



**UNION STEEL HOLDINGS LIMITED**

Co Reg. No.: 200410181W

*(Incorporated in the Republic of Singapore)*

*(Company Registration No. 200410181W)*

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**PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF  
FASTWELD ENGINEERING CONSTRUCTION PTE LTD**

**- SIGNING OF A NON-BINDING TERM SHEET**

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**1. INTRODUCTION**

The board of directors ("**Board**" or "**Directors**") of Union Steel Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), wishes to announce that the Company has on 5 August 2022 entered into a non-binding term sheet (the "**Term Sheet**") with Fastweld Engineering Construction Pte Ltd (the "**Target Company**") (collectively, the "**Parties**", and each, a "**Party**") in connection with the proposed acquisition of the entire issued and paid-up share capital (the "**Sale Shares**") of the Target Company from its shareholders (the "**Sellers**") by the Company (hereinafter referred to as the "**Proposed Acquisition**").

The Term Sheet sets out the indicative terms in respect of the Proposed Acquisition and is not intended to be legally binding on any party or create any obligations on the Parties except for certain provisions relating to confidentiality, governing law and third-party rights. There is no binding commitment on the part of the Company to conclude the Proposed Acquisition, and the Proposed Acquisition remains subject to the entry into the subsequent definitive agreements for the Proposed Acquisition (the "**Definitive Agreements**").

**2. INFORMATION ON THE TARGET COMPANY**

The Target Company was incorporated in Singapore on 18 September 1999. The business activities of the Target Company are those of installation of industrial machinery and equipment and mechanical engineering works, as well as those of process and industrial plant engineering design and consultancy services. The directors of the Target Company as at the date of this announcement are Kor Chye Thiam and Xu Xinyue, Celine.

**3. RATIONALE FOR THE PROPOSED ACQUISITION**

The Board believes that the Proposed Acquisition presents an attractive investment opportunity which will diversify its revenue streams. The Proposed Acquisition is in line with the Group's plans to expand into complementary business areas within the marine, offshore and oil & gas industries through strengthening its engineering and manufacturing capabilities. This will enable the Group to further strengthen its competitive advantage, value proposition and provide more holistic engineering solutions to its customers.



#### **4. SALIENT TERMS OF THE TERM SHEET**

The following are the material terms of the Term Sheet.

##### **4.1. Indicative Proposed Acquisition Consideration**

Pursuant to the Term Sheet, the aggregate consideration in respect of the Sale Shares is S\$2.5 million (the “**Consideration**”) which shall be paid in the following manner:-

- a) S\$1.25 million to be paid upon completion of the Proposed Acquisition; and
- b) S\$1.25 million to be paid twelve (12) months after the completion date of the Proposed Acquisition.

##### **4.2. Exclusivity**

The Target Company has granted to the Company an exclusivity period of seventy (70) days commencing from the date of the Term Sheet (the “**Exclusivity Period**”), during which the Company shall conduct and complete due diligence and negotiate the terms of the Definitive Agreements and any other relevant transaction documents.

The Exclusivity Period may be further extended by mutual consent of the Parties and with such consent to not be unreasonably withheld if the Parties are working in good faith towards execution of the Definitive Agreements.

During the Exclusivity Period (and the extended exclusivity period, if applicable), the Sellers and their representatives will not discuss, negotiate or commit with any other person or entity to make an investment in and/or acquire the Target Company.

##### **4.3. Conditions Precedent**

Completion of the Proposed Acquisition will be subject to the satisfaction (or waiver) of the following conditions precedent, which includes *inter alia*:-

- a) approval of the Board;
- b) the Company having obtained financing in respect of the Proposed Acquisition;
- c) key management employees of the Target Company having entered into new employment agreements in the agreed form (including in relation to their continued employment for a period of at least one (1) year after completion of the Proposed Acquisition;
- d) due diligence having been completed to the Company's satisfaction; and
- e) other conditions precedent arising out of or in connection with the Company's due diligence findings.



4.4. Definitive Agreements

The Parties agree to cooperate in good faith and work towards entering into the Definitive Agreements in respect of the Proposed Acquisition within fourteen (14) days from the satisfactory completion of the due diligence.

4.5. Shared Responsibility and Liability

Subject to the satisfactory execution of the Definitive Agreements, the Parties agree that, in respect of the financial position, assets and liabilities of the Target Company as set out in its financial statements for the month ended preceding the completion date (the “**Financial Cut-Off**”), the Sellers shall be fully entitled to:-

- a) Any cash available for distribution as of the Financial Cut-Off, after deduction of debts owing to third parties. This shall be paid by the Company to the Sellers in five (5) equal payments, with the first payment being made upon the completion date and the remaining four (4) payments to be made in the subsequent four (4) months following the completion date;
- b) Any and all amounts receivable by the Target Company in respect of any goods or services delivered or rendered by the Target Company before the Financial Cut-Off. Ninety percent (90%) of the aggregate of such entitled sums shall be paid by the Company to the Sellers in five (5) equal payments, with the first payment being made upon the completion date and the remaining four (4) payments to be made in the subsequent four (4) months following the completion date. The Company is entitled to withhold the remaining ten percent (10%) of such entitled sums for twelve (12) months after completion of the last project/contract.

The Parties further agree that the benefits and obligations of uncompleted projects and ongoing maintenance contracts (the list of such uncompleted projects and ongoing maintenance contracts based on the Financial Cut-Off to be provided by the Sellers to the Company) shall be shared between the Parties..

For the purposes set out in this paragraph 4.5, any such entitlement of the Sellers to the final sums, amounts and the mode of payments shall be calculated, assessed and agreed by the Parties in writing upon completion of the Proposed Acquisition.

4.6. Governing Law and Jurisdiction

The Term Sheet shall be governed by and construed in accordance with the laws of Singapore. Any dispute that may arise under or in relation to the Term Sheet shall be settled by arbitration in Singapore.



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**5. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the directors or the controlling shareholders of the Company have any interest, direct or indirect, in the Proposed Acquisition other than through their respective shareholdings in the Company.

**6. FURTHER ANNOUNCEMENT**

The Company will make further announcements in compliance with the requirements of the listing manual of the SGX-ST, upon the execution of the Definitive Agreements and/or when there are material developments in respect of the Proposed Acquisition.

**7. CAUTIONARY STATEMENT**

As mentioned above, the Company and the Sellers are in the process of negotiating the terms of the Proposed Acquisition and the Definitive Agreements have not yet been entered into. Save for specific provisions, shareholders should note that the Term Sheet is non-binding between the Parties and that the terms thereof are subject to further negotiations and changes. Accordingly, there is no certainty or assurance that the Proposed Acquisition will be proceeded with.

**Shareholders and potential investors are advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and potential investors should consult their stockbrokers, bank managers, solicitors, or other professional advisers if they have any doubt about the actions they should take.**

**BY ORDER OF THE BOARD**

Ang Yu Seng  
Executive Chairman and Chief Executive Officer  
5 August 2022