



UNION STEEL HOLDINGS LIMITED

Co Reg. No.: 200410181W

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

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

1. INTRODUCTION

The board of directors ("**Board**" or "**Directors**") of Union Steel Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**"), refers to the Company's announcement dated 5 August 2022 (the "**Announcement**") in relation to its entry into a non-binding term sheet with Fastweld Engineering Construction Pte Ltd (the "**Target Company**") to acquire the entire issued and paid-up share capital (the "**Sale Shares**") of the Target Company (the "**Acquisition**").

Further to the Announcement, the Board is pleased to announce that the Company's wholly owned subsidiary, Union Engineering Pte Ltd ("**UEPL**") (as opposed to the Company), has on 25 November 2022 entered into a sale and purchase agreement (the "**SPA**") with the shareholders of the Target Company (the "**Sellers**") for the Acquisition.

2. INFORMATION ON THE TARGET COMPANY, THE SELLERS AND THE SALE SHARES

2.1 Information on the Target Company

The Target Company was incorporated in Singapore on 18 September 1999 and has a registered office at 2 Kranji Link, Singapore 728648. As at the date of this announcement, the Target Company has an issued and paid-up share capital of S\$100,000 comprising of 100,000 ordinary shares.

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.



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2.2 Information on the Sellers

The Sellers are the legal and beneficial owners of the entire issued and paid-up share capital of the Target Company, and their respective shareholdings are set out below:

Name	Proportion of Shareholding in the Target Company (%)
Kor Chye Thiam	50%
Ng Hui Keow	50%

Each Seller is an independent third party and is not related to the directors or the controlling shareholders of the Company, or any of their respective associates.

2.3 Value of the Sale Shares

Based on the audited financial statements of the Target Company for the financial year ended 31 December 2021, the book value and net tangible asset value of the Sale Shares are approximately S\$6,002,000 each.

Based on the latest management accounts of the Target Company for the financial period ended 31 October 2022 (the “**Latest Management Accounts**”), the book value and net tangible asset value of the Sale Shares are approximately S\$1,552,000 each.

There is no open market value for the Sale Shares as they are not publicly traded. No independent valuation of the Sale Shares was carried out for the purposes of the Acquisition.

3. RATIONALE FOR THE ACQUISITION

The Board believes that the Acquisition presents an attractive investment opportunity which will diversify its revenue streams. The 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. PRINCIPAL TERMS OF THE ACQUISITION

4.1 Acquisition of the Sale Shares

Subject to the terms and conditions of the SPA, the Sellers shall sell, and UEPL shall purchase, the Sale Shares with full title guarantee and free from all encumbrances, together with all rights that attach to the Sale Shares on or after Completion Date (defined below).

4.2 Completion

Completion of the Acquisition shall take place on the date of the SPA in accordance with the SPA (“**Completion Date**”). In this regard, as there are no conditions precedent, the Acquisition is completed on 25 November 2022 wherein the Sale Shares have been transferred to UEPL.

4.3 Consideration

Pursuant to the terms of the SPA, the total consideration for the Acquisition is the sum of SGD 2,500,000.00 (the “**Consideration**”), payable to the Sellers in the following manner: -

- (a) SGD 1,250,000.00 payable on the Completion Date, satisfied by way of cashier’s orders to the Sellers; and
- (b) SGD 1,250,000.00 payable on the date falling twelve (12) months after the Completion Date, satisfied by way of delivery of post-dated cheques to the Sellers.

The Consideration was arrived at pursuant to arm’s length negotiations between the Sellers and UEPL on a willing buyer willing seller basis, after taking into account prevailing market conditions, the net book value and net tangible asset value of the Sale Shares by reference to the Latest Management Accounts, and the rationale and benefits for the Acquisition as disclosed in paragraph 3 above.

4.4 Source of funds

The Consideration will be funded by internal resources.



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4.5 Distributions and bearing of tax liability based on the Target Company’s financial position

Under the terms of the SPA, UEPL and the Sellers have agreed upon certain distributions to be made to the Sellers and for reimbursement arrangements to be made as between the parties in respect of tax liabilities incurred by the Target Company over certain periods, by reference to the Target Company’s audited financial statements for the accounting period ending on 31 December 2022 (the “**Accounts Date**”). As the Accounts Date falls after the Completion Date, these distributions and reimbursement arrangements for tax liabilities incurred by the Target Company have been recorded in the SPA as obligations of UEPL and/or the Sellers to be fulfilled after completion of the Acquisition. The aforementioned distributions and reimbursement arrangements for tax liabilities are as follows:

4.5.1 Current asset

The total amount constituting cash plus other receivables specified in the SPA, less debts and liabilities specified in the SPA, of the Target Company, as stated in the audited financial statements of the Target Company for the financial year ended 31 December 2022 (the “**2022 Accounts**”), shall be distributed to the Sellers after the Completion Date in five (5) equal payments in accordance with the SPA.

4.5.2 Trade Receivables

The amount of the trade receivables as stated in the 2022 Accounts shall, subject to the deductions specified in the SPA, be distributed to the Sellers after the Completion Date in accordance with the SPA.

4.5.3 Tax Liabilities

Where the total amount of tax payable stated in the audited financial accounts of the Target Company for the years ended 31 December 2021 and 31 December 2022 is less than the total actual tax payable for the period between 1 January 2021 to 31 December 2022, the amount equivalent to the difference shall be reimbursed by the Sellers in accordance with the SPA.

Where the total amount of tax payable stated in the audited financial accounts of the Target Company for the years ended 31 December 2021 and 31 December 2022 is more than the total actual tax payable for the period between 1 January 2021 to 31 December 2022, the amount equivalent to the difference shall be reimbursed to the Sellers in accordance with the SPA.



5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

5.1 Relative Figures

Based on the consolidated financial statements of the Group for the period ended 30 June 2022 (being the latest announced consolidated accounts of the Group as at the date of this announcement), the relative figures for the Acquisition computed on the bases set out in Rules 1006(a) to (e) of the SGX-ST Listing Manual (the “Listing Rules”) are set out in the table below:

Rule	Base	Relative Figure (%) ¹
1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable ²
1006(b)	The net profits ³ attributable to the assets acquired or disposed of, compared with the Group's net profits.	5.68%
1006(c)	The aggregate value of the Consideration given, compared with the Company's market capitalisation ⁴ based on the total number of issued shares excluding treasury shares.	11.65%
1006(d)	The 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
1006(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



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Notes

- ¹ Percentage figures are rounded to the nearest two (2) decimal places.
- ² Not applicable, as the Acquisition is in relation to the acquisition (and not a disposal) of assets.
- ³ For this purpose, “net profits” are 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\$8,950,000 and S\$508,000 are based on the Group’s audited financial statements for the financial year ended 30 June 2022 (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 2021 to 30 June 2022. The relative figure is determined by dividing the net profit of the Target Company for the twelve-month period from 1 July 2021 to 30 June 2022 by the net profit of the Group for the financial year ended 30 June 2022.
- ⁴ “**market capitalisation**” is calculated by multiplying the number of ordinary shares in the capital of the Company (excluding treasury shares) by the volume weighted average market price of S\$0.545 per share as at 24 November 2022, 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 Acquisition.
- ⁶ Not applicable, as the Company is not a mineral, oil and gas company.

5.2 Disclosable Transaction

Based on the above, the Acquisition constitutes a “disclosable transaction” for the purposes of Chapter 10 of the Listing Rules.

6. FINANCIAL EFFECTS OF THE ACQUISITION

6.1 Illustrative Nature of Financial Effects

The financial effects of the 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 2022. The financial effects below are purely for illustrative purposes.



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6.2 NTA

Assuming that the Acquisition had been effected on 30 June 2022 (being the end of the most recently completed financial year ended 30 June 2022), the effects on the NTA per share of the Company would be as follows:

	Before the Acquisition	After the Acquisition
NTA (S\$)	59,595,000	58,672,000
Number of ordinary shares	39,378,100	39,378,100
NTA per ordinary share (cents)	151.34	149.00

6.3 EPS

Assuming that the Acquisition had been effected on 1 July 2021 (being the beginning of the most recently completed financial year ended 30 June 2022), the effects of the Acquisition on the EPS of the Company would be as follows:

	Before the Acquisition	After the Acquisition
Profit attributable to the shareholders (S\$)	7,074,000	7,390,000
Weighted average no. of ordinary shares – Basic	39,378,100	39,378,100
EPS (cents) - Basic	17.96	18.77

6.4 Profit / Loss on the Acquisition

Based on the foregoing, the net profit attributable to the Sale Shares (calculated based on the Target Company's audited results for the financial year ended 31 December 2021 and unaudited financial results ended 31 October 2022) is S\$433,000 and approximately S\$365,000 respectively.



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7. 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 Acquisition other than through their respective shareholdings in the Company.

8. DIRECTORS' SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection during normal business hours at the registered office of the Company at 33 Pioneer Road North, Singapore 628474 for three months from the date of this announcement.

10. CAUTIONARY STATEMENT

Shareholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully. Shareholders of the Company are advised to exercise caution when dealing in the securities of the Company. In the event of any doubt, the shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

BY ORDER OF THE BOARD

Ang Yu Seng
Executive Chairman and Chief Executive Officer
26 November 2022