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

PROPOSED DISPOSAL OF WHOLLY-OWNED SUBSIDIARY

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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 the Company, had on 10 June 2022 entered into a sale and purchase agreement (the "**SPA**") for the disposal of the Company's entire stake in Mencast Subsea Pte. Ltd. ("**Mencast Subsea**") on the terms and conditions of the SPA (the "**Proposed Disposal**"). Upon the completion of the Proposed Disposal, Mencast Subsea will cease to be a wholly owned subsidiary of the Company.

The purchasers are Time Marine Engineering Pte. Ltd. ("**Time Marine**"), who will be purchasing a 97% stake in Mencast Subsea, and Mr. Chen Rongxiang Jeremiah Charles ("**Mr. Chen**", and collectively with Time Marine, the "**Purchasers**" and each a "**Purchaser**"), who will be purchasing the remaining 3% stake in Mencast Subsea.

2. INFORMATION ON MENCAST SUBSEA AND THE PURCHASERS

<u>Background on Mencast Subsea</u>

Mencast Subsea, a wholly owned subsidiary of the Company, was incorporated in Singapore on 12 September 1996. Mencast Subsea is the holding company of Unidive Offshore Private Limited ("**Unidive SG**"), a company incorporated in Singapore on 23 April 2003, and Unidive Marine Services (Malaysia) Sdn Bhd ("**Unidive MY**") (Mencast Subsea, Unidive SG and Unidive MY collectively, the "**Sale Companies**"), a company incorporated in Malaysia on 2 June 2004. Mencast Subsea and Unidive MY are both principally engaged in the business of commercial diving, underwater repair and maintenance for ships, tankers and other ocean-going vessels. Unidive SG presently has no operations and is inactive.

As at the date of this announcement, the issued and paid-up capital of Mencast Subsea is S$500,000 divided into 500,000 shares; the issued and paid-up capital of Unidive SG is S$36 divided into 36 shares; and the issued and paid-up capital of Unidive MY is RM500,000 divided into 500,000 shares.

Upon the completion of the Proposed Disposal, Mencast Subsea will cease to be a wholly owned subsidiary of the Company, and Unidive SG and Unidive MY will cease to be indirect wholly owned subsidiaries of the Company.

<u>Background on the Purchasers</u>

Time Marine was incorporated in Singapore in 2008, and it is principally engaged in the business of providing foremost marine and offshore afloat repair services, including the repair of hydraulics, mechanics, pipes and steel works.

Mr. Chen, a Singapore national, is presently a Manager (Sales & Business Development) with Mencast Subsea, and has entered into the SPA as a Purchaser in his personal capacity and for private investment purposes.

Save as described above, none of the Purchasers are related to the Company, its subsidiaries or its controlling shareholder.

3. PRINCIPAL TERMS

3.1. <u>Consideration</u>

Pursuant to the SPA, the Company has agreed to sell, and the Purchasers have agreed to purchase, an aggregate of 100% of the registered share capital in Mencast Subsea for an aggregate consideration of S$2,100,000 (the "**Consideration**"), payable in the following tranches:

(i) a deposit amount of S$100,000 which has been paid by the Purchasers and received by the Company;

(ii) S$1,000,000 upon the signing of the SPA;

(iii) S$900,000 on or before Completion Date (as defined below); and

(iv) S$100,000 within 6 months from the date of the SPA.

Following the completion of the Proposed Disposal, the Purchasers shall further pay to the Company all account receivables, cash balances and current assets minus all liabilities of the Sale Companies up to and including the Completion Date. The vessel named 'Mencast 9', title of which is currently held by Mencast Subsea, will also be transferred to the Company or its designated subsidiary before or around the completion of the Proposed Disposal.

The Consideration was arrived at on a willing buyer willing seller basis after taking into account, *inter alia*, the abovementioned transfer of the net working capital amount and title to the vessel named 'Mencast 9' to the Company, the net assets of the Sale Companies as set out in paragraph 2 above, and the rationale set out in paragraph 4 below.

3.2. <u>Conditions Precedent</u>

The Proposed Disposal is conditional upon *inter alia* 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. <u>Completion</u>

Completion shall take place on such date as agreed between the Company and the Purchaser (the "**Completion Date**").

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

4. RATIONALE

The Board is of the view that the Proposed Disposal is in the best interests of the Company and its Shareholders having regard the following factors:

(i) The business operations of the Sale Companies are highly labour intensive and require a high degree of specialized skillset, especially in commercial diving, and accordingly higher staff costs. Our Group has been constantly monitoring its cost components in its endeavor to contain its cost structure, and staff cost is one such major component. The Proposed Disposal is expected to reduce the Group’s headcount by approximately 14% which is in line with the Group’s plan to reduce its reliance on intensive labour and resulting in a leaner cost structure.

(ii) The Sale Companies have not been generating revenue growth since FY2017. Revenue for the last 5 years have been stagnant, ranging from S$4.9 million (in FY2020) to S$6.1 million (in FY2017). Our Group does not expect an improvement in the operating environment of the Sale Companies, and is of the view that the current inflationary environment, tight labour market and increases in utilities and fuels will lead to higher running costs to which is not sustainable by the current level of revenue of the Sale Companies. The Proposed Disposal will allow the Group to streamline its business structure, reduce its fixed operating costs and minimize and/or arrest future losses. The Proposed Disposal will also enable the Group to free up its resources and capital for allocation to its other profitable operations and towards satisfying its debts. With a leaner organization structure, our Group’s 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.

(iii) The Sale Companies have been identified as non-core assets / business to be divested in relation to its debt restructuring exercise completed in prior year. Prior to the Proposed Disposal, the Company and its corporate advisor have been sourcing for potential buyers since 2018 and have not received any suitable offers/interests. Having considered that there is no material loss on disposal of the Sale Companies, the Proposed Disposal will serve, in one of many ways, the Group’s interest in exiting the businesses, as well as satisfying the deleveraging conditions under the debt restructuring agreement. The proceeds from the Proposed Disposal are expected to be fully utilized in paring down the Group’s borrowings.

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 consolidated audited financial statements of the Group for year ended 31 December 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.	15.1 (Note 1)

Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	2.8 (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.	11.6 (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 asset value for the Sale Companies as at 31 December 2021 was S$4.509 million, and the net asset value of the Group as at 31 December 2021 was S$29.885 million.

(2) As at 31 December 2021, the Sale Companies had recorded a net profit before tax of S$134,000 and the Group's net profit before tax was $4.797 million.

(3) Based on the Consideration amount received of S$2,100,000, and the Company's market capitalisation of S$18.078 million computed based on 451,950,224 shares at the volume weighted average price of S$0.04 per share on 9 June 2022, which is the market day preceding the date of this announcement.

(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.

As two of the relative figures computed on the bases set out in Rule 1006 of the Listing Manual exceeds 5% but does not exceed 20%, the Proposed Disposal constitutes a disclosable transaction under Chapter 10 of the Listing Manual and is subject to announcement requirements but is exempt from the Shareholders' approval requirement under Chapter 10 of the Listing Manual.

6. FINANCIAL EFFECTS

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 2021 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 2021, 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 2021, 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.

(iii) estimated expenses for the Proposed Disposal are not material and have not been included in the financial effects.

<u>NTA</u>

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA attributable to Shareholders (S$'000)	25,104	25,482
Number of Shares ('000)	447,761	447,761
NTA per Share attributable to Shareholders (cents)	5.61	5.69

<u>Earnings Per Share ("**EPS**")</u>

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Net profit attributable to Shareholders (S$'000)	6,509	6,758
Number of Shares ('000)	444,766	444,766
EPS (cents)	1.46	1.52

<u>Value of the Sale Companies</u>

Based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2021:

(i) the book value and net asset value of the Sale Companies was S$4.509 million;

(ii) the net profit attributable to the Sale Companies was S$134,000; and

(iii) the net gain on the Proposed Disposal is expected to be S$378,000, after taking into account the transfer of the net working capital amount of the Sale Companies and title to the vessel named 'Mencast 9' to the Company.

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
10 June 2022

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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