Securities Investors Association (Singapore)
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www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y0Y

Issuer: Mencast Holdings Ltd.

Stock code: 5NF

Meeting details:
Date: 29 Apr 2024
Time: 3.00 p.m.
Venue: 42B Penjuru Road, Level 2 Auditorium, Singapore 609163

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Q1. On 15 February 2024, the company announced that certain terms of the Amended Debt Restructuring Agreement were further amended.

The material changes in the Further Amended DRA are as follows:

> *(i) all financial covenants under the relevant existing facility agreements (i.e. clauses pertaining to financial conditions, the breach of which would result in an event of default under such facility agreements) will be waived until 31 March 2026, and no event of default under/or breach of such existing facility agreements shall arise therefrom;*
>
> *(ii) the Group shall deleverage its debt by at least $55 million on or before 31 March 2026, through the divestment of one or more of the following: (i) certain agreed non-core assets and (ii) the diving and rope access business unit ("Mencast Subsea"); and*
>
> *(iii) during the restructuring period and until 31 March 2026, the Group shall not pay dividends or any other forms of distributions to its shareholders.*

The amendments effectively extend the obligations of the group under the Amended DRA for a period of 2 years, from 31 March 2024 to 31 March 2026. The company entered the initial debt restructuring agreement in February 2019.

The company's announcement can be read here:
https://links.sgx.com/FileOpen/20240215-Extension%20of%20deadline%20for%20DRA.ashx?App=Announcement&FileID=786800

(i) **Apart from Mencast Subsea, what are the non-core assets that have been identified in (ii) above?** In Note 14(ii), the carrying value of PPE amounting to $70.5 million (with liabilities amounting to $67.2 million) have been recognised as at 31 December 2023. **What has caused the delay as the assets has been reclassified as held-for-sale since 2018?**

The group's total debt still stands at $118.6 million (from a high of $189.8 million).

(ii) **For the benefit of new and long-standing shareholders, can management outline its strategy for reducing its debt by at least $55 million on or before March 2026? Specifically, please detail the plans for generating $55 million in cash flow between 2024 and March 2026?**

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(iii) **Considering the dividend/distribution suspension, has the board/management considered restricting or halting bonuses and moderating pay increases to emphasise accountability and demonstrate solidarity with shareholders?** As at 31 December 2023, the group's accumulated losses are $(61.5) million. This approach can apply to key senior executives who have overseen the group prior to the peak of the market cycle. It serves to underscore a shared responsibility in addressing previous challenges, which led the group to undergo a debt restructuring.

Q2. In the message to shareholder, apart from noting the group's significant financial improvements in 2023, the chairman also highlighted the group's expertise in additive manufacturing which marks a paradigm shift to a more flexible, efficient and sustainable propeller manufacturing. The company believes AM can support new and complex designs, at substantially lower costs and with shorter response time.

(i) **Can management provide additional insights into the extent of industry adoption of Additive Manufacturing (AM)? Has the group has been successful in adopting AM in its operations and if so, how much of total revenue could be attributed to AM?**

(ii) **If not, are there significant challenges in commercialising AM, given management's acknowledgment of it as a "paradigm shift"?**

(iii) Separately, in the Offshore & Engineering segment, the group's losses have increased from $(1.59) million in 2022 to $(2.66) million in 2023. **Can management shed light on the challenges and opportunities in the Offshore & Engineering segment?** The group structure can be seen on page 16 of the annual report. Entities in the O&E segment include Top Great Engineering, Mencast Engineering and Mencast Offshore & Marine.

(iv) Finance expenses rose by 39% from $5.4 million to $7.4 million due to higher effective interest rates on bank borrowings. **Are the group's borrowings subject to floating interest rates? What strategies does management have in place to reduce interest costs and manage interest rate risks more effectively, especially considering that the group is under the DRA?**

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Q3. As the three independent directors (IDs), Mr Sunny Wong Fook Choy, Mr Ng Chee Keong and Mr Leow David Ivan, have served on the board beyond nine years from the date of their first appointments, they will be retiring at the FY2023 AGM.

In fact, Mr Sunny Wong Fook Choy was first appointed to the board on 29 May 2008 while Mr Ng Chee Keong was appointed to the board on 9 October 2009.

(i) **With all three independent directors retiring at the AGM, without replacements being already appointed to the board, would the newly constituted board face a steep learning curve?**

Following the retirement of the three IDs, the nominating has recommended and the board has concurred that Mr Lim Yeow Hua @ Lim You Qin and Mr Marini Martin Vincent be appointed as new independent directors of the company.

(ii) **Does the current arrangement pose a risk of disrupting the board's operations and potentially result in the loss of institutional knowledge?**

(iii) **Would this be in line with Principle 4 of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore which requires the board/nominating committee to take into account the need for progressive renewal of the board?**

(iv) **Were there any difficulties encountered to onboard new independent directors?**

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.