the lenders. The Company will make appropriate announcements as and when there is any material development.

Consequent to the above, standard contractual interest continues to be payable to the lenders but the payment of contractual principal sums remains suspended till 31 August 2020, and a possible and further extension to early next year if the revised debt refinancing plan is accepted.

- 2(b) Under the current DRA, the banks can trigger repayment any time after 31 August 2020 if there are any breaches of financial covenants and/or the current DRA. The amount repayable on demand approximates at \$167.8 million.
- 2(c) In light of the COVID-19 situation, the Group has put in place certain measures to prevent any potential cash liquidity issues:
- Under the revised debt refinancing plan, the Group has requested for a deferment in the commencement of principal repayment of the loans from 1 September 2020 to 1 March 2021. Should the revised debt refinancing plan be executed, contractual principal sums repayment will be deferred.
 - Under the revised debt refinancing plan, the major lender has also consented to reduction in the interest rate for the Group’s outstanding loans which took effect from 1 June 2020 for a 12-month period.
 - Increase in frequency in the review of account receivables which insofar has not experienced material delinquencies.
 - Rationalising of business processes to lower operating costs and overheads.
 - Intensified its on-going efforts to re-organise or re-structure loss making subsidiaries to which a principal subsidiary had registered lower losses and attaining an EBITDA breakeven position in the quarter ended 31 March 2020.
 - Review and reducing its capital expenditure requirements. The Group is also engaging the vendors for an extension or deferring parts of capital expenditure due.
 - Temporary pay cut across the Group ranging from 5% to 30% for a 3-month period to August 2020 in line with lower work activities, subject to further review.

With the above measures in place, the Group will continue to press on to maintain its current level of business. In the meantime, cash conservation is also the Group's topmost priorities to meet its current working capital requirements, albeit at a slower rate given that business activities and orders are expected to slow down as many of its customers are operating on a reduced capacity.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Executive Chairman & Chief Executive Officer

12 June 2020

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>

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