



MENCAST HOLDINGS LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200802235C)

PROPOSED DISPOSAL OF PROPERTY LOCATED IN BATAM, INDONESIA

1. INTRODUCTION

The Board of Directors (the "**Board**") of Mencast Holdings Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that PT Mencast Offshore and Marine ("**PT MOM**"), a wholly owned subsidiary of the Group, had on 9 March 2023 entered into a conditional sale and purchase agreement (the "**SPA**") with PT Rainbow Tubulars Manufacture (the "**Purchaser**", and together with PT MOM, the "**Parties**") for the disposal by PT MOM of the property located at Jl. Brigjen Katamso KM 18, Tanjung Uncang, Batu Aji, Batam, with 'Right to Build' (*Hak Guna Bangunan* (HGB)) Certificate No. 5410 with a total land area of 45,781 square meters, and HGB Certificate No. 5411 with a total land area of 5,012 square meters (the "**Property**"), subject to the terms of the SPA (the "**Proposed Disposal**").

2. INFORMATION ON THE PROPERTY

The Property comprises of land and buildings, including an office as well as workshops. The HGB Certificate No. 5410 with a total land area of 45,781 square meters will expire on 31 October 2038, and the HGB Certificate No. 5411 with a total land area of 5,012 square meters will expire on 6 September 2035. The Property currently houses the operations of PT MOM which is in the business of fabrication of steel structure, ship repairs and engineering for the offshore, oil and gas industries. Following the completion of the Proposed Disposal, the Group expects to further scale down the business activities of PT MOM. The Property has been mortgaged to a bank in Singapore (the "**Bank**"), which will be discharged before completion of the Proposed Disposal.

The Company had commissioned KJPP FAST (*Kantor Jasa Penilai Publik Firman, Suryantoro, Sugeng, Suzy, Hartomo dan Rekan*), a valuation firm in Indonesia which specializes in the valuation of real property, to conduct an independent desk-top valuation on the Property (the "**Valuation**") for use by the Bank in its annual assessment for collateral purposes, and by the Company for the preparation of the Group's audited financial statements for the financial year ended 31 December 2022 ("**FY2022**"). Based on the above valuation report dated 16 December 2022 (the "**Valuation Report**"), the market value of the Property is approximately IDR 57.95 billion (approximately S\$5.01 million¹). The Valuation was based on the direct comparison method for land and depreciated replacement cost method for building.

Based on the latest announced consolidated financial statements of the Group for FY2022, the net asset value attributable to the Property is S\$4.28 million as at 31 December 2022.

The Group is expected to record a loss on disposal amounting to S\$0.18 million.

¹ Based on the exchange rate of IDR 11,566.8 : S\$1.00.

3. INFORMATION ON THE PURCHASER

The Purchaser is a company registered in Indonesia and is in the business of manufacturing steel and iron tubes, pipes and pipe joints. Its shareholders are PT Sunindo Pratama Tbk (99.96%), a public company listed on the Indonesia Stock Exchange (IDX), and PT Sinarindo Prima (0.04%), a privately owned company, and its directors are Mr. Srie Martina (President Director), Mr. Rudi Barkeilona Nainggolan (Director) and Mr. Talim (Director).

The Purchaser, together with its directors and shareholders are not related to the Company, its subsidiaries or its controlling shareholder.

4. PRINCIPAL TERMS

4.1. Consideration

The aggregate consideration (the “**Consideration**”) for the Property is IDR 56.00 billion (approximately S\$4.84 million) and was arrived at by the Parties on a willing buyer, willing seller basis, after taking into consideration *inter alia* the Valuation, the book value of the Property, as well as the rationale for the Proposed Disposal as set out in paragraph 5 below. The Consideration will be paid by the Purchaser in the following tranches:

- (i) a deposit amount of IDR 1.00 billion (approximately S\$0.09 million), which has been received by the Company as at the date of the SPA;
- (ii) IDR 11.50 billion as the 1st down payment (approximately S\$0.99 million) to be paid upon signing of the SPA;
- (iii) IDR 11.10 billion (approximately S\$0.96 million) as the 2nd down payment to be paid within 1 week from the signing of the SPA;
- (iv) IDR 11.00 billion (approximately S\$0.95 million) as the 3rd down payment to be paid within 2 weeks from the signing of the SPA;
- (v) IDR 12.00 billion (approximately S\$1.04 million) as the 4th down payment to be paid within 3 weeks from the signing of the SPA; and
- (vi) IDR 9.40 billion (approximately S\$0.81 million) as the final payment to be paid after receipt by an appointed notary of the relevant release letter (*Surat Roya*) and original land certificate from PT MOM, and after the Purchaser obtains the relevant credit facilities to finance the purchase of the Property, which in any case should not exceed 2 months from the signing of the SPA.

4.2. Exclusivity

PT MOM shall not enter into or conduct any discussions with any other person or entity for the sale or disposition of the Property until the completion of the SPA.

4.3. Other conditions

PT MOM is entitled to cancel the SPA without penalty if the approval of the shareholders of the Company in general meeting (if so required) cannot be obtained for the Proposed Disposal.

5. RATIONALE

As previously announced by the Company on 1 February 2019 (the “**DRA Announcement**”), the Group had entered into a Debt Restructuring Agreement with its Lenders (as defined in the DRA Announcement) and subsequently the Amendment and Restatement of Debt Restructuring Agreement (“**Amended DRA**”) as announced on 26 August 2020, for the restructuring of the Group’s existing debts owed to the said Lenders. As one of the requirements of the Amended DRA, the Group shall deleverage its debt through the divestment of under-utilized and/or non-core assets. The Property has been identified as a non-core asset since 2019 and the Proposed Disposal would therefore not result in a material change to the risk profile of the Company.

The Group has been working towards fulfilling the terms of the Amended DRA since 2019 and has been marketing the Property since then. The present Consideration is the highest offer price that the Group has received for the Property. Having further considered the terms offered by the Purchaser and taking into account the Valuation as well as the book value of the Property, the Board is of the view that the Proposed Disposal is of the best interest of the Company.

Following the completion of the Proposed Disposal, the Group expects to be able to further scale down the business activities of PT MOM, which is highly dependent on continued order flows from customers and have been declining since the onset of the global oil and gas crisis in 2015. PT MOM has been recording losses in the last few years, notwithstanding the Group’s various cost containment efforts including attempts to reduce headcounts and the implementation of cost cutting measures. Moreover, PT MOM’s business of steel fabrication and engineering comprises only a small part of the Group’s business and is not part of the Group’s core business of propulsion manufacturing and waste management.

The Proposed Disposal will enable the Group to optimally realise the value of the Property while preventing further losses and deterioration of shareholder’s equity. The scaling back of PT MOM would also allow the Group to streamline its business structure, reduce its fixed operating costs and minimize future losses to the Group.

The Company expects to receive net proceeds of approximately S\$4.1 million (the “**Net Proceeds**”) from the Proposed Disposal (after deducting professionals and related expenses incurred) and intends to apply the Net Proceeds towards the repayment of bank borrowings of the Group.

6. COMPUTATION PURSUANT TO RULE 1006 OF THE CATALIST RULES

6.1. Relative Figures under Rule 1006

The relative figures for the Proposed Disposal using the applicable bases of comparison under Rule 1006 of the Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”) based on the latest announced unaudited consolidated financial statements of the Group for FY2022 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.	13.4 (Notes 1 & 3)

Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	6.5 (Notes 2 & 3)
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.	26.8 (Note 4)
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 5)
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 6)

Notes:

- (1) The net asset value of the Property as at 31 December 2022 was approximately S\$4.28 million, and the net asset value of the Group as at 31 December 2022 was approximately S\$31.85 million.
- (2) The profits attributable to the Property in the form of income generated from the Property for FY2022 was approximately S\$0.26 million, and the net profit before tax of the Group (from continuing operations) for FY2022 was S\$3.94 million. A net loss from discontinued operations of S\$115,000 arising from Mencast Subsea Pte. Ltd. and its subsidiaries (the "**Subsea Group**") has been excluded since the Subsea Group was disposed of by the Company in June 2022 (as announced by the Company on 10 June 2022 and 30 June 2022).
- (3) The net asset and net profit before tax of the Group (from continuing operations) for FY2022 amounting to S\$31.85 million and S\$3.94 million respectively, have been adjusted for the completion of the disposal by the Company (via its 70% subsidiary, Mencast Energy Pte. Ltd. (the "**Mencast Energy**")) of its 20% equity interest in Vac-Tech Engineering Pte Ltd ("**Vac-Tech**") on 1 February 2023 and pursuant to Rule 1002(3)(c) of the Catalist Rules..

The adjusted net asset of the Group of S\$31.85 million is adjusted for the gain on disposal of S\$2.68 million based on the Group's effective 70% shareholdings in Mencast Energy, being 70% of S\$3.83 million.

The adjusted net profit before tax of the Group of S\$3.94 million accounted for the gain on disposal of Vac-Tech amounting to S\$3.83 million, which took into consideration the aggregate value of the maximum consideration payable to Mencast Energy of S\$7.90 million less the net asset value of Vac-Tech of S\$4.07 million as at 31 December 2022. The aggregate value of the maximum consideration comprised of (i) the first tranche payment of S\$5.87 million which Mencast Energy had received upon completion on 1 February 2023, (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 a deferred consideration of

S\$160,000)². On completion date of the disposal of Vac-Tech, Mencast Energy had accounted for the cash receipt of S\$5.87 million with deferred considerations of S\$2.03 million.

- (4) Based on the Consideration amount received from the disposal of the Property of approximately S\$4.84 million, and the Company's market capitalisation of S\$18.08 million computed based on 451,950,000 shares at the volume weighted average price of S\$0.04 per share on 8 March 2023, which is the market day preceding the date of the SPA.
- (5) This basis is not applicable as it is not an acquisition.
- (6) This basis is not applicable as the Company is not a mineral, oil and gas company.

As relative figures computed on the bases set out in Rule 1006 of the Catalist Rules exceeds 5% but does not exceed 50%, the Proposed Disposal constitutes a disclosable transaction under Chapter 10 of the Catalist Rules.

7. FINANCIAL EFFECTS

Bases and Assumptions

The *pro forma* financial effects of the Proposed Disposal have been prepared based on the latest announced unaudited consolidated financial statements of the Group for FY2022 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 2022, 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 2022, 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 included in the financial effects.

NTA (Note 11)

	Before Completion of the Proposed Disposal	Financial effects on the disposal of the Property	After Completion of the Proposed Disposal
NTA attributable to Shareholders (S\$'000)	27,067 ^(Note 7)	(184) ^(Note 8)	26,883
Number of Shares ('000)	451,950	-	451,950

² On the assumptions that: (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, all terms herein as defined in the announcements by the Company on 17 December 2022 and 1 February 2023.

NTA per Share attributable to Shareholders (cents)	5.99	-	5.95
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Earnings Per Share (“EPS”) (Note 11)

	Before Completion of the Proposed Disposal	Financial effects on the disposal of the Property	After Completion of the Proposed Disposal
Net profit/(loss) attributable to Shareholders (S\$'000)	2,270 (Note 9)	(330) (Note 10)	1,940
Number of Shares ('000)	450,343	-	450,343
EPS (cents)	0.50	-	0.43

Notes:

- (7) The NTA for FY2022 has been adjusted for the gain on disposal amounting to S\$2.68 million, arising from the completion of the disposal by the Company of its effective share of 14% equity interest in Vac-Tech which was completed on 1 February 2023.
- (8) Computed based on the Consideration of S\$4.84 million less estimated expenses of \$0.74 million and the net book value of the Property, amounting to S\$4.28 million as at 31 December 2022, to be disposed of.
- (9) The net profit attributable to Shareholders of the Group for FY2022 has been adjusted for the gain on disposal amounting to S\$2.68 million, arising from the completion of the disposal by the Company of its effective share of 14% equity interest in Vac-Tech on 1 February 2023.
- (10) Computed based on the Consideration of S\$5.31 million less the net book value of the Property of S\$4.76 million as at 31 December 2021, to be disposed of, less estimated expenses of \$0.81 million, less the income of S\$0.26 million generated from the Property, and adding back the Property’s depreciation charges of S\$0.19 million incurred during FY2022.
- (11) In consideration of the assumptions used for computation of the financial effects of NTA and EPS, the following historical exchange rates³ were used, accounting for the differences in SGD for the Consideration amount, net asset value and the estimated expenses on disposal of the Property:
- (a) for NTA, based on the historical exchange rate as at 31 December 2022 of IDR 11,566.80 : S\$1.00; and
- (b) for EPS, based on the historical exchange rate as at 1 January 2022 of IDR 10,538.40 : S\$1.00.

³ As published by Oanda on its website: “<https://www.oanda.com/fx-for-business/historical-rates>”.

8. 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.

9. 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.

10. DOCUMENT AVAILABLE FOR INSPECTION

Copies of the SPA as well as the Valuation Report 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 GLENDLE
Executive Chairman & Chief Executive Officer
9 March 2023

This announcement has been reviewed by the Company's Sponsor, SAC Capital Private Limited (the "Sponsor").

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.

The contact person for the Sponsor is Ms Charmian Lim (Telephone no.: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.