



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

PROPOSED DISPOSAL OF MINORITY INTEREST IN VAC-TECH ENGINEERING PTE LTD

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, a subsidiary of the Company, has on 17 December 2022 entered into a sale and purchase agreement (the “**SPA**”) with Grand Victor Corp Pte. Ltd. (“**Grand Victor**”, and collectively with Mencast Energy, the “**Sellers**”) and Blue Planet Environmental Solutions Pte. Ltd. (the “**Purchaser**”, and collectively the Sellers, the “**Parties**”), pursuant to which Sellers have agreed to sell, and the Purchaser has agreed to purchase from the Sellers, an aggregate of 100% of the share capital of Vac-Tech Engineering Pte Ltd (“**Vac-Tech**”), comprising 3,000,000 issued and paid-up ordinary shares (the “**Transaction**”). Mencast Energy holds 20% of the share capital of Vac-Tech, while Grand Victor holds the remaining 80% of the share capital of Vac-Tech.

As part of the Transaction, Mencast Energy will be disposing its 20% equity interest in Vac-Tech (the “**Proposed Disposal**”). Upon the completion of the Proposed Disposal, Mencast Energy, and by extension the Company, will cease to hold any interest in Vac-Tech.

2. INFORMATION ON ON VAC-TECH, MENCAST ENERGY, GRAND VICTOR AND THE PURCHASER

2.1. Vac-Tech

Vac-Tech was incorporated in Singapore on 14 June 1995 and is principally engaged in the business of waste logistics services, comprising the provision of vacuum trucks and haulage services, specialised industrial services such as tank cleaning. The issued and paid-up capital of Vac-Tech is S\$3,000,000 divided into 3,000,000 shares. Mencast Energy holds 600,000 shares in Vac-Tech representing 20% of its existing issued and paid-up share capital, and Grand Victor holds the remaining 2,400,000 shares in Vac-Tech representing 80% of its existing issued and paid-up share capital.

Based on its first-half year financial results ended 30 June 2022, Vac-Tech had recorded a loss before tax of S\$494,000 as most of its deliverables are scheduled in the second half of 2022.

2.2. Mencast Energy

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 Glendle, the Executive Chairman and Chief Executive Officer of the Company.

2.3. Grand Victor

The shareholders of Grand Victor are Sing Lun Industrial Pte Ltd (“**SLI**”) (holding 55%) and Exacta Asia Investment II LP (“**Exacta**”) (holding 45%), and its directors are Mr. Lee Kwok Kie @ Patrick Lee, Mr. Mark Lee Kean Phi and Mr. Sng Yeow Hua. 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). Exacta is a Cayman Island incorporated private equity fund, whose investors consist of institutional investors such as developmental banks, banks, insurances companies and pension funds from Japan, Europe and Asia.

2.4. The Purchaser

The Purchaser is a company which was incorporated in Singapore on 22 June 2017. It is principally engaged in the business of providing waste management and upcycling solutions across Singapore, Malaysia, India and the UK. The Purchaser’s directors are Mr. Madhujett Chimni, Mr. Chew Cheng Keat, Mr. Chivukula Bharadwaj, Mr. Sin Ee Wuen and Mr. Prashant Singh.

The Purchaser (and its directors) is an independent third party which is not related to any Director or Substantial Shareholder (being a person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that share or those shares, is not less than 5% of the total votes attached to all the voting shares of the Company) of the Company.

3. **PRINCIPAL TERMS**

3.1. Consideration

Pursuant to the SPA, the consideration for the purchase of 100% of the share capital of Vac-Tech is S\$42.5 million (the “**Base Consideration**”), which will be paid to the Sellers in 3 tranches set out below, subject to any applicable net cash and net working capital adjustments.

Tranches

- (1) First tranche of S\$29.35 million, being 78% of the Base Consideration less an agreed additional capital requirement of Vac-Tech of S\$3.8 million to be paid to the Sellers on the date of completion of the Transaction (the “**Completion Date**”);
- (2) The second tranche is subject to adjustments based on, *inter alia*, Vac-Tech's last twelve months (LTM) normalised earnings before interest, taxes, depreciation, and amortization (EBIDTA) to June 2023 (“**LTM June 2023 Normalised EBITDA**”), and is payable within 10 business days after the LTM June 2023 Normalised EBITDA Statement becomes available based on Vac-Tech's management accounts.

The maximum amount payable under the second tranche is S\$6.8 million, and the minimum is zero.

- (3) The third tranche is subject to adjustments based on, *inter alia*, Vac-Tech's LTM normalised EBIDTA to December 2023 (“**LTM December 2023 Normalised EBITDA**”), and is payable within 10 business days after the LTM December 2023 Normalised EBITDA Statement becomes available based on Vac-Tech's management accounts.

The maximum amount payable under the third tranche is S\$8 million (which includes the Deferred Consideration (as defined below), and the minimum is zero. A deferred consideration equivalent to S\$800,000 (“**Deferred Consideration**”) will be paid to

Purchasers on the payment date for the third tranche, regardless of whether the third tranche is payable.

Mencast Energy and Grand Victor will respectively be entitled to 20% and 80% of each tranche payment. Accordingly, subject to any applicable adjustments in accordance with the SPA,

- (A) the maximum consideration receivable by the Company (via Mencast Energy) from the Proposed Disposal is S\$8.83 million, based on the aggregate of (i) the first tranche payment of S\$5.87 million, (ii) the maximum second tranche payment of S\$1.36 million and (iii) the maximum third tranche payment of S\$1.6 million (which includes Mencast Energy's share of the Deferred Consideration of S\$160,000); and
- (B) the minimum consideration receivable by the Company (via Mencast Energy) from the Proposed Disposal is S\$6.03 million, being the first tranche payment of S\$5.87 million plus Mencast Energy's share of the Deferred Consideration of S\$160,000.

3.2. Conditions Precedent

The Transaction is subject to and conditional upon the satisfaction of, *inter alia*, the following conditions ("**Conditions**"):

- (1) with respect to the waiver granted by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") of the requirement of shareholders' approval of the Company for the Proposed Disposal (as detailed in paragraph 5.2 below), (i) the conditions under the waiver having been met and (ii) there being no revocation of the waiver during the period between the date of the SPA and up to Completion, or if the waiver is revoked, shareholders' approval of the Company being granted for the Proposed Disposal and its Completion and such shareholders' approval remaining in full force and effect as at Completion;
- (2) in respect of certain bank facilities obtained by Vac-Tech, the consent of each relevant bank in relation to intended change of shareholding of Vac-Tech;
- (3) with respect to the debt restructuring agreement dated 1 February 2019 (as amended and restated on 26 August 2020) ("**DRA**") entered into, among others, the Company, DBS Bank Ltd., Ethoz Capital Ltd., RHB Bank Berhad, Standard Chartered Bank (Singapore) Limited and United Overseas Bank Limited, the consent of the Majority Lenders (as defined under the DRA) to be obtained for the Proposed Disposal;
- (4) with respect to the shareholders' agreement dated 24 September 2019 entered into among Grand Victor, the Company and Vac-Tech (the "**Vac-Tech SHA**"), the execution of a deed of termination by the parties thereto terminating this agreement and releasing Vac-Tech from all liabilities and obligations under such shareholders' agreement; and
- (5) the entry by Mencast Offshore & Marine Pte. Ltd. ("**Mencast Offshore**"), a wholly owned subsidiary of the Company, and Vac-Tech into a master services agreement (the "**Master Services Agreement**") in respect of the (i) the provision of waste disposal services by Mencast Offshore to Vac-Tech, and (ii) the provision of transportation services by Vac-Tech to Mencast Offshore.

3.3. Completion

Under the terms of the SPA, Completion shall take place on:

- (1) the last day of the calendar month during which the fulfilment (or waiver) of the last of the Conditions takes place (excluding Conditions which are by its nature required to be fulfilled down to the Completion Date);

(2) in the event the fulfilment (or waiver) of the last of the Conditions takes place (excluding Conditions which are by its nature required to be fulfilled down to the Completion Date) takes place not more than 5 business days from the last day of a calendar month, the last day of the following calendar month; or

(3) such other date as shall be mutually agreed in writing between the Parties.

The Parties expect Completion to take place within 2 months from the signing date of the SPA.

4. RATIONALE

4.1. Vac-Tech is a non-core business or asset

The Group's core business comprises mainly propulsion manufacturing and the management and treatment of waste. Vac-Tech's business of waste logistics services is accordingly not part of the Group's core business and is instead ancillary thereto. Further, the Group only holds a minority stake of 20% in Vac-Tech. The Group had earlier in 2019 disposed of its 50% equity interest in Vac-Tech to Grand Victor (the "**2019 Disposal**"), and has no present intentions to increase its shareholding in Vac-Tech or to re-purchase any interest in Vac-Tech from Grand Victor.

Vac-Tech's business operations are highly capital and labour intensive, and dependent on continued capital expenditure investments such as in machinery and equipment. Since the 2019 Disposal, the Group has ceased managing and funding Vac-Tech. In the event of any future capital calls by Vac-Tech to support its business capital expenditure requirements, the Group does not intend to participate in such capital calls. The Board is of the view that the Proposed Disposal will allow the Group to reduce its fixed operating costs and also to streamline its business structure. The Proposed Disposal will 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.

4.2. No material change in the Company's risk profile

Given the Group's minority stake in Vac-Tech, the proposal disposal of Vac-Tech is not expected to have a significant effect on the existing operations and business of the Group.

Nonetheless, to avoid any unnecessary disruptions to the business operations of Vac-Tech due to the Proposed Disposal, it has also been agreed between the Parties that the existing business arrangements between Vac-Tech and the Group would continue even after the Proposed Disposal. In accordance with the Master Services Agreement (once entered into), the Group would continue to provide certain waste treatment and disposal services to Vac-Tech, both on an ongoing and ad-hoc basis. This would be particularly beneficial for the Group's waste treatment plants which will be able to continue processing industrial waste collected by Vac-Tech in its business operations.

4.3. Mencast Energy is contractually obliged to complete the Proposed Transaction

As part of the 2019 Disposal, Mencast Energy had entered into the Vac-Tech SHA with Grand Victor to govern their relationship as shareholders of Vac-Tech. The Vac-Tech SHA contains a drag-along provision in favour of Grand Victor, as majority shareholder, which is consistent with market standards. In the event that Grand Victor has obtained from a third party a *bona fide* offer

for more than 50% equity interest in Vac-Tech, Grand Victor shall be entitled to require the other shareholders of Vac-Tech, being Mencast Energy, to sell to the third party all (and not some only) of the other shareholders' shares in Vac-Tech, on the same terms and conditions as those offered to Grand Victor. Accordingly, in the event that Mencast Energy is unable to proceed with the Proposed Transaction in accordance with its terms, Grand Victor is contractually entitled to exercise its drag-along rights to require Mencast Energy to do so.

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 2022 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.	9.0 ^(Note 1)
Rule 1006(b)	Net loss attributable to the assets acquired or disposed of, compared with the Group's net profits.	(43.4) ^(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.	41.6 ^(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 of the Company's stake in Vac-Tech (i.e. 14%) as at 30 June 2022 was S\$2.691 million and the net asset value of the Group was S\$30.022 million as at 30 June 2022.
- (2) The net loss before tax of Vac-Tech for the half financial year ended 30 June 2022 was S\$82,000 and the net profit before tax of the Group was S\$189,000 as of 30 June 2022.
- (3) The aggregate value of the consideration was based on the consideration payable to Mencast Energy of S\$7.9 million ^(Note 6). The Company's market capitalisation of approximately S\$18.98 million, being the issued ordinary share capital of the Company of 451,950,000 shares at the volume weighted average price of the Shares of S\$0.042 on 16 December 2022, which is the market day preceding the date of 17 December 2022.

- (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.
- (6) Being the aggregate of (i) the first tranche payment of S\$5.87 million, (ii) the second tranche payment of S\$0.935 million and (iii) the third tranche payment of S\$1.095 million (which includes Mencast Energy's share of the Deferred Consideration of S\$160,000), based on the following assumptions: (a) that there are no applicable net cash and net working capital adjustments, (b) Vac-Tech meets the target LTM June 2023 Normalised EBITDA, and (c) Vac-Tech meets the target LTM December 2023 Normalised EBITDA, in each case in accordance with the terms of the SPA.

5.2. Grant of Waiver

As the relative figures computed involve a figure which exceeds 20%, as well as a negative figure which does not fall squarely within the circumstances set out in Paragraphs 4.4(c) and/or 4.4(e) of Practice Note 10.1 of the Listing Manual, the Proposed Disposal will constitute a major transaction under Rule 1014 of the Listing Manual requiring shareholders' approval in a general meeting. The Company had on 1 November 2022 commenced consultations with the **SGX-ST**, seeking a waiver from the requirement of obtaining shareholders' approval for the Proposed Disposal. The SGX-ST had on 9 December 2022 informed to the Company that SGX-ST has no objection to the Company's application for waiver of Rule 1014(2) of the Listing Manual with regards to the Proposed Disposal (the "**Waiver**"), subject to the following condition(s):

- (i) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual¹ 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.

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

5.3. Reasons for the Waiver Application

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 business or 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 detailed in paragraph 4.1 above, Vac-Tech's business is not part of the Group's core business and is instead ancillary thereto. Further, the Group only holds a minority stake of 20% in Vac-Tech and has no present intentions to increase its shareholding in Vac-Tech or to re-purchase any interest in Vac-Tech from Grand Victor; and
- (ii) as detailed in paragraph 4.2 above, given the Group's minority stake in Vac-Tech, as well as its non-core nature, the Proposal Disposal is not expected to have any material effect on the existing operations and business of the Group.

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."

5.4. Satisfaction of Conditions to the Waiver

The release of this announcement seeks to satisfy the conditions set out in sub-paragraph 5.2(i) above.

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.

NTA

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
NTA attributable to Shareholders (S\$'000)	25,104	27,745
Number of Shares ('000)	447,761	447,761
NTA per Share attributable to Shareholders (cents)	5.61	6.20

Earnings Per Share (“EPS”)

	Before Completion of the Proposed Disposal	After Completion of the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S\$'000)	6,509	8,686
Number of Shares ('000)	444,766	444,766
EPS per Share (cents)	1.46	1.95

Value of Vac-Tech

Based on the latest consolidated unaudited financial statements of the Group for the half year ended 30 June 2022:

- (i) the book value and the NTA value of Vac-Tech is approximately S\$11.94 million;
- (ii) net losses attributable to Vac-Tech were approximately S\$0.41 million;
- (iii) the gains of the proceeds over the book value of Vac-Tech is S\$4.06 million; and
- (iv) the net gain on the Proposed Disposal is expected to be S\$2.84 million.
- (v) The Company intends for net proceeds from the Proposed Disposal to be applied towards the repayment of bank borrowings and general working capital requirements of the Group.

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 GLENN DLE
Executive Chairman & Chief Executive Officer
17 December 2022