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

PROPOSED DISPOSAL OF PRC SUBSIDIARY

1. INTRODUCTION

The Board of Directors ("**Board**") of Mencast Holdings Limited ("**Company**" and, together with its subsidiaries the "**Group**") wishes to announce that the Company, has on 27 December 2021 entered into a sale and purchase agreement (the "**SPA**") for the disposal of the Company's entire stake in S&W Process Equipment (Changshu) Co., Ltd. ("**SWP**"), a company incorporated in the People's Republic of China ("**PRC**"), on the terms and conditions of the SPA (the "**Proposed Disposal**"). Upon the completion of the Proposed Disposal, SWP will cease to be a wholly owned subsidiary of the Company.

The purchaser is a Chinese national and is not related to the Company, its subsidiaries or its controlling shareholder (the "**Purchaser**").

2. INFORMATION ON SWP

Background on SWP

SWP is a wholly owned subsidiary of the Company, and was incorporated in Changshu, Jiangshu, the PRC on 22 January 2008. Since 2018 and in conjunction with the sharp downturn in the oil and gas industry, SWP has no operations and is inactive. SWP was previously principally engaged in the business of heat exchanger, pressure vessel, air cooler heat exchanger and skid packager fabrication. As at the date of this announcement, the registered capital of SWP is USD 2.1 million with a paid-up capital of USD 600,000.

Based on the latest consolidated unaudited financial statements of the Group for the half year ended 30 June 2021, the net liability position of SWP was S$4.056 million.

3. PRINCIPAL TERMS

3.1. Consideration

Pursuant to the SPA, the Company has agreed to sell, and the Purchaser has agreed to purchase, 100% of the registered share capital in SWP for a nominal consideration of RMB 1.00 (the "**Consideration**"). The Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the net liabilities and non-revenue generating nature of SWP set out in paragraph 2 above, and the rationale set out in paragraph 4 below.

3.2. Conditions Precedent

The Proposed Disposal is conditional upon the approval of the shareholders of the Company ("**Shareholders**") in general meeting being obtained for the Proposed Disposal and/or the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), in each case if so required.

3.3. Completion

Completion shall take place on such date as agreed between the Company and the Purchaser. Following the completion of the Proposed Disposal, the Company will cease to be liable for any debts and liabilities of SWP.

There is no other material terms or conditions attached to the Proposed Disposal.

4. RATIONALE

The Proposed Disposal is part of the Group's continuous efforts to restructure its Group business structure for purpose of cutting down on costs. In particular, the divestment of certain under-utilized and/or non-core assets (in addition to the non-core assets already or to be identified for be divestment as part of the Group's on-going debt restructuring exercise) by way of a straight sale of assets and/or disposal of subsidiary through a sale of shares is one solution identified by the management of the Company which can be expeditiously executed as opposed to a closing down process. As there have been no operations in SWP since 2018, SWP was identified as non-core asset of the Group.

The Board is further of the view that the Proposed Disposal will allow the Group to streamline its business structure, reduce its fixed operating costs and minimize future losses to the Group. The Proposed Disposal will also enable the Company to free up its resources and capital for allocation to its other profitable operations and towards satisfying its debts. With a leaner organization structure, the Board and management can allocate more of its time and resources to pursue new business opportunities that will increase the number of revenue streams for the Group and deliver positive value to shareholders. Additionally, the Proposed Disposal will serve, in one of many ways, the Group's interest in meeting the exit criteria in Rule 1314 of the Listing Manual for the Group's removal from the Watch-list for companies listed on the Mainboard of the SGX-ST.

5. COMPUTATION PURSUANT TO RULE 1006 OF THE SGX-ST LISTING MANUAL

5.1. Relative Figures under Rule 1006

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 latest consolidated unaudited financial statements of the Group for the half year ended 30 June 2021 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.	(17.3) (Note 1)
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	(8.7) (Note 2)
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.	10.4 (Note 3)

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 (Note 4)
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 (Note 5)

Notes:

(1) The net liabilities of SWP as at 30 June 2021 was S$4.056 million and the net asset value of the Group was S$23.486 million at as at 30 June 2021.

(2) The net loss before tax of SWP for the half financial year ended 30 June 2021 was S$22,000 and the net profit before tax of the Group was S$252,000 as at 30 June 2021.

(3) The aggregate value of the consideration was based on the consideration of RMB 1.00 and impairment of loans of S$1.346 million made in the half financial year ended 30 June 2021. The Company's market capitalization of approximately S$12.99 million, being the issued ordinary share capital of the Company of 447,761,000 shares at the volume weighted average price of the Shares of S$0.029 on 24 December 2021, which is the market day preceding the date of 27 December 2021.

(4) This basis is not applicable as it is not an acquisition.

(5) This basis is not applicable as the Company is not a mineral, oil and gas company.

5.2. <u>Grant of Waiver</u>

As the relative figures computed involves negative figures and do not fall squarely within the circumstances set out in Paragraph 4.4 of Practice Note 10.1 of the Listing Manual, pursuant to Rule 1007(1), the Company had on 24 November 2021 commenced consultations with the SGX-ST on the applicability of Chapter 10 of the Listing Manual on the Proposed Disposal. The SGX-ST had on 24 December 2021 informed to the Company that the Proposed Disposal constitutes a major transaction pursuant to Rule 1014 of the Listing Manual, and that the SGX-ST has no objection to the Company's application for waiver of Rule 1014(2) of the Listing Manual with regard to the Proposed Disposal (the "**Waiver**"), subject to the following conditions:

(i) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual[1] and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met; and

(ii) the Board of Directors' confirmation that the Waiver will not be in contravention of any laws and regulations governing the Company and its constitution (or the equivalent in the

[1] Listing Rule 107 provides that: "The Exchange may waive or modify compliance with a listing rule (or part of a rule) either generally or to suit the circumstances of a particular case, unless the listing rule specifies that the Exchange will not waive it. The Exchange may grant a waiver subject to such conditions, as it considers appropriate. If the Exchange waives a listing rule (or part of a rule) subject to a condition, the condition must be satisfied for the waiver to be effective. Where a waiver is granted, the issuer must announce the waiver, the reasons for seeking the waiver and the conditions, if any, upon which the waiver is granted as soon as practicable."

Company country of incorporation).

The Waiver will not be effective if any of the conditions have not been fulfilled.

5.3. <u>Reasons for the Waiver Application</u>

As part of its consultations with the SGX-ST, the Company had sought the Waiver as it is of the view *inter alia* that the Proposed Disposal involves the sale of a non-core asset of the Group, and there would be no material change in the risk profile of the Company arising from the Proposed Disposal. Specifically:

(i) As set out in paragraph 2 above, SWP has no operations and has been inactive since 2018 in conjunction with the sharp downturn in the oil and gas industry. Further, based on the latest consolidated unaudited financial statements of the Group for the half year ended 30 June 2021, the net liability position of SWP was S$4.056 million. Following the completion of the Proposed Disposal, the Company will cease to be liable for any debts and liabilities of SWP. In view of the foregoing, the Proposed Disposal is expected to reduce the Company's operating costs and minimise future losses to the Group, without affecting the existing operations and business of the Group or nature of the Group's business; and

(ii) the proposal disposal of SWP is not expected to have a significant effect on the existing operations and business of the Group given that SWP has no operations and is inactive since 2018. Furthermore, the Group has no intention of resuming the operations of SWP.

5.4. <u>Satisfaction of Conditions to the Waiver</u>

The release of this announcement seeks to satisfy the conditions set out in sub-paragraph 5.2(i) above. The Company will separately arrange for the submission of the written confirmation referred to in sub-paragraph 5.2(ii) to the SGX-ST.

6. FINANCIAL EFFECTS

6.1. <u>Bases and Assumptions</u>

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 2020 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:

(i) the Proposed Disposal had been effected on 31 December 2020, 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; and

(ii) the Proposed Disposal had been effected on 1 January 2020, 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.

6.2. NTA

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA attributable to Shareholders (S$'000)	18,280	18,136
Number of Shares ('000)	441,136	441,136
NTA per Share attributable to Shareholders (cents)	4.14	4.11

6.3. Earnings Per Share ("EPS")

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S$'000)	6,367	6,223
Number of Shares ('000)	432,297	432,297
EPS/(Loss per Share ("**LPS**")) (cents)	1.47	1.44

6.4. Value of SWP

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2020:

(i) the book value and the NTA value of SWP is deficit of approximately S$3,934,000;
(ii) net losses attributable to SWP were approximately S$29,000;
(iii) the deficit of the proceeds over the book value of SWP is S$3,934,000; and
(iv) the net loss on the Proposed Disposal is expected to be S$144,000.

7. 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.

8. INTEREST OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors and controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholding interests in the Company.

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours of the

Company for three (3) months from the date of this announcement at the Company’s registered office address at 42E Penjuru Road, Mencast Central, Singapore 609161.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENNDLE
Executive Chairman & Chief Executive Officer
27 December 2021