

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

Company Registration Number 200410181W

PROPOSED ACQUISITION OF (I) TWO PARCELS OF LAND AND (II) A SCRAP METAL SHREDDER PLANT IN MALAYSIA

1 INTRODUCTION

The board of directors (the “**Board**”) of Union Steel Holdings Limited (the “**Company**”) (and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, Union CHH Sdn Bhd (the “**Purchaser**” or “**Union CHH**”) has entered into two separate sale and purchase agreements (the “**SPAs**”) with Chye Hup Heng Sdn Bhd (in liquidation) (“**CHH**” or the “**Vendor**”) in respect of acquiring two parcels of land and all buildings situated thereon in Johor Bahru, Malaysia (the “**Land**”) in connection with the liquidation of CHH. Concurrently, the Company has also entered into an asset sale agreement (the “**ASA**”) with CHH in respect of acquiring a scrap metal shredder plant (“**Scrap Metal Shredder Plant**”) currently located on one the parcels of Land (the “**Proposed Acquisition**”).

2 ABOUT CHH

The information in this section relating to CHH is based on information provided by and/or representations made by CHH. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

- 2.1 As disclosed in the Company’s previous announcement dated 18 June 2013, CHH is a private limited company that engages in businesses comprising the processing of ferrous metal scrap and trading of steel mill related products.
- 2.2 The directors of CHH are Mr. Sia Beng San and Mr. Sia Beng Kwee, both of whom are brothers and also own the entire shareholding of CHH.
- 2.3 CHH has been wound up by court order of High Court of Malaysia on 20 January 2014 and Mok Chew Yin (NRIC No.: 540331-10-5817) and Ong Hock An (NRIC No.: 580913-08-5859) of BDO Consulting Sdn Bhd have been appointed as the joint liquidators of CHH (the “**Liquidators**”).

3 BACKGROUND TO THE PROPOSED ACQUISITIONS OF LAND AND SCRAP METAL SHREDDER PLANT

- 3.1 As previously announced by the Company on 18 June 2013, 2 July 2013, 24 April 2014, 12 November 2014, 7 January 2015 and 8 September 2015, Union CHH had intended to acquire eight parcels of lands together with plants, machineries, equipment and vehicles from CHH. However, the said proposed acquisition could not be completed due primarily to the winding up of CHH.

- 3.2 Subsequently, it came to the attention of Union CHH that some of the assets of CHH were available for sale via a public tender as part of its liquidation.
- 3.3 Union CHH formally expressed to the Liquidators its interests and offered to acquire the Land and Scrap Metal Shredder Plant of CHH. The Liquidators accepted the offer of Union CHH to purchase the Land and Scrap Metal Shredder Plant for a total consideration of RM16.5 million (approximately S\$5,403,000 based on the exchange rate of S\$1.00 to RM3.054), subject to, amongst others, execution of the relevant sale and purchase agreements.

4 SALIENT TERMS OF THE SPAS AND ASA

- 4.1 Information and total purchase consideration ("**Purchase Consideration**") in relation to the Land and Scrap Metal Shredder Plant are set out below:

<u>No.</u>	<u>Particulars of Land and Scrap Metal Shredder Plant</u>	<u>Purchase Consideration (RM)</u>
1.	A parcel of land known as H.S. (D) 266013, PTD 148197, Mukim Plentong, Daerah Johor Bahru, Negeri Johor.	5,400,000
2.	A parcel of land known as PN 55795, Lot 186580, Mukim Plentong, Daerah Johor Bahru, Negeri Johor.	10,600,000
3.	A Scrap Metal Shredder Plant located at the land described at item 2 above.	500,000
Total		16,500,000

4.2 Payment Terms of the SPAs

The Purchase Consideration for the Land is payable in the following manner:-

- (a) Upon execution of the SPAs, the Purchaser shall pay a deposit amounting to 8.5% of the Purchase Consideration for the Land, namely RM1.36 million (approximately S\$445,000 based on the exchange rate of S\$1.00 to RM3.054) to the Vendor in accordance with the terms of the SPAs. 2.5% of the Purchase Consideration for the Land, namely RM0.24 million (approximately S\$79,000 based on the exchange rate of S\$1.00 to RM3.054) has previously been paid to the Vendor as earnest deposit.
- (b) In addition, the Purchaser is also required to pay a retention sum amounting to 3% of the Purchase Consideration for the Land, namely RM0.48 million to the Purchaser's solicitors in Malaysia upon the execution of the SPAs for the purpose of payment of real property gain tax incurred by the Vendor in relation to the Proposed Acquisition in accordance with the laws of Malaysia.
- (c) The balance of the Purchase Consideration for the Land (after deducting the aforesaid deposit and retention sum payable upon signing the SPAs) is payable on the date of completion of the Proposed Acquisition.

4.3 Conditions precedent for the SPAs

The Proposed Acquisition of the Land is conditional upon the following:-

- (a) the approval of the state authority having been obtained for the transfer of the Land to the Purchaser;
- (b) the approval of the state authority having been obtained for the charge of the Land in favour of the financier of the Company (if applicable);
- (c) if required, the approval by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) for SPAs to be obtained and if such approval is subject to conditions, such conditions being reasonably acceptable to the Vendor and the Purchaser, and such approval remaining in full force and effect at the completion date or the extended completion date (as the case may be); and
- (d) If required, the approval of the shareholders of the Company, at an extraordinary general meeting to be obtained for the SPAs.

4.4 Payment Terms of the ASA

- (a) Upon execution of the ASA, the Purchaser shall pay a deposit amounting to 8% of the Purchase Consideration for the Scrap Metal Shredder Plant, namely RM0.04 million (approximately S\$13,000 based on the exchange rate of S\$1.00 to RM3.054) to the Vendor in accordance with the terms of the ASA. 2% of the Purchase Consideration for the Scrap Metal Shredder Plant, namely RM0.01 million (approximately S\$3,000 based on the exchange rate of S\$1.00 to RM3.054) has previously been paid to the Vendor as earnest deposit.
- (b) The balance of the Purchase Consideration for the Shredder Plant (after deducting the aforesaid deposit paid upon signing the SPA) on the date of completion of the Proposed Acquisition.

4.5 The Proposed Acquisition of the Scrap Metal Shredder Plant is conditional upon the Vendor obtaining the consent to dispose the Scrap Metal Shredder Plant from the chargee, Malayan Banking Berhad within 15 days from the date of the ASA.

4.6 The Parties have also agreed that the completion of the sale and purchase of the Land and Scrap Metal Shredder Plant will take place simultaneously. However, the completion of the Land and Scrap Metal Shredder Plant is not inter-conditional. The failure to complete the sale and purchase of either the Land or the Scrap Metal Shredder Plant shall not affect the completion of the sale and purchase of the other.

4.7 The Purchase Consideration has been arrived on a willing buyer willing seller basis, after taking into account the market value of the Land and Scrap Metal Shredder Plant.

5 **SOURCE OF FUNDING**

The Proposed Acquisition will be funded by a combination of bank loans and internally generated funds.

6 RATIONALE FOR THE PROPOSED ACQUISITION

In line with the Group's business and expansion plans, the Proposed Acquisition is part of the Group's continuing effort to seek the expansion of its recycling businesses. The Group intends to carry out its existing recycling of ferrous scrap metal in Malaysia as the Company is currently exporting and supplying the recycled metals from Singapore to other part of the world.

In addition, the Company will also be able to tap on the Malaysian market to source for scrap metals to increase the supply of scrap metal to meet the demands of its customers in Malaysia and in the region. The Proposed Acquisition is therefore in line with Group's business and expansion plans.

7 APPLICATION OF RULE 1006 OF THE LISTING MANUAL

7.1 The relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows:-

Rule 1006(a)

The net asset value of the assets to be disposed of compared with the Company's net asset value	<i>Not Applicable</i>
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Rule 1006(b)

The net profits attributable to the assets acquired compared with the Company's net profits ⁽¹⁾	<i>Not Applicable</i> ⁽²⁾
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Rule 1006(c)

The aggregate value of the Purchase Consideration given or received compared with the issuer's market capitalisation on 28 October 2015, being the market day immediately preceding the date of the SPAs and ASA on which shares in the Company were transacted ⁽³⁾	15.2%
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Rule 1006(d)

The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue	<i>Not Applicable</i>
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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	<i>Not Applicable</i>
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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) The latest financial statements of the Vendor do not provide for revenue and costs directly attributable to the Land and Scrap Metal Shredder that the Company is acquiring, as such financial statements include revenue

and costs figures from other assets and businesses of CHH not related to the metal recycling business of the Vendor. Hence, a comparison will not be meaningful. It is also not possible to segregate the relevant financial information due to the fact that all costs are generally shared for the various businesses and there are no segmental reports in this regard. Further, as the Land and Scrap Metal Shredder Plant acquired are intended for Group's own use, there will not be any material impact on the Group's profits or loss.

- (3) The aggregate value of the Purchase Consideration given for the Proposed Acquisition is approximately S\$5,403,000, compared to the Company's market capitalisation of approximately S\$35,598,000 (based on 393,781,089 shares in issue and the weighted average price of approximately S\$0.0904 per share of the Company on the full market day on which shares were transacted immediately preceding to the date of SPAs and ASA, namely 28 October 2015).

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.

8 FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

8.1 Net Tangible Assets ("**NTA**")

The financial effects of the Proposed Acquisition on the Group's NTA and NTA per share for FY2015, assuming that the Proposed Acquisition had been effected on 30 June 2015 are estimated as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$'000)	67,936	67,936 ⁽¹⁾
No. of shares	393,781,089	393,781,089
NTA per share (S\$ cents)	0.173	0.173 ⁽¹⁾

Note:

- (1) Based on the Group's NTA value as at 30 June 2015 of approximately S\$67,936,000, adding the assets value of the Proposed Acquisition as at transaction date of approximately S\$5.40 million (RM16.5 million), and less the Purchase Consideration of the same amount.

8.2 Earnings per share ("**EPS**")

The financial effects of the Proposed Acquisition on the Group's EPS for FY2015, assuming the Proposed Acquisition had been completed on 1 July 2014 are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit / (loss) after tax (S\$ '000)	(8,411)	(8,683) ⁽¹⁾
Weighted average number of shares	393,781,089	393,781,089
EPS (S\$ cents)	(2.14)	(2.21) ⁽¹⁾

Note:

- (1) On a proforma basis, the Group will incur interest expenses and depreciation on the Land and Scrap Metal Shredder Plant. As the Land and Scrap Metal Shredder Plant acquired are intended for the Group's own use, there will not be any material impact on the Group's net (loss) other than certain costs savings derived from owning the Land and Scrap Metal Shredder acquired.

For the purpose of calculating EPS, the Group has assumed a bank loan interest rate of 3% per annum.

8.3 Gearing ⁽¹⁾

Assuming that the Group obtains loan financing for 80% of the Purchase Consideration at an average interest rate of 3% per annum, and finances the remaining expenditure with internal funds, the effect of the Proposed Acquisition on the Group's gearing, assuming the Proposed Acquisition had been completed on 30 June 2015, is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Borrowings (S\$ '000) ⁽³⁾	18,541	23,944 ⁽²⁾
Shareholders' Funds (S\$ '000) ⁽⁴⁾	80,629	80,629
Debt to Equity Ratio (%)	23	30

Notes:

- (1) "Gearing" is computed based on the ratio of Proposed Borrowings to Shareholders' Funds.
- (2) The figure was computed based on the 100% of the Purchase Consideration at RM16.5 million (approximately S\$5.403 million based on the exchange rate of S\$1.00 to RM3.054).
- (3) The expression "Proposed Borrowings" refers to the amounts expressed in Singapore dollars of interest bearing debts arising from borrowings from shareholder(s), financial institutions and non-financial institution lenders less cash and cash equivalents.
- (4) The expression "Shareholders' Funds" refers to the amounts expressed in Singapore dollars represented by the aggregate of the issued and paid-up capital, fair values reserves, translation reserves, reserve for own shares, share option reserves and revenues reserves of the Group.

9 DIRECTORS AND CONTROLLING SHAREHOLDERS' INTERESTS IN THE PROPOSED TRANSACTIONS

None of the Directors or Controlling Shareholders (as defined in the SGX-ST Listing Manual) or their respective Associates (as defined in the SGX-ST Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Acquisition saving for their respective shareholding in the Company.

10 SERVICE AGREEMENTS

No person will be appointed to the Board in connection with the Proposed Acquisition and no service contracts in relation thereto will be entered by the Company.

11 DOCUMENTS FOR INSPECTION

The following documents are available for inspection during normal business hours at the Company's registered office at 33 Pioneer Road North, Singapore 628474 for a period of three (3) months from the date of this Announcement:

- (a) SPA dated 29 October 2015;
- (b) ASA dated 29 October 2015; and
- (c) Annual Report of the Company for FY2015.

12 TRADING CAUTION

As the Proposed Acquisition is subject to, *inter alia*, state authority consent in Malaysia, there is presently no assurance or certainty that the Proposed Acquisition will materialise. The Company will keep shareholders updated on material developments on the Proposed Acquisition as and when appropriate. **In the meantime, shareholders and other investors are advised to exercise caution when dealing or trading in the shares of the Company. Shareholders and other investors should consult their stockbrokers, bank managers, solicitors, accountants, 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
29 October 2015