

**MENCAST HOLDINGS LTD.**

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

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**RESPONSE TO SGX-ST QUERIES ON THE DISCLAIMER OF OPINION BY THE INDEPENDENT AUDITOR ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018**

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The Board of Directors (the "**Board**") of Mencast Holdings Limited ("**Company**" and, together with its subsidiaries the "**Group**") would like to respond to the queries raised by the SGX-ST in an email to the Company on 18 April 2019 (as set out below), in relation to the announcement by the Company on 3 April 2019 on the disclaimer of opinion by the independent auditor on the financial statements for the financial year ended 31 December 2018 (the "**Prior Announcement**").

**SGX-ST's Queries:****Material uncertainties relating to Group and Company's abilities to continue as going concerns**

1. Please provide the Board's opinion as to whether trading in shares of the Company should be suspended pursuant to Listing Rule 1303(3);
2. Please provide the Board's opinion if the Company will be able to operate as going concern and basis for the Board's view; and
3. Please provide the Board's confirmation as to whether sufficient information has been disclosed to enable trading to continue in an orderly manner.

**Company's Responses to Queries 1, 2 and 3:**

Included in this announcement is an extract from note 2.1 to the audited consolidated financial statements of the Company for the year ended 31 December 2018 which states the following:

*In preparing the financial statements, the Board of Directors have considered the operations of the Group and the Company as going concerns notwithstanding that the Group and the Company incurred a net loss of \$6,613,000 and \$3,301,000 for the financial year ended 31 December 2018 respectively (2017: \$80,664,000 and \$18,103,000) and as at that date, the Group and the Company are in net current liabilities position of \$90,503,000 and \$10,631,000 respectively (2017: net current liabilities position of \$166,787,000 and \$7,660,000) and has also breached certain financial covenants for most of its loan agreements.*

*The above conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's and the Company's abilities to continue as going concerns. Nevertheless, the Board of Directors believes that the use of the going concern assumption in the preparation of the financial statements for the financial year ended 31 December 2018 is still appropriate after taking into consideration the following assumptions and measures:*

- (a) *On 1st February 2019, the Group had entered into a DRA with its lenders. The material terms of the DRA are disclosed in Note 31 and the Group is expecting to meet these terms in the DRA and if not, an extension can be obtained;*
- (b) *The Group is in discussions and/or looking for potential parties in respect of certain properties and assets divestment plan to pare down its borrowings in accordance with the DRA;*

- (c) *The Group incurred a lower net loss of \$6,613,000 (2017: \$80,664,000), generated positive operating cash flow from operations of \$10,486,000 (2017: \$16,648,000) and the Group's net current liabilities position improved to \$90,503,000 (2017: \$166,787,000) for the financial year ended 31 December 2018; and*
- (d) *The Group is able to generate positive cash flow from operations for the next twelve months and with the moratorium of loan principal repayment, the Group would have sufficient cash to meet its other obligations as and when they fall due for the next twelve months.*

Based on the aforementioned, the Board is of the view that the Group and the Company will be able to continue as going concerns, and therefore trading in the Company's shares should not be suspended.

To the best of its knowledge and belief, the Board is of the opinion that sufficient information has been disclosed for trading of the Company's shares to continue in an orderly matter.

The Board wishes to advise Shareholders and potential investors to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

**BY ORDER OF THE BOARD**

SIM SOON NGEE GLENN DLE  
Executive Chairman & Chief Executive Officer  
23 April 2019

## **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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