

(Incorporated in the Republic of Singapore)
(Company Registration No. 200410181W)

PROPOSED ACQUISITION OF 49% OF THE ISSUED AND PAID-UP SHARE CAPITAL OF BTH HOLDINGS PTE. LTD.

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Union Steel Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) refers to the Company’s announcement dated 31 August 2021 in relation to the entry into a non-binding term sheet (the “**Term Sheet**”) with New Oasis Pte. Ltd. (the “**Seller**”) to acquire the entire issued and paid-up share capital of BTH Holdings Pte. Ltd. (the “**Target Company**”).

Further to negotiations between the Company and the Seller, the Board wishes to announce that the Company has on 25 November 2021 entered into a sale and purchase agreement (“**SPA**”) with the Seller (the Company together with the Seller, the “**Parties**”) in relation to the Company’s proposed acquisition of 1,519,000 issued and paid-up ordinary shares in the share capital of the Target Company, comprising 49% of the total issued and paid-up ordinary shares in the capital (“**Sale Shares**”) of the Target Company, in accordance with the terms and conditions of the SPA (the “**Proposed Acquisition**”).

2. INFORMATION ON THE TARGET GROUP AND THE SELLER

2.1 Information on the Target Group

The Target Company is a private company incorporated in Singapore on 30 November 2018 with its registered office at 106 International Road, Singapore 629175. As at the date of this announcement, the Target Company has an issued and paid-up share capital of S\$3,100,000, comprising 3,100,000 ordinary shares. The Target Company holds 100% of the issued and paid-up share capital of Applied Engineering Pte Ltd (the “**Target Subsidiary**”, and together with the Target Company, the “**Target Group**”).

The Target Group is in various businesses catering to the offshore oil and petroleum industries. These businesses include the installation of industrial machinery and equipment, manufacture of pressure vessels, heat exchangers and plant and metal fabrication.

2.2 Information on the Seller

The Seller is a private company incorporated in Singapore and is in the business of providing marine support services. The Seller is an independent third party and is not related to the Company, the Group, the Directors or the controlling shareholders (as defined in the Listing Manual (the “**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) of the Company.

The Seller is the sole legal and beneficial owner of the entire issued and paid-up share capital of the Target Company comprising 3,100,000 ordinary shares.

2.3 Value of the Sale Shares

Based on the latest consolidated audited financial statements of the Target Group for the financial year ended 31 March 2021:

- (a) the aggregate book value of the Sale Shares is approximately S\$2,668,000; and
- (b) the aggregate net tangible assets value attributable to the Sale Shares is approximately S\$2,668,000.

The open market value of the Sale Shares is not available as the Sale Shares are not listed or traded on any securities exchange.

2.4 Property Valuation

In connection with the Proposed Acquisition, the Company had appointed an independent valuer, GB Global Pte Ltd, to conduct a valuation the Target Subsidiary's industrial property situated at Private Lot No. 6974 forming part of Government Survey Lot No. 00877A of Mukim 7 located at 46 Tuas Road, Singapore 638499 (the "**Property**"). The Property comprises the bulk of the assets of the Target Company. The valuation was based on the direct comparison method. Based on the valuation report as at 9 November 2021, the market value of the Property was approximately S\$20 million.

3. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

3.1 Sale and Purchase of the Sale Shares

The Seller shall sell, and the Company shall acquire, the Sale Shares free from all encumbrances and together with all rights and advantages attaching to them as at completion ("**Completion**") of the SPA (including the right to receive all dividends or distributions declared, made or paid on or after Completion) in accordance with the terms of the SPA.

3.2 Purchase Price

The aggregate consideration for the Proposed Acquisition is S\$8,330,000 (the "**Purchase Price**").

The Purchase Price was arrived at pursuant to arm's length negotiations between the Seller and the Company on a willing buyer willing seller basis, after taking into account prevailing market conditions, the value of the Target Company Shares and the Property as disclosed in paragraphs 2.3 and 2.4 above and the rationale for the Proposed Acquisition as disclosed in paragraph 4 below.

As announced on 31 August 2021, S\$1,700,000 has already been paid to the Seller by the Company upon the signing of the Term Sheet.

S\$6,630,000 (being the remainder of the Purchase Price after deducting S\$1,700,000) (the "**Completion Amount**") shall be paid to the Seller in cash on Completion.

3.3 Refund of Purchase Price

If Completion does not take place in accordance with the terms of the SPA, any amount of the Purchase Price paid by the Company to the Seller pursuant to paragraph 3.2 above shall be refunded in full by the Seller to the Company, as soon as reasonably practicable, and, in any event, within seven (7) days from the receipt by the Seller of a written notice from the Company to the Seller requesting for such refund.

3.4 Conditions Precedent

Completion is conditional upon satisfaction of certain conditions (the “**Conditions**”) which include, amongst others, the following Conditions:

- (a) the approval by the shareholders of the Company at an extraordinary general meeting to be held by the Company (or at any adjournment of such meeting), for the transactions contemplated by the SPA;
- (b) the Company having obtained or secured sufficient financing and/or loan facilities from such third party lender(s) necessary for the purposes of funding the purchase of the Sale Shares on terms satisfactory to the Company, and such financing and/or loan facilities not having been withdrawn or revoked;
- (c) the entry into of the shareholders’ agreement to be entered into between the Seller, the Company and the Target Company in relation to the Target Company on or prior to Completion (“**Shareholders’ Agreement**”) (in a form satisfactory to the Company) by the Parties;
- (d) no material adverse change (as determined by the Company) in the turnover, profitability, financial or trading position or prospects of the Target Company or Target Subsidiary having occurred between the date of the SPA and Completion; and
- (e) the Target Group having a minimum amount of Cash (as defined in the SPA) as at Completion, that is not less than the amount as set out in the Management Accounts (as defined in the SPA) of the Target Company and Target Subsidiary as at 31 August 2021.

3.5 Source of funds

The Purchase Price is intended to be funded by internal resources and bank borrowings.

3.6 Completion

The Parties have agreed that Completion shall take place on the 5th business day following notification of the satisfaction or waiver of the last Condition, whichever is earlier, or at such other time as may be agreed in writing between the Parties.

3.7 Representations and Warranties

The SPA contains customary representations and warranties for transactions of this nature as agreed between the Parties, including but not limited to the power and authority of the Parties to enter into the transactions contemplated under the SPA, title to the Sale Shares, title to real property and there being no litigation against the Target Group.

4. RATIONALE FOR THE PROPOSED ACQUISITION

The Board believes that the Proposed Acquisition represents an attractive investment opportunity which will diversify its revenue streams. The Proposed Acquisition is in line with the Group's expansion plans into complementary business areas within the marine, offshore and oil & gas industries through strengthening its engineering and manufacturing capabilities.

The Board also believes that this will help the Group strengthen its competitive advantage, value proposition and provide a holistic engineering solution to existing customers, eventually gaining access to new markets, customers and business opportunities.

5. CHAPTER 10 OF THE LISTING MANUAL

5.1 Relative figures

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual and based on the Group's latest announced consolidated financial statement, being the financial statements for the financial year ended 30 June 2021 are set out below:

Rule 1006	Bases	Relative Figures (%) ⁽¹⁾
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ⁽²⁾
(b)	Net profit attributable to the assets acquired or disposed of, compared with the Group's net profits	3.99% ⁽³⁾
(c)	Aggregate value of the Purchase Price given compared with the Company's market capitalisation of approximately S\$24,296,000 based on the total number of issued shares in the Company, excluding treasury shares	34.29% ⁽⁴⁾
(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable ⁽⁵⁾
(e)	The 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 ⁽⁶⁾

Notes:

(1) Percentage figures are rounded to the nearest two (2) decimal places.

(2) Not applicable, as the Proposed Acquisition is in relation to the acquisition (and not a disposal) of assets.

- (3) For this purpose, “net profit” is defined as profit including discontinued operations that have not been disposed and before income tax and non-controlling interests as taken from the latest announced consolidated accounts of the Group. The Group’s and the Target Company’s net profits of approximately S\$9,456,000 and S\$378,000 are based on the Group’s audited financial statements for the financial year ended 30 June 2021 (being the latest announced consolidated accounts of the Group) and a proforma unaudited financial statements of the Target Company for the twelve-month period from 1 July 2020 to 30 June 2021.

The relative figure is determined by dividing the net profit of the Target Company for twelve-month period from 1 July 2020 to 30 June 2021 by the net profit of the Group for the financial year ended 30 June 2021.

- (4) “**market capitalisation**” is calculated multiplying the number of ordinary shares in the capital of the Company (excluding treasury shares) by the volume weighted average market price of S\$0.617 per share as at 24 November 2021, being the market day immediately preceding the date of the SPA.
- (5) Not applicable, as equity securities are not issued by the Company as consideration for the Proposed Acquisition.
- (6) Not applicable, as the Company is not a mineral, oil and gas company.

5.2 Shareholders’ approval required

Based on the above, the Proposed Acquisition constitutes a “major transaction” for the purposes of Chapter 10 of the Listing Manual. Accordingly, the approval of shareholders of the Company is required in respect of the Proposed Acquisition.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

6.1 Illustrative Nature of Financial Effects

The financial effects of the Proposed Acquisition on the net tangible assets (“**NTA**”) per share and earnings per share (“**EPS**”) of the Company have been prepared based on the Group’s audited financial statements for the financial year ended 30 June 2021. The financial effects below are purely for illustrative purposes.

6.2 NTA

Assuming that the Proposed Acquisition had been effected on 30 June 2021 (being the end of the most recently completed financial year ended 30 June 2021), the effects on the NTA per share of the Company would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$)	56,191,000	56,191,000
Number of ordinary shares	39,378,100	39,378,100
NTA per ordinary share (cents)	142.70	142.70

6.3 EPS

Assuming that the Proposed Acquisition had been effected on 1 July 2020 (being the beginning of the most recently completed financial year ended 30 June 2021), the effects of the Proposed Acquisition on the EPS of the Group would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit attributable to shareholders (S\$)	7,613,000	7,965,000
Weighted average no. of ordinary shares – Basic	39,378,100	39,378,100
EPS (cents) - Basic	19.33	20.23

6.4 Profit/loss on the Proposed Acquisition

Based on the foregoing, the net profit attributable to the Sale Shares (calculated based on the Target Group's audited results for the financial year ended 31 March 2021 and unaudited results for the five months ended 31 August 2021) is S\$219,000 and approximately S\$270,000, respectively.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the directors or the controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Acquisition, otherwise than through their respective shareholdings (if any) in the Company.

8. DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisition.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the SPA and the valuation report issued by GB Global Pte Ltd as referred to in paragraph 2.4 above are available for inspection at the registered office of the Company at 33 Pioneer Road North, Singapore 628474, during normal business hours on any weekday for three (3) months from the date of this announcement.

In light of the prevailing safe distancing measures due to the COVID-19 situation, shareholders of the Company should provide their name, contact number, proposed date and time of inspection to Liu Wen Juan at 68619833 or wenjuan.liu@unionsteel.com.sg at least three (3) working days in advance to make a prior appointment to attend at the registered office of the Company to inspect the documents.

10. CAUTIONARY STATEMENT

Shareholders of the Company should note that there is no certainty or assurance that the SPA will be completed. Accordingly, shareholders of the Company are advised to exercise caution when trading in the shares of the Company. The Company will make the necessary announcements when there are further material developments on the Proposed Acquisition. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Ang Yu Seng
Executive Chairman and Chief Executive Officer
25 November 2021