



UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration Number 200410181W)

PROPOSED ACQUISITION OF 14.8% OF THE ISSUED SHARE CAPITAL OF GEE SHENG MACHINERY & ENGINEERING PTE LTD (THE "TARGET COMPANY")

1. INTRODUCTION

The Board of directors (the "**Board**") of Union Steel Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the announcements dated 18 June 2015 and 13 August 2015 in relation to the acquisition of 85.2% of the issued share capital of the Target Company from Ong Pang Lock (the "**Majority Vendor**") (the "**Majority Acquisition**").

The Board wishes to announce that the Company had on 31 August 2015 entered into a conditional sale and purchase agreement (the "**Minority SPA**") with Ong Pang Chew (the "**Minority Vendor**") to acquire the further aggregate 74,000 ordinary shares in the issued and paid-up share capital of the Target Company (the "**Sale Shares**"), representing the remaining 14.8% of the issued and paid-up share capital of the Target Company (the "**Proposed Minority Acquisition**", and together with the Majority Acquisition, the "**Proposed Acquisition**"), to increase its shareholding interests in the Target Company from 85.2% to 100%.

2. DETAILS OF THE TARGET COMPANY

The Target Company is based in Singapore and is in the business of civil construction and engineering work and the manufacture of motor vehicle bodies (coachwork), trailers and semi-trailers (the "**Business**"). The Target Company have been involved in include engineering works for trailer mount units of major oil and gas companies, and vehicles from Singapore government agencies.

As at the date of this announcement, the issued and paid-up share capital of the Target Company is S\$500,000 comprising 500,000 ordinary shares.

3. RATIONALE FOR THE PROPOSED ACQUISITION

This proposed strategic investment is aligned with the Group's plans to diversify and expand into complementary business areas within the civil engineering and manufacturing industry. The Board believes the Group will strengthen its competitive advantage and value proposition in the engineering industry and eventually gain access to new markets, customers and business opportunities.

4. CONSIDERATION

The purchase consideration pursuant to the Minority SPA is S\$888,000 (the "**Minority Consideration**") and will be payable by cashier's order or banker's draft in favour of the Minority Vendor upon completion of the Proposed Minority Acquisition ("**Completion**"). Together with the purchase consideration pursuant to the Majority Acquisition, the total purchase consideration for the Proposed Acquisition is S\$6,000,000 ("**Total Consideration**").

The Minority Consideration was determined based on arm's length negotiations and arrived at on a willing-buyer and willing-seller basis, after taking into consideration (i) the earnings and growth prospects of the Target Company having regard to its on-going and future engineering projects; (ii) the value of the net assets of the Target Company; and (iii) based on a historical price-earnings ratio of 3.7 times the Target Company's earnings per share.

The Minority Consideration will be funded by the Company's internal resources and bank loan.

5. **MATERIAL CONDITIONS**

5.1 *Conditions Precedent:* The Completion of the sale and purchase of the Sale Shares under the Minority SPA is conditional on, *inter alia*, the following:

- (a) completion of legal, tax and financial due diligence to the satisfaction of the Company;
- (b) the execution of legal documentation to give effect to the transactions contemplated under the Minority SPA.

6. **THE PROPOSED ACQUISITION AS A DISCLOSEABLE TRANSACTION**

For the purposes of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Listing Manual") and based on the latest unaudited announced consolidated financial statements of the Group as at 30 June 2015, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule	Basis of Calculation	Target Company / Sale Shares	Group	Relative Figure
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	Not applicable	Not applicable	Not applicable
Rule 1006(b)	Net profits attributable to the assets acquired, compared with the Group's net profits ⁽¹⁾	S\$1,690,350 ⁽²⁾	S\$(8,516,000)	Not meaningful ⁽³⁾
Rule 1006(c)	Aggregate value of Total Consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	S\$6,000,000	\$37,842,363 ⁽⁴⁾	15.86%
Rule 1006(d)	Number of equity securities issued by the Company as the Buyer's consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue.	Not applicable	Not applicable	Not applicable
Rule 1006(e)	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable	Not applicable	Not applicable

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Based on the Target Company's audited full year net profits before tax as at 31 December 2014 of S\$1,690,350.
- (3) The relative figure computed is a negative figure of 19.85% based on the Group's latest unaudited announced consolidated full year net losses before tax and minority interests as at 30 June 2015 of S\$8,516,000.
- (4) The market capitalisation of the Company, determined by multiplying the 393,781,089 shares in issue as at the date of this announcement by the weighted average price of the Company's shares of S\$0.0961 based on trades done on the SGX-ST on 19 August 2015, being the last full market day preceding the date of the Minority SPA for which shares in the Company were traded.

As the relative figures under Rule 1006(c) of the Listing Manual for the Proposed Acquisition exceed 5%, the Proposed Acquisition constitutes a “discloseable transaction” for the purposes of Chapter 10 of the Listing Manual.

Rule 1007 of the Listing Manual provides that where any of the relative figures computed pursuant to Rule 1006 is a negative figure, Chapter 10 of the Listing Manual may still be applicable to the transaction at the discretion of the SGX-ST.

As the relative figure computed under Rule 1006(b) of the Listing Manual is a negative figure, the Company will seek consultation with the SGX-ST in accordance with Rule 1007(1) of the Listing Manual. Further announcements will be made by the Company following the consultation with SGX-ST.

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For purposes of illustration, the financial effects of the Proposed Acquisition is based on, *inter alia*, the following assumptions:

- (i) the financial effects of the Proposed Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance or position of the Group following the Proposed Acquisition nor a projection of the future financial performance or position of the Group after completion of the Proposed Acquisition;
- (ii) the financial effects of the Proposed Acquisition are based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2015, and the audited accounts of the Target Company as at 31 December 2014;
- (iii) for the purpose of computing the financial effects of the Proposed Acquisition on the net tangible asset (“**NTA**”) of the Group, the Proposed Acquisition is assumed to have been completed on 30 June 2015;
- (iv) for the purpose of computing the financial effects of the Proposed Acquisition on the earnings of the Group, the Proposed Acquisition is assumed to have been completed on 1 July 2014 inclusive of the full year FY2014 earnings of the Target Company ;
- (v) the fair values of the net assets of the Target Company are assumed to be equivalent to the carrying amounts as at the relevant Proposed Acquisition date for the purpose of computing the financial effects of the Proposed Acquisition. This may differ from the fair values of the net assets as at the actual date. As the carrying value of the net assets of the Target Company exclude the effect of fair value adjustments to the assets, liabilities and contingent liabilities, if any, arising from the Proposed Acquisition, the financial effects exclude the effects of any changes to depreciation and amortisation, and any other adjustments arising from these fair value adjustments. As the actual goodwill or gain on bargain purchase have to be determined at the completion of the Proposed Acquisition, the actual goodwill or gain on bargain purchase could be materially different from the amount derived based on the assumption used; and
- (vi) the computation of the NTA per share and Earnings Per Share (“**EPS**”) of the Group after the Proposed Acquisition, is based on the unaudited consolidated financial statements of the Group for the financial year ended 30 June 2015, and the audited accounts of the Target Company as at 31 December 2014 which have not been restated to be in line with Group’s financial year end of 30 June 2015. The actual results could be materially different from the amount derived from the assumption made.

Assuming that the Proposed Acquisition had been completed on 30 June 2015, the NTA per share of the Group as at 30 June 2015 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA ⁽¹⁾	S\$68,777,000	S\$67,459,000
Number of issued shares	393,781,089	393,781,089
NTA per share (Singapore cents)	17.5	17.1

Notes:

(1) NTA is computed based on total assets less total liabilities and less intangible assets.

The financial effect of the Proposed Acquisition on the losses per share ("LPS") of the Company for the financial year ended 30 June 2015 assuming that the Proposed Acquisition had been effected on 1 July 2014 would be as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net losses attributable to owners of the Company	S\$(7,544,000)	S\$(6,086,000)
Weighted average number of shares used in the computation of basic LPS	393,781,089	393,781,089
Basic LPS ⁽¹⁾ (Singapore cents)	(1.92)	(1.55)

Notes:

(1) Basic EPS is computed based on the weighted average number of shares for the full financial year.

8. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

As at the date hereof, none of the directors or controlling shareholders of the Company or their respective associates have any interest, direct or indirect, in the Proposed Acquisition, other than through their shareholdings in the Company.

9. SERVICE AGREEMENT(S)

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

The Minority 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 (3) months from the date of this announcement.

The Company shall keep the Shareholders apprised of the progress of the Proposed Acquisition as and when appropriate and necessary.

By Order of the Board

UNION STEEL HOLDINGS LIMITED

Ang Yu Seng

Executive Chairman and Chief Executive Officer

31 August 2015