

MENCAST HOLDINGS LTD.

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

THE PROPOSED ACQUISITION OF:

- (I) THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF RECON PROPELLER & ENGINEERING PTE LTD (“RECON PROPELLER”); AND**
 - (II) THE BUSINESS OF DENFON ENGINEERING (“DENFON”)**
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1. THE PROPOSED ACQUISITIONS

The board of directors of Mencast Holdings Ltd. (the “**Company**”) is pleased to announce that the Company has on 30 June 2009 entered into:

- (a) a sale and purchase agreement (the “**Recon Agreement**”) with Messrs Phua Poh Cheng, Chua Ah Guan, Phua Keow Wee, Tan Cheong Heang, Lim Ho Hai and Goh Seng Huat (collectively the “**Recon Vendors**”) in relation to the sale and purchase of the entire issued and paid-up share capital of Recon Propeller for a consideration of S\$8.4 million (the “**Recon Acquisition**”); and
- (b) a sale and purchase agreement (the “**Denfon Agreement**”) with Messrs Phua Poh Cheng and Chua Ah Guan (collectively the “**Denfon Vendors**”) in relation to the sale and purchase of the business of Denfon for a consideration of S\$0.2 million (the “**Denfon Acquisition**”),

(collectively, the “**Proposed Acquisitions**”).

The Company has appointed its sponsor (“**Sponsor**”), CIMB Bank Berhad, Singapore Branch, as the financial adviser of the Company for the Proposed Acquisitions.

2. INFORMATION ON RECON PROPELLER AND DENFON

2.1 Recon Propeller

Recon Propeller is a company incorporated in Singapore on 2 January 1992 with an issued and paid-up share capital of S\$1,454,000 comprising 1,454,000 shares as at the date of this announcement. It is principally engaged in the building and repairing of ships, tankers and other ocean-going vessels such as propeller repair and modifications for the local and regional shipyards and owners.

The unaudited profit before income tax of Recon Propeller was approximately S\$1.4 million for the financial year ended 31 December 2008 (“**FY2008**”). The unaudited net asset value of Recon Propeller as at 31 December 2008 was approximately S\$2.0 million and the unaudited net asset value of Recon Propeller as at 30 April 2009 was approximately S\$2.5 million.

2.2 Denfon

Denfon is a partnership registered in Singapore on 4 November 1989. Denfon is principally engaged in mechanical engineering works which is catered to customers in the offshore oil and gas and marine industry.

The unaudited loss before income tax of Denfon was approximately S\$13,000 for FY2008. The unaudited net asset value of Denfon as at 31 December 2008 and as at 30 April 2009 was approximately S\$0.8 million.

2.3 Valuation

For the purpose of the Proposed Acquisitions, Recon Propeller had in June 2009 commissioned Robert Khan & Co Pte Ltd (the “**Valuers**”) to conduct a valuation. The Valuers has valued the leasehold factory held by Recon Propeller, located at No. 39 Tuas Avenue 13, at approximately S\$1.4 million and the machinery, equipment and motor vehicles owned by Recon Propeller and Denfon at approximately S\$0.7 million in aggregate.

3. THE PURCHASE CONSIDERATION

The Company, the Recon Vendors and the Denfon Vendors (collectively, the “**Parties**” and each a “**Party**”) had negotiated for the Proposed Acquisitions as a packaged deal.

The purchase consideration of S\$8.4 million for the Recon Acquisition (the “**Recon Consideration**”) and the purchase consideration of S\$0.2 million for the Denfon Acquisition (the “**Denfon Consideration**”) were arrived at pursuant to arms’ length negotiations amongst the Parties on a willing-buyer willing-seller basis, after taking into consideration, *inter alia*, the net asset values of Recon Propeller and Denfon, the valuations ascribed to the factory, machinery, equipment and motor vehicles of Recon Propeller and Denfon by the Valuers, the business prospects of Recon Propeller and Denfon and the rationale for the Proposed Acquisitions (as further described hereinafter).

3.1 Recon Consideration

The Recon Consideration shall be satisfied by way of:

- (a) a 1st tranche payment of S\$4.8 million, comprising a cash payment of S\$3.0 million on the date of completion of the Recon Acquisition (the “**Recon Completion Date**”) and the balance S\$1.8 million to be fully satisfied by the issuance of new shares in the capital of the Company (the “**Recon Consideration Shares**”) to the Recon Vendors within ten (10) business days, being a day (other than a Saturday or Sunday) on which commercial banks are open for business in Singapore (the “**Business Days**”), from the day the Issue Price (as defined herein) is determined. The issue price for the Recon Consideration Shares shall be calculated based on the volume-weighted average market price of the shares of the Company (“**Shares**”) for the 60-day period commencing from the day immediately after the Recon Completion Date, or S\$0.225, whichever is higher, but capped at a maximum price of S\$0.280 per Recon Consideration Share (the “**Issue Price**”);

- (b) a 2nd tranche payment of S\$1.8 million in cash on the day falling 12 months from the Recon Completion Date; and
- (c) a final payment of S\$1.8 million in cash on the day falling 24 months from the Recon Completion Date.

3.2 Denfon Consideration

The Denfon Consideration shall be satisfied in full in cash on the date of completion of the Denfon Acquisition.

3.3 Funding

It is the current intention of the Company to fund the cash component of the Recon Consideration and the Denfon Consideration using a combination of its existing cash resources, cash to be generated from the future operations of the Company and its subsidiaries (the “**Group**”) and/or bank borrowings.

3.4 Recon Consideration Shares

An application will be made to the Sponsor for the listing of and quotation for the Recon Consideration Shares on the Official List of the Catalist Board (“**Catalist**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). An appropriate announcement will be made by the Company upon receipt of the in-principle approval from the SGX-ST for the listing of and quotation for the Recon Consideration Shares on the Catalist.

4. MATERIAL CONDITIONS OF THE DENFON AGREEMENT AND THE RECON AGREEMENT

4.1 Conditions Precedent

The Recon Agreement and the Denfon Agreement are conditional upon, *inter alia*, the completion of the legal, financial and tax due diligence exercise by the Company and/or its advisers on Recon Propeller and Denfon, the results of such exercise being satisfactory to the Company, in its sole and absolute discretion.

The Recon Agreement shall also be conditional upon the approval of the SGX-ST for the listing of and quotation for the Recon Consideration Shares on the Catalist.

Further, the Denfon Agreement shall be conditional upon the completion of the Recon Acquisition. In the event that the Recon Acquisition fails to be completed for any reason whatsoever, none of the Denfon Vendors and/or the Company shall be obliged to complete the Denfon Acquisition.

4.2 Completion

The completion of the Recon Acquisition and the Denfon Acquisition are expected to occur within five (5) Business Days from the date all the conditions precedent set out in

the Recon Agreement and the Denfon Agreement, respectively, are fulfilled (unless waived by the relevant Party) or such other time or date as the Parties shall mutually agree.

4.3 Long-stop Date

In the event that any of the conditions precedent set out in the Recon Agreement and the Denfon Agreement is not fulfilled by the relevant Party or is not waived by the other Party by 31 August 2009, the Recon Agreement and the Denfon Agreement, respectively, shall *ipso facto* cease and determine and none of the Recon Vendors, the Denfon Vendors or the Company, as the case may be, shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the Recon Vendors, the Denfon Vendors or the Company, as the case may be, against the other arising from antecedent breaches of the terms thereof.

4.4 Moratorium

Each of the Recon Vendors undertakes to the Company that he shall not for a period of six months from the date of the issuance of the Recon Consideration Shares, transfer, sell, dispose or realize any of the Recon Consideration Shares he holds and for a period of six months thereafter, transfer, sell, dispose or realize more than 50% of the Consideration Shares that he holds.

5. RATIONALE FOR THE PROPOSED ACQUISITIONS

The Group is principally engaged in (i) the manufacture and supply of sterngear equipment and (ii) the provision of sterngear services, for a wide range of commercial vessel operations.

The directors of the Company ("**Directors**") are of the view that the Proposed Acquisitions are expected to generate synergies for the Group as the businesses of Recon Propeller and Denfon are complementary to the business of the Group. In addition, the Proposed Acquisitions are in-line with the Company's medium term strategy to focus on the sterngear services business segment and coincides with the Group's preparation for the upturn in this specific business segment.

The Proposed Acquisitions form part of the Group's long-term strategic plan to expand its sterngear manufacturing and sterngear services business activities through acquisitions, joint-ventures and strategic alliances and will enable the Group to position itself as a global sterngear services provider and a leading player in the regional sterngear services industry.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITIONS

Purely for illustrative purposes, the financial effects of the Proposed Acquisitions on the Group, based on the audited financial statements of the Group and the unaudited financial statements of Recon Propeller and Denfon for FY2008 and assuming that (i) completion of the Proposed Acquisitions took place, in respect of profit and loss statements on 1 January 2008, and in respect of balance sheets on 31 December 2008;

(ii) the amount of goodwill arising from the Proposed Acquisitions is estimated to be approximately S\$5.0 million; (iii) the cash component of the 1st tranche of the Recon Consideration and the Denfon Consideration of S\$3.2 million in aggregate are financed using the Group's internal funds on 31 December 2008; and (iv) the Recon Consideration Shares are issued to the Recon Vendors at an Issue Price of S\$0.225 per Recon Consideration Share on 31 December 2008, are set out below:

6.1 Share capital

	Before Proposed Acquisitions		After Proposed Acquisitions	
	No. of Shares ('000)	S\$'000	No. of Shares ('000)	S\$'000
Issued share capital as at 31 December 2008	147,500	17,899	155,500	19,699

6.2 Net tangible assets ("NTA")

	Before Proposed Acquisitions	After Proposed Acquisitions
NTA as at 31 December 2008 (S\$'000)	20,731	17,509
No. of Shares as at 31 December 2008 ('000)	147,500	155,500
NTA per Share as at 31 December 2008 (cents)	14.05	11.26

6.3 Earnings per Share ("EPS")

	Before Proposed Acquisitions	After Proposed Acquisitions
Net profit for FY2008 (S\$'000)	5,803	6,937
Weighted average no. of Shares for FY2008 ('000)	136,680	144,680
EPS for FY2008 (cents)	4.25	4.79

6.4 Gearing

	Before Proposed Acquisitions	After Proposed Acquisitions
Net borrowings as at 31 December 2008 (S\$'000)	Net cash	Net cash
Shareholders' equity as at 31 December 2008 (S\$'000)	20,731	22,531
Net gearing as at 31 December 2008 (times)	Net cash	Net cash

7. CHAPTER 10 OF THE CATALIST RULES

The relative figures for the Proposed Acquisitions computed on the bases set out in Rule 1006 (b) to (d) ⁽¹⁾ of the SGX-ST Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) are as follows:

Rule 1006(b)	The aggregate net profits attributable to Recon Propeller and Denfon, compared with the net profits of the Group ⁽²⁾	18.9%
Rule 1006(c)	The aggregate consideration for the Proposed Acquisitions, compared with the Group's market capitalization ⁽³⁾	26.5%
Rule 1006(d)	The number of Recon Consideration Shares to be issued by the Company, compared with the number of Shares previously in issue ⁽⁴⁾	5.4%

Notes:

- (1) Rule 1006(a) of the Catalist Rules is not applicable as it applies only for a disposal of assets.
- (2) Computed based on the aggregate net profits of Recon Propeller and Denfon of approximately S\$1.4 million and the net profits of the Group of approximately S\$7.2 million for FY2008.
- (3) The market capitalisation of the Company of approximately S\$32.5 million is determined by multiplying the 147,500,000 Shares in issue as at the date of this announcement by the volume-weighted average price of approximately S0.220 of the Shares transacted on 23 June 2009 (being the last market day on which the Shares were traded prior to the date of signing of the Recon Agreement and the Denfon Agreement).
- (4) Assuming the issuance of 8.0 million Recon Consideration Shares to the Recon Vendors at an Issue Price of S\$0.225 per Recon Consideration Share.

As shown in the table above, as the relative figures computed on the basis set out in Rule 1006(b) to (d) of the Catalist Rules exceeds 5% but is less than 75%, the Proposed Acquisitions, considered in aggregate in accordance with Rule 1005 of the Catalist Rules, would constitute a discloseable transaction under Chapter 10 of the Catalist Rules. Accordingly, the Proposed Acquisitions will not be subject to the approval of shareholders of the Company.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date of this announcement, none of the Directors has any interest, direct or indirect, in the Proposed Acquisitions (other than by reason only of being a Director of the Company). In addition, as far as the Directors are aware, none of the Company's Controlling Shareholders (as defined in the Catalist Rules) has any interest, direct or indirect, in the Proposed Acquisitions (other than by reason of their shareholding interest in the Company).

9. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at No. 7 Tuas View Circuit, Singapore 637642, for a period of three (3) months from the date of this announcement:

- (a) the Recon Agreement;
- (b) the Denfon Agreement; and
- (c) the report from the Valuers prepared in connection with the Proposed Acquisitions.

BY ORDER OF THE BOARD

SIM SOON NGEE GLENN DLE
Chief Executive Officer
30 June 2009

This announcement and its contents have been reviewed by the Sponsor, CIMB Bank Berhad, Singapore Branch, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the 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.

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