

**CIRCULAR DATED 6 APRIL 2018**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your ordinary shares in the capital of Union Gas Holdings Limited (the **"Company"**), you should immediately forward this Circular together with the Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Circular has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the **"Sponsor"**), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the **"SGX-ST"**), this being the SGX-ST Listing Manual Section B: Rules of Catalyst (the **"Catalist Rules"**). The Sponsor has not independently verified the contents of this Circular.

**This Circular has not been examined or approved by the SGX-ST. The SGX-ST and the Sponsor assume no responsibility for the contents of this Circular, including the correctness of any of the statements or opinions made or reports contained in this Circular.**

The contact persons for the Sponsor are Mr Yee Chia Hsing, Head, Catalyst, Investment Banking, Singapore and Mr Lee Chee Cheong, Associate Director, Investment Banking, Singapore. The contact particulars are 50 Raffles Place #09-01, Singapore Land Tower, Singapore 048623, Telephone: (65) 6337 5115.



**CIRCULAR TO SHAREHOLDERS**

in relation to

**(1) THE PROPOSED ACQUISITIONS COMPRISING:**

- (A) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF U-GAS PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 24,329,430 SHARES AT AN ISSUE PRICE OF S\$0.2647 EACH AND CASH OF S\$2,760,000 AS CONSIDERATION; AND**
- (B) THE PROPOSED ACQUISITION OF ASSETS FROM SEMGAS SUPPLY PTE. LTD. (BEING NON-CONTRACTUAL CUSTOMER RELATIONSHIPS WITH DOMESTIC CUSTOMERS) AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 4,533,434 SHARES AT AN ISSUE PRICE OF S\$0.2647 EACH AND CASH OF S\$1,200,000 AS CONSIDERATION**

**(2) THE PROPOSED ADOPTION OF THE NEW INTERESTED PERSON TRANSACTIONS GENERAL MANDATE**

**Independent Financial Adviser to the Independent Directors of the Company in relation to the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate**



**Xandar Capital Pte. Ltd.**

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200002789M)

**IMPORTANT DATES AND TIMES:**

Last date and time for lodgement of Proxy Form	:	21 April 2018 at 10 a.m.
Date and time of Extraordinary General Meeting	:	23 April 2018 at 10 a.m. (or soon thereafter as the AGM of the Company convened on the same day and at the same place at 9 a.m. shall have concluded or shall have been adjourned, as the case may be)
Place of Extraordinary General Meeting	:	190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409



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## DEFINITIONS

In this Circular, the following definitions apply throughout unless the context otherwise requires:

<b>“31 August 2017 APA”</b>	:	Has the meaning given to it in Section 3.1.2 of this Circular
<b>“Act”</b>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<b>“Additional Hawker Centre”</b>	:	Has the meaning given to it in Section 2.3.1 of this Circular
<b>“AGM”</b>	:	Annual general meeting of the Company
<b>“Announcement”</b>	:	The announcement by the Company dated 19 March 2018 that the Company had entered into the (i) SPA with UEC in respect of the U-Gas Acquisition and (ii) Asset Purchase Agreement with Semgas Supply on SGXNET
<b>“APA Volume Guarantee”</b>	:	Has the meaning given to it in Section 3.3.2.3(ii) of this Circular
<b>“Assets”</b>	:	The non-contractual domestic customer relationships acquired by Semgas Supply on 31 August 2017
<b>“Asset Acquisition”</b>	:	The proposed acquisition by the Company of the Assets from Semgas Supply
<b>“Asset Acquisition Cash Consideration”</b>	:	Has the meaning given to it in Section 3.3.2.1(a) of this Circular
<b>“Asset Acquisition Completion”</b>	:	The completion of the Asset Acquisition in accordance with the terms of the Asset Purchase Agreement
<b>“Asset Acquisition Completion Date”</b>	:	The date of the Asset Acquisition Completion
<b>“Asset Acquisition Consideration”</b>	:	The aggregate consideration of S\$2,400,000 payable by the Company to Semgas Supply and/or its nominee(s) in relation to the Asset Acquisition
<b>“Asset Acquisition Shares Consideration”</b>	:	Has the meaning given to it in Section 3.3.2.1(b) of this Circular
<b>“Asset Purchase Agreement”</b>	:	Has the meaning given to it in Section 3.1.1 of this Circular
<b>“Audit Committee”</b>	:	The audit committee of the Company
<b>“BDO Advisory”</b>	:	BDO Advisory Pte. Ltd., the independent valuer engaged by the Company to assess and determine the market value of the Assets in relation to the Asset Acquisition

<b>“Board”</b>	:	The board of Directors of the Company
<b>“Business Day”</b>	:	A day (excluding Saturdays, Sundays, and public holidays) on which commercial banks generally are open in Singapore for the transaction of normal banking business
<b>“CAO”</b>	:	Chief accounting officer or equivalent of the Company
<b>“Catalist”</b>	:	The sponsor-supervised listing platform of the SGX-ST
<b>“Catalist Rules”</b>	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended or modified from time to time
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“CEO”</b>	:	Chief executive officer of the Company
<b>“CFO”</b>	:	Chief financial officer or equivalent of the Company
<b>“Choon Hin Gas Supply”</b>	:	Choon Hin Gas Supply Pte. Ltd. which is an entity of the UEC Group, and wholly owned by UEC
<b>“Circular”</b>	:	This circular dated 6 April 2018 issued by the Company
<b>“Commercial Business Call Option”</b>	:	Has the meaning given to it in Section 2.1.2 of this Circular
<b>“Commercial Business Segment”</b>	:	The business of UEC Group that is involved in the supply and distribution of LPG to commercial and industrial customers, such as hotels, food establishments (such as Hawker Centres, restaurants and coffee shops) and factories
<b>“Company”</b>	:	Union Gas Holdings Limited
<b>“Corporate Guarantee”</b>	:	Has the meaning given to it in Section 2.3.5.3 of this Circular
<b>“Dealership Agreement”</b>	:	Has the meaning given to it in Section 3.3.4.A of this Circular
<b>“Diesel Business”</b>	:	The business of the Group which is involved in the operation of a fuel station at 50 Old Toh Tuck Road for the sale and distribution of diesel to retail customers as well as the transportation, distribution and bulk sale of diesel to commercial customers
<b>“Directors”</b>	:	The directors of the Company for the time being
<b>“Domestic Customers”</b>	:	Has the meaning given to it in Section 3.1.3 of this Circular

<b>“Domestic LPG Business”</b>	:	The business of the Group which is involved in the retail distribution of bottled LPG cylinders and sale of LPG-related accessories to domestic households in Singapore
<b>“EGM”</b>	:	The extraordinary general meeting of Shareholders to be held on 23 April 2018, notice of which is set out in this Circular
<b>“EPS”</b>	:	Earnings per share
<b>“Executive Officers”</b>	:	The executive officers of the Group as at the date of this Circular, unless otherwise stated
<b>“Fire Safety Act”</b>	:	The Fire Safety Act, Chapter 109A of Singapore, as amended or modified from time to time
<b>“First Tranche”</b>	:	Has the meaning given to it in Section 3.3.2.2(a) of this Circular
<b>“FY2017”</b>	:	The financial year ended 31 December 2017
<b>“Gasmart”</b>	:	Gasmart Pte. Ltd. which is an entity of the UEC Group, and wholly owned by UEC
<b>“Goods and Services Tax Act”</b>	:	Goods and Services Tax Act (Cap. 117A of Singapore)
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Hawker Centre”</b>	:	Any place or premises or part thereof (other than food shop, coffee shop (commonly found in almost all residential areas as well as some industrial and business districts in Singapore, and most are an aggregate of small stalls or shops) and a food court (commonly found in shopping malls, airports, and parks, which consist of a number of vendors at food stalls or service counters.)), with multiple stalls, used for the sale, or for the preparation or manufacture for sale, or for the storage or packing for sale, of food whether cooked or not, intended for human consumption
<b>“Hawker Centre Business”</b>	:	Has the meaning given to it in Section 2.3.1 of this Circular
<b>“Health Domain”</b>	:	Health Domain Pte. Ltd.
<b>“IFA”</b>	:	Xandar Capital Pte. Ltd., the independent financial adviser appointed by the Company to advise the Independent Directors on the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate
<b>“IFA Letter”</b>	:	The letter from the IFA addressed to the Independent Directors as set out in Appendix A of this Circular

<b>“Independent Directors”</b>	:	Directors of the Company who are considered to be independent for the purposes of making a recommendation to the Shareholders in respect of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate
<b>“Interim Clause”</b>	:	Has the meaning given to it in Section 2.3.5.4 of this Circular
<b>“IPT Register”</b>	:	Has the meaning given to it in Section 5.7.1 of this Circular
<b>“IRAS”</b>	:	The Inland Revenue Authority of Singapore
<b>“Latest Practicable Date”</b>	:	The latest practicable date prior to the printing of this Circular, being 26 March 2018
<b>“ListCo Consideration Shares”</b>	:	Has the meaning given to it in Section 2.1.6 of this Circular
<b>“LPG” or “liquefied petroleum gas”</b>	:	A generic name for a family of hydrocarbons or their mixtures which are in liquid form under moderate pressure
<b>“LPG Business”</b>	:	Has the meaning given to it in Section 3.1.2 of this Circular
<b>“Mandated Interested Persons”</b>	:	Has the meaning given to it in Section 5.2 of this Circular
<b>“Mandated Transactions”</b>	:	Has the meaning given to it in Section 5.3 of this Circular
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“Market Value”</b>	:	The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion
<b>“Material Contracts”</b>	:	The LPG supply agreements and equivalent agreements under which U-Gas will be assuming the rights and obligations as the supplier through the process of novation pursuant to the SPA
<b>“Mazars”</b>	:	Mazars LLP, the independent valuer engaged by the Company to assess and determine the Market Value of 100% equity interest in the U-Gas, being equivalent to all the Sale Shares
<b>“Minimum Volume”</b>	:	Has the meaning given to it in Section 2.3.5.3 of this Circular
<b>“Mr. Teo”</b>	:	Mr. Teo Kiang Ang

<b>“Ms. Teo”</b>	:	Ms. Teo Soak Theng Alexis
<b>“New IPT General Mandate”</b>	:	The general mandate from Shareholders proposed to be obtained by the Company at the EGM pursuant to Chapter 9 of the Catalist Rules, permitting the Company, its subsidiaries and associated companies to enter into the Interested Person Transactions with the Interested Persons
<b>“Non-Competition Deed”</b>	:	Has the meaning given to it in Section 2.3.3(b) of this Circular. More details of the Non-Competition Deed can be found in the Offer Document
<b>“Notice of EGM”</b>	:	The notice of the EGM as set out on pages 101 to 104 of this Circular
<b>“NTA”</b>	:	Net tangible assets, being net assets less intangible assets
<b>“Offer Document”</b>	:	The offer document issued by the Company dated 13 July 2017 in connection with the listing of the Company on the Catalist Board of SGX-ST
<b>“Ordinary Resolutions”</b>	:	The ordinary resolutions set out in the Notice of EGM
<b>“Proposed Acquisitions”</b>	:	The U-Gas Acquisition and the Asset Acquisition
<b>“Proposed Adoption of the New IPT General Mandate”</b>	:	The proposed adoption of the New IPT General Mandate
<b>“Proxy Form”</b>	:	The proxy form in respect of the EGM as set out in this Circular
<b>“Representatives”</b>	:	In relation to a party, its advisers, consultants, agents, employees, directors, officers or other representatives
<b>“Rule 1006”</b>	:	Rule 1006 of the Catalist Rules
<b>“Sale Shares”</b>	:	The ordinary shares in U-Gas that will be sold by UEC to the Company pursuant to the SPA
<b>“Second Tranche”</b>	:	Has the meaning given to it in Section 3.3.2.2(b) of this Circular
<b>“Securities Account”</b>	:	A securities account maintained by a Depositor with CDP, but does not include a securities sub-account maintained with a Depository Agent
<b>“Sembas”</b>	:	Sembas (Asia) Trading Pte. Ltd., which is an entity of the UEC Group, and wholly owned by UEC



<b>“Semgas (S)”</b>	:	Semgas (S) Pte. Ltd., which is an entity of the UEC Group, and wholly owned by UEC
<b>“Semgas Supply”</b>	:	Semgas Supply Pte. Ltd., which is an entity of the UEC Group, and wholly owned by UEC
<b>“SGXNET”</b>	:	The Singapore Exchange Securities Trading Limited Network, a system network used by companies listed on the SGX-ST to send information and announcements to the SGX-ST
<b>“SGX-ST”</b>	:	The Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	The registered holders of the Shares, except that where the registered holder is CDP, the term “Shareholders” shall, in the relation to such Shares, mean the Depositors in the Depository Register and whose Securities Accounts maintained with CDP are credited with those Shares
<b>“Shares”</b>	:	Ordinary shares in the issued share capital of the Company
<b>“Share Registrar”</b>	:	Boardroom Corporate & Advisory Services Pte Ltd
<b>“SPA”</b>	:	The sale and purchase agreement dated 19 March 2018 entered into between the Company and UEC in relation to the U-Gas Acquisition
<b>“Sponsor”</b>	:	CIMB Bank Berhad, Singapore Branch
<b>“Substantial Shareholder”</b>	:	A person (including a corporation) who holds directly or indirectly 5% or more of the issued capital in the Company
<b>“Sun \$ Reward Credit”</b>	:	Has the meaning given to it in Section 3.3.2.3 of this Circular
<b>“Tranche 1”</b>	:	Has the meaning given to it in Section 2.3.2.2(a) of this Circular
<b>“Tranche 2”</b>	:	Has the meaning given to it in Section 2.3.2.2(b) of this Circular
<b>“UEC”</b>	:	Union Energy Corporation Pte. Ltd.
<b>“UEC Group”</b>	:	UEC and its subsidiaries
<b>“U-Gas”</b>	:	U-Gas Pte. Ltd.
<b>“U-Gas Acquisition”</b>	:	The proposed acquisition by the Company of the entire issued and paid-up share capital in U-Gas Pte. Ltd. from UEC

<b>“U-Gas Acquisition Cash Consideration”</b>	:	Has the meaning given to it in Section 2.3.2.1(a) of this Circular
<b>“U-Gas Acquisition Completion”</b>	:	The completion of the U-Gas Acquisition in accordance with the terms of the SPA
<b>“U-Gas Acquisition Completion Date”</b>	:	The date of the U-Gas Acquisition Completion
<b>“U-Gas Acquisition Consideration”</b>	:	The aggregate consideration of S\$9,200,000 payable by the Company to UEC and/or its nominee(s) in relation to the U-Gas Acquisition
<b>“U-Gas Acquisition Shares Consideration”</b>	:	Has the meaning given to it in Section 2.3.2.1(b) of this Circular
<b>“U-Gas Volume Guarantee”</b>	:	Has the meaning given to it in Section 2.3.5.3 of this Circular
<b>“Union Energy”</b>	:	Union Energy Pte. Ltd., which is an entity of the Group
<b>“Union Gas”</b>	:	Union Gas Pte. Ltd., which is an entity of the Group
<b>“United Gas”</b>	:	United Gas Pte. Ltd., which is an entity of UEC, and wholly owned by UEC
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
<b>“%” or “per cent.”</b>	:	Percentage or per centum

The terms **“Depositor”**, **“Depository Register”** and **“Depository Agent”** shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time.

The terms **“associates”** and **“controlling shareholders”** shall have the meanings ascribed to them respectively in the Catalist Rules.

The terms **“subsidiaries”**, **“Substantial Shareholders”** and **“related corporations”** shall have the meanings ascribed to them respectively in the Act.

Except where specifically defined, the terms **“we”**, **“us”** and **“our”** in this Circular refer to the Group.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall, where applicable, include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in the tables in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals may not be an arithmetic aggregation of the figures that precede them.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Act or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date unless otherwise stated.

## LETTER TO SHAREHOLDERS

### UNION GAS HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201626970Z)

#### Directors:

Mr. Teo Kiang Ang (Non-Executive Chairman)  
Ms. Teo Soak Theng Alexis (Executive Director and CEO)  
Mr. Loo Hock Leong (Lead Independent Director)  
Mr. Lim Chwee Kim (Independent Director)  
Mr. Heng Chye Kiou (Independent Director)

#### Registered Office:

3 Lorong Bakar Batu #07-04  
Union Industrial Center,  
Singapore 348741

6 April 2018

**To: The Shareholders of Union Gas Holdings Limited**

Dear Sir/Madam

#### **(1) THE PROPOSED ACQUISITIONS COMPRISING:**

**(A) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF U-GAS PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 24,329,430 SHARES AT AN ISSUE PRICE OF S\$0.2647 EACH AND CASH OF S\$2,760,000 AS CONSIDERATION; AND**

**(B) THE PROPOSED ACQUISITION OF ASSETS FROM SEMGAS SUPPLY PTE. LTD. (BEING NON-CONTRACTUAL CUSTOMER RELATIONSHIPS WITH DOMESTIC CUSTOMERS) AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 4,533,434 SHARES AT AN ISSUE PRICE OF S\$0.2647 EACH AND CASH OF S\$1,200,000 AS CONSIDERATION**

#### **(2) THE PROPOSED ADOPTION OF THE NEW INTERESTED PERSON TRANSACTIONS GENERAL MANDATE**

##### **1. INTRODUCTION**

1.1 The Directors propose to seek the approval of Shareholders at an extraordinary general meeting of the Company to be held on 23 April 2018, 10 a.m. (or soon thereafter as the AGM of the Company convened on the same day and at the same place at 9 a.m. shall have concluded or shall have been adjourned, as the case may be) at 190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409 (the “**EGM**”) for:–

1.1.1 the proposed acquisition of the entire issued and paid-up share capital of U-Gas Pte. Ltd. (“**U-Gas**”) from Union Energy Corporation Pte. Ltd. (“**UEC**”) as an interested person transaction and the allotment and issuance of 24,329,430 new Shares in the capital of the Company at an issue price of S\$0.2647 each and cash of S\$2,760,000 as consideration (the “**U-Gas Acquisition**”). Please refer to Section 2 of this Circular for further details on the U-Gas Acquisition;

- 1.1.2 the proposed acquisition of the Assets from Semgas Supply Pte. Ltd. ("**Semgas Supply**"), which Semgas Supply had acquired pursuant to the 31 August 2017 APA from an unrelated third party, as an interested person transaction and the allotment and issuance of 4,533,434 Shares at an issue price of S\$0.2647 each and cash of S\$1,200,000 as consideration (the "**Asset Acquisition**"). Please refer to Section 3 of this Circular for further details on the Asset Acquisition; and
  - 1.1.3 the proposed adoption of the New IPT General Mandate pursuant to Chapter 9 of the Catalist Rules to enter into the categories of transactions as set out in Section 5.3 of this Circular, with the persons set out in Section 5.2 of this Circular who are considered "interested persons" under Chapter 9 of the Catalist Rules ("**Proposed Adoption of the New IPT General Mandate**").
- 1.2 The Company will be seeking specific approval of independent shareholders at the EGM for:
- 1.2.1 the U-Gas Acquisition and the Asset Acquisition as interested person transactions and the allotment and issuance of ListCo Consideration Shares to each of UEC and Semgas Supply (who are associates of Mr. Teo and Ms. Teo) pursuant to the Proposed Acquisitions; and
  - 1.2.2 the Proposed Adoption of the New IPT General Mandate.

**For the avoidance of doubt, Shareholders should note that the passing of each Ordinary Resolution is not inter-conditional on the passing of the other Ordinary Resolutions.**

**Shareholders should also note and carefully review the contents of this Circular, and all of the other information set out in this Circular in relation to the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate.**

- 1.3 The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Circular.

## **2. INFORMATION ON THE U-GAS ACQUISITION**

### **2.1 Background**

- 2.1.1 On 19 March 2018, the Company announced its entry into a definitive sale and purchase agreement (the "**SPA**") with UEC to acquire the entire issued and paid-up share capital of U-Gas.
- 2.1.2 The Company's entry into the SPA is made pursuant to a deed entered into by UEC on 27 June 2017 to grant the Company or its nominee with a call option (the "**Commercial Business Call Option**") to acquire existing or future companies that are part of UEC Group and engaged in the business of UEC Group that is involved in the supply and distribution of LPG to commercial and industrial customers, such as hotels, food establishments (such as Hawker Centres, restaurants and coffee shops) and factories (the "**Commercial Business Segment**").
- 2.1.3 On 14 February 2018, the Company had issued a binding letter of intent to UEC subject to which the Company intends to exercise the Commercial Business Call Option granted to the Company by UEC on 27 June 2017, as an interested person transaction.

- 2.1.4 On 19 March 2018, the Company provided UEC with a formal exercise notice in respect of the Commercial Business Call Option for the purposes of acquiring the business relating to the supply of LPG to hawker centres (the “**Hawker Centre Business**”). Pursuant to the Company’s exercise of the Commercial Business Call Option, UEC shall sell and the Company shall purchase the Sale Shares on the terms and subject to the conditions of the SPA with UEC. On the same day, being 19 March 2018, the Company had also executed the SPA with UEC for the acquisition of the Sale Shares.
- 2.1.5 Upon U-Gas Acquisition Completion, U-Gas will become a wholly-owned subsidiary of the Company.
- 2.1.6 The consideration payable for the U-Gas Acquisition is equivalent to S\$9,200,000 (the “**U-Gas Acquisition Consideration**”), and shall be satisfied by (i) a sum of S\$2,760,000 in cash and (ii) an allotment and issue of 24,329,430 ordinary shares in the issued and paid-up capital of the Company (each a “**ListCo Consideration Share**” and collectively the “**ListCo Consideration Shares**”) in favour of UEC at an issue price of S\$0.2647 per ListCo Consideration Share, which is equivalent to S\$6,440,000.

## 2.2 Shareholders’ Approval

- 2.2.1 Approval of the Shareholders is being obtained for the U-Gas Acquisition as a requirement pursuant to:–
- (a) Chapter 9 of the Catalist Rules. Mr. Teo Kiang Ang (“**Mr. Teo**”) is the Non-Executive Chairman and Director of the Company and Ms. Teo Soak Theng Alexis (“**Ms. Teo**”) is the Executive Director and Chief Executive Officer of the Company. Given that Mr. Teo and Ms. Teo hold 61.89% and 5.38% equity interest in UEC respectively, and as UEC is the sole shareholder of U-Gas, UEC is an interested person in relation to the U-Gas Acquisition; and
  - (b) Chapter 8 of the Catalist Rules and in particular Rule 804, given that ordinary shares in the Company are to be issued to UEC as ListCo Consideration Shares.

## 2.3 The U-Gas Acquisition as a Discloseable Transaction

### 2.3.1 Information on U-Gas and UEC

UEC is incorporated in Singapore and its principal business activities are the manufacture of gas, distribution of gaseous fuels through mains, and the general wholesale trade (including general importers and exporters).

U-Gas was incorporated on 29 September 2017 as part of the internal restructuring process by UEC such that the retail sale of LPG to Hawker Centres (the “**Hawker Centre Business**”) will be conducted by only one entity after the conclusion of the internal restructuring by UEC. As such, U-Gas does not have any audited financials. U-Gas is wholly owned by UEC. A summary of the unaudited pro forma financial information of U-Gas for the financial years ended 31 December 2015, 2016 and 2017, which the Company had engaged an external auditor to conduct an assurance engagement in accordance with the Singapore Standard on Assurance Engagements (SSAE) 3420, Assurance Engagements to

Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Institute of Singapore Chartered Accountants, is set out below:

	<b>Unaudited pro forma financial information</b>		
<b>S\$'millions</b>	<b>FY2015</b>	<b>FY2016</b>	<b>FY2017</b>
Revenue	9.0	8.8	8.9
Gross profit	2.3	2.5	1.8
Profit before tax	1.2	1.2	0.4
Profit after tax	1.0	1.0	0.3

U-Gas' pro forma revenue is primarily derived from the sale of LPG to Hawker Centres in Singapore. Prior to the incorporation of U-Gas, the sale of LPG in connection with the Hawker Centre Business was made by Semgas (S) and Gasmart, both of which are subsidiaries of UEC. The merchants associations of the respective Hawker Centres will typically enter into contracts with Semgas (S) or Gasmart to regulate the price of LPG sold to the Hawker Centres. These contracts typically last from six (6) to ten (10) years where the LPG pricing per cubic meter can be either (a) fixed for the entire length of the contract, or (b) fixed for an initial period of two (2) to three (3) years and thereafter priced at a discount to prevailing market rates. As at the Latest Practicable Date, LPG is being supplied to 38 Hawker Centres in Singapore based on the 37 Material Contracts. As these Material Contracts were previously entered into by other subsidiaries of UEC, the novation of the Material Contracts will be required. In addition, there is an additional contract to supply LPG to a Hawker Centre in Singapore ("**Additional Hawker Centre**") that was not included in Schedule 3 of the SPA. In accordance with the Interim Clause, the contract with the Additional Hawker Centre will be novated to U-Gas at no additional consideration to the Company.

Of the 37 Material Contracts with the respective Hawker Centres, 4 of the Material Contracts will be expiring in 2018 and the Company does not foresee any difficulty in securing the renewal of such Material Contracts. As at the Latest Practicable Date, the parties are attending to the process regarding the novation of the Material Contracts.

A summary of the pro forma balance sheet of U-Gas as at 31 December 2017 is set out below:—

<b>S\$'millions</b>	<b>Unaudited pro forma 31 December 2017</b>
Current assets	0.9
Current liabilities	(0.7)
<b>Net current assets</b>	<b>0.2</b>
Non-current assets	<b>3.1</b>
<b>Total equity</b>	<b>3.3</b>

As at 31 December 2017, U-Gas had total assets of approximately S\$3.9 million, mainly comprising intangible assets of S\$2.4 million, plant and equipment of S\$0.7 million, trade and other receivables of S\$0.6 million, other assets of S\$0.1 million and cash and cash equivalents of S\$0.1 million. The intangible assets relate to deferred customer retention cost. Plant and machinery relate to motor vehicles and LPG equipment.

Total liabilities as at 31 December 2017 was S\$0.7 million, mainly comprising trade and other payables of S\$0.7 million. These mainly relate to customer deposits for LPG consumption.

### 2.3.2 U-Gas Acquisition Consideration

2.3.2.1 Subject to the adjustment provisions as set out in Section 2.3.2.3 of this Circular, the U-Gas Acquisition Consideration is equivalent to S\$9,200,000, and shall comprise:–

- (a) the sum of S\$2,760,000 in cash, being equivalent to 30% of the U-Gas Acquisition Consideration (the **“U-Gas Acquisition Cash Consideration”**); and
- (b) the allotment and issue of 24,329,430 ListCo Consideration Shares in the issued and paid-up capital of the Company, which is equivalent to S\$6,440,000, and made up 70% of the U-Gas Acquisition Consideration (the **“U-Gas Acquisition Shares Consideration”**), at an issue price of S\$0.2647 per ListCo Consideration Share (being equivalent to the volume-weighted average price for each ordinary share of the Company for trades done on 14 March 2018, being the full market day preceding the date of the SPA where there were actual trades in the shares of the Company, as no trades were done on 15 March 2018 and 16 March 2018 being the subsequent full market days preceding the date of the SPA).

2.3.2.2 The U-Gas Acquisition Cash Consideration shall be paid to UEC in accordance with the following terms and conditions, and subject to the condition as set out in Section 2.3.2.3 of this Circular:–

- (a) a first instalment payment equivalent to two-thirds of the U-Gas Acquisition Cash Consideration, being S\$1,840,000, shall be paid to UEC upon the U-Gas Acquisition Completion (**“Tranche 1”**); and
- (b) a second instalment payment equivalent to one-third of the U-Gas Acquisition Cash Consideration, being S\$920,000, shall be paid to in accordance with adjustment provisions as set up in the section 2.3.2.3 (**“Tranche 2”**).

The U-Gas Acquisition Cash Consideration shall be funded from the Company’s internal resources.



2.3.2.3 Subject to the Company's waiver in writing to be given at its sole discretion, the Company shall be entitled to withhold the payment of Tranche 2 indefinitely until all the Material Contracts have been novated to U-Gas, or until the U-Gas Acquisition Consideration is adjusted in accordance with the provisions in the SPA. The U-Gas Acquisition Consideration shall be reduced in accordance with the reduction formula set out in the SPA if:–

- (a) fewer than the 37 Material Contracts (as set out in Schedule 3 of the SPA) are novated to U-Gas for any reason;
- (b) any one of the 37 Material Contracts is novated to U-Gas after 31 July 2018;
- (c) any one of the 37 Material Contracts is terminated on or before the later of the date falling:–
  - (i) three (3) months after the date of the relevant novation agreements which novate these Material Contracts over to U-Gas; or
  - (ii) three (3) months after the U-Gas Acquisition Completion Date.

The reduction formula, which is set out in the SPA, allows for a proportionate deduction to be made from Tranche 2 after taking into reference the profits contributed by each Hawker Centre under any Material Contract that is not novated or is terminated within the prescribed periods in the preceding paragraph.

2.3.2.4 Mazars had been appointed by the Company to perform an independent valuation in relation to the U-Gas Acquisition in respect of the market value of 100% equity interest in U-Gas and on the basis that 37 agreements for the supply of LPG to Hawker Centres (each being a Material Contract) are novated to U-Gas. The valuation exercise was performed under the market value basis. The U-Gas Acquisition Consideration payable by the Company for the purchase of the Sale Shares was arrived at by the Company and UEC taking into consideration various commercial factors such as the performance and continuing potential of the underlying Hawker Centre Business relating to U-Gas and the valuation by the independent valuer, Mazars.

2.3.2.5 According to the valuation report by Mazars, the market value range for the entire issued and paid-up share capital of U-Gas is estimated to be approximately S\$8,410,000 to S\$9,930,000 as at 31 December 2017. The U-Gas Acquisition Consideration is at 7.4% discount from the top end of the market value range for the entire issued and paid-up share capital of U-Gas.

2.3.2.6 The U-Gas Acquisition Shares Consideration represents 12.2% of the existing share capital, and 10.8% of the enlarged share capital of the Company after the U-Gas Acquisition Completion.

2.3.2.7 In summary, the details of the U-Gas Acquisition are set out below:–

- (a) **U-Gas Acquisition Consideration, comprising the U-Gas Acquisition Cash Consideration and the U-Gas Acquisition Shares Consideration: S\$9,200,000**
- (b) **Number of ListCo Consideration Shares to be allotted and issued to UEC: 24,329,430**
- (c) **Interest of Mr. Teo in the share capital of the Company before the U-Gas Acquisition: 70.48%**
- (d) **Interest of Mr. Teo in the enlarged share capital of the Company after the U-Gas Acquisition: 73.68%**

The ListCo Consideration Shares issued shall not be entitled to any proposed dividend for FY2017.

### 2.3.3 Conditions Precedent to the U-Gas Acquisition Completion

Completion under the SPA is conditional upon the satisfaction of the following conditions (unless otherwise waived, if applicable), prior to or on the U-Gas Acquisition Completion Date:–

- (a) the Company being satisfied with the results of the legal and financial due diligence exercise conducted by the Company and/or its professional advisers in respect of U-Gas;
- (b) the Company having obtained UEC's confirmation in writing that (i) the U-Gas Acquisition, and (ii) the business of U-Gas which comprises the Material Contracts, are in compliance as at the U-Gas Acquisition Completion Date with the non-competition deed which Mr. Teo, a director of UEC and the Non-Executive Chairman of the Company, had on 27 June 2017, executed in favour of the Company (the "**Non-Competition Deed**");
- (c) all approvals, waivers or consents under all applicable laws (including but not limited to the Catalist Rules and any requirements by the SGX-ST or otherwise) and/or as may be necessary under terms which would otherwise constitute a default under any instrument, contract, document or agreement to which U-Gas is a party or by which U-Gas or its assets are bound:–
  - (i) as may be required for the sale of the Sale Shares, to enable the Company to be registered as a holder of all of the Sale Shares; and/or
  - (ii) to give effect to the SPA and the transactions contemplated thereunder, being obtained and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- (d) approval of the Shareholders for the U-Gas Acquisition and the performance of the Company of all of its obligations under the SPA and all transactions contemplated thereunder or in connection thereto being obtained; and
- (e) a listing and quotation notice for the listing and quotation of the U-Gas Acquisition Shares Consideration on the Catalist being obtained from the SGX-ST and not having been withdrawn, amended or revoked.

#### 2.3.4 Completion under the SPA

On U-Gas Acquisition Completion under the SPA, the following shall take place (*inter alia*):–

2.3.4.1 UEC shall deliver or cause to be delivered to the Company the following:–

- (a) a written confirmation that the (i) U-Gas Acquisition, and (ii) business of U-Gas which comprises the Material Contracts, are in compliance with the Non-Competition Deed as at the U-Gas Acquisition Completion Date; and
- (b) the share certificates representing the Sale Shares, accompanied by share transfer forms in respect of the Sale Shares, duly executed by UEC in favour of the Company.

2.3.4.2 The Company shall effect the payment of and full settlement of the U-Gas Acquisition Consideration by:–

- (a) issuing a cheque in respect of Tranche 1;
- (b) issuing share certificate(s) representing the relevant number of U-Gas Acquisition Shares Consideration to UEC and/or its nominees, in the name of CDP and despatching the same to CDP for the account of UEC and/or its nominees; and
- (c) delivering a letter addressed to CDP requesting that CDP credit the securities account(s) of UEC and/or its nominees or the securities account of such Depository Agent (details of such securities account(s) to be notified in writing by UEC to the Company no later than three (3) Business Days prior to the U-Gas Acquisition Completion Date) with the relevant number of U-Gas Acquisition Shares Consideration.

2.3.4.3 If a party fails to perform the matters set out in Sections 2.3.4.1 or 2.3.4.2 (as the case may be), the party not in default of Sections 2.3.4.1 or 2.3.4.2 (as the case may be) shall be entitled to:–

- (a) defer U-Gas Acquisition Completion to a date as the Company and UEC may agree in writing (and so that this Section 2.3.4 shall apply to U-Gas Acquisition Completion as so deferred);
- (b) proceed with the U-Gas Acquisition Completion so far as practicable and without prejudice to its rights under the SPA;
- (c) waive any of the requirements at its discretion; and/or
- (d) terminate the SPA without liability on its part, pursuant to which each of the Company's and UEC's further rights and obligations shall cease immediately on termination, save for the surviving clauses in the SPA or those clauses listed or referred to in Clause 16 of the SPA.

### 2.3.5 The Post-Completion Obligations

- 2.3.5.1 As part of the U-Gas Acquisition, upon the U-Gas Acquisition Completion, Mr. Teo Hark Piang, who is an executive director of UEC, will be providing advisory services to the Company in relation to the Hawker Centre Business (as further described in paragraph (a) and (b) immediately below, to the satisfaction of the Company, at no additional cost to the Company).

To that end, UEC has provided a post-completion undertaking in the SPA in favour of the Company that UEC shall, for a period of one (1) year from the U-Gas Acquisition Completion Date:–

- (a) procure Mr. Teo Hark Piang and all Representatives of UEC Group who have been involved in the Hawker Centre Business in respect of the UEC Group immediately prior to completion under the SPA, to provide the Company with all necessary assistance, on any matter arising out of or in connection with U-Gas, including but not limited to the Hawker Centre Business; and
  - (b) assist in the operation of the Hawker Centre Business, to the satisfaction of the Company.
- 2.3.5.2 After the U-Gas Acquisition Completion, UEC also undertakes not to, at any time, carry on, or be engaged, or interested in any capacity in any other business, trade in Singapore or elsewhere which is in competition with or similar to any existing or future businesses carried on by the Company in relation to the Hawker Centre Business for as long as the Non-Competition Deed is valid and subsisting in accordance with the terms of the SPA.
- 2.3.5.3 If the volume of LPG purchased from the Company by the Hawker Centres named as customers in the Material Contracts as set out in the Company's sale summary reports from 1 May 2018 to 30 April 2019 is less than the minimum volume of 1,057,000 cubic meters per year (the "**Minimum Volume**"), UEC shall pay the Company a sum equivalent to the sale price of the reduced volume of LPG purchased, in accordance with the SPA ("**U-Gas Volume Guarantee**"). Pursuant to the SPA, UEC undertook to procure that on or before the U-Gas Acquisition Completion, a subsidiary of UEC elected by the Company issues a corporate guarantee to guarantee UEC's payment obligations pursuant to this U-Gas Volume Guarantee up to a total amount equivalent to 5% of the U-Gas Acquisition Consideration (the "**Corporate Guarantee**"). The Company shall be entitled to call on the Corporate Guarantee if UEC fails to make payment in accordance with the SPA in relation to the U-Gas Volume Guarantee. The Company shall not be obliged to pay UEC any monies if there is an increase in the volume of the LPG purchased from the Company by the aforementioned Hawker Centres for the period from 1 May 2018 to 30 April 2019 as compared with the Minimum Volume.

2.3.5.4 UEC has also undertaken, *inter alia*, that UEC will, in relation to any of the Material Contracts and/or any LPG supply agreements and equivalent agreements of similar nature to the Material Contracts which have not been signed and/or novated to U-Gas on or prior to the U-Gas Acquisition Completion Date:–

- (a) novate these agreements to U-Gas;
- (b) cause to be transferred these agreements to U-Gas; and/or
- (c) cause relevant third parties to enter into such agreements with U-Gas,

at no additional consideration to be paid by the Company and at no less favourable terms to U-Gas and/or such nominee as the Company may in its sole discretion determine (the “**Interim Clause**”).

#### 2.3.6 Rationale for the U-Gas Acquisition

The U-Gas Acquisition is in line with the Group’s growth strategy and the Company recognises the performance and continuing potential of the underlying business relating to U-Gas, in particular the Hawker Centre Business. The Company has, in a bid to enhance shareholders’ value, decided to acquire the entire issued and paid-up capital of U-Gas.

#### 2.3.7 Relative Figures under Chapter 10 of the Catalist Rules

Relative figures of the U-Gas Acquisition under Rule 1006 of the Catalist Rules, based on the Company’s latest announced financial results for FY2017, are set out below.

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value. This basis is not applicable to an acquisition of assets.	Not applicable <sup>(1)</sup>
(b)	Net profits <sup>(2)</sup> attributable to the assets acquired, compared with the Group’s net profits <sup>(2)</sup> .	8.8% <sup>(3)</sup>
(c)	Aggregate value of the consideration given or received, compared with the Company’s market capitalisation based on the total number of issued shares excluding treasury shares.	17.4% <sup>(4)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	12.2% <sup>(5)</sup>
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable <sup>(1)</sup>

**Notes:**

- (1) This basis is not applicable to the U-Gas Acquisition.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (3) The net profit attributable to the U-Gas Acquisition is determined based on the latest announced net profit of the Group of approximately S\$4,222,000 for FY2017.
- (4) The market capitalisation is calculated based on the volume-weighted average price of S\$0.2647 on 14 March 2018, being the full market day preceding the date of the SPA where there were actual trades in the sales of the Company. No trades were done on 15 March 2018 and 16 March 2018 being the subsequent full market days preceding the date of the SPA.
- (5) The number of equity securities to be issued by the Company as consideration for the U-Gas Acquisition is 24,329,430 Shares.

Based on the above, the relative figures for the U-Gas Acquisition, computed on bases set out in Rule 1006 of the Catalist Rules, exceeded 5% but is less than 75%. Accordingly, the U-Gas Acquisition constitutes a “discloseable transaction” under Rule 1010 of the Catalist Rules.

### 2.3.8 Pro Forma Financial Effects of the U-Gas Acquisition

The pro forma financial effects of the U-Gas Acquisition on the Company as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group following the U-Gas Acquisition Completion.

The pro forma financial effects of the U-Gas Acquisition set out below have been prepared based on the Group’s consolidated financial statements for FY2017 and the unaudited pro forma financial information of U-Gas for the 12-month period ended 31 December 2017.

#### 2.3.8.1 EPS

The pro forma financial effects of the U-Gas Acquisition on the EPS of the Group for FY2017, assuming that the U-Gas Acquisition had been effected at the beginning of FY2017, are summarised below:–

<b>EPS</b>	<b>Before the U-Gas Acquisition</b>	<b>After the U-Gas Acquisition</b>
Earnings <sup>(1)</sup> (S\$'000)	3,475	3,783
Weighted average number of issued shares ('000)	183,397	207,727 <sup>(2)</sup>
EPS – Basic (cents)	1.89	1.82

**Notes:**

- (1) Represents net profit attributable to the Shareholders of the Company.
- (2) Pursuant to the allotment and issuance of 24,329,430 new Shares in the capital of the Company as consideration for the U-Gas Acquisition.

#### 2.3.8.2 NTA

The pro forma financial effects of the U-Gas Acquisition on the NTA per share of the Group for FY2017, assuming that the U-Gas Acquisition had been effected as at 31 December 2017, are summarised below:–

NTA	Before the U-Gas Acquisition	After the U-Gas Acquisition
Consolidated NTA (S\$'000) <sup>(1)</sup>	19,829	17,988
Number of issued shares ('000)	200,000	224,329 <sup>(2)</sup>
Consolidated NTA per share (cents)	9.91	8.02

**Notes:**

- (1) Represents consolidated NTA attributable to the Shareholders of the Company.
- (2) Pursuant to the allotment and issuance of 24,329,430 Shares as consideration for the U-Gas Acquisition.

#### 2.3.9 Other Financial information

Based on the pro forma financial information of U-Gas for the 12 months period ended 31 December 2017, the net profit attributable to the Sale Shares is approximately S\$370,000, and the book value of the Sale Shares is approximately S\$3,300,000.

#### 2.3.10 Directors' Service Contracts

No person has been proposed to be appointed as an executive Director of the Company in connection with the U-Gas Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

#### 2.3.11 Interest of Directors and Controlling Shareholders

Save for Mr. Teo and Ms. Teo who are interested in the U-Gas Acquisition, none of the other Directors, and to the best of the Directors' knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the U-Gas Acquisition.

#### 2.3.12 Disclosure under Rule 1013 of the Catalist Rules

2.3.12.1 Rule 1013(1) of the Catalist Rules provides, *inter alia*, that where an issuer enters into a discloseable transaction and accepts a profit guarantee (or any covenant which quantifies the anticipated level of future profits) from a vendor of assets/business, the issuer's announcement in Rule 1010 must contain information on the profit guarantee, including the following:–

- (i) the views of the board of directors of the issuer in accepting the profit guarantee and the factors taken into consideration and basis for such a view;



- (ii) the principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee is based;
- (iii) the manner and amount of compensation to be paid by the vendor in the event that the profit guarantee is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and
- (iv) the safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee is not met, if any.

The Company makes the following disclosures pursuant to Rule 1013(1) of the Catalist Rules in relation to the U-Gas Volume Guarantee:–

**(A) the views of the board of directors of the issuer in accepting the profit guarantee and the factors taken into consideration and basis for such a view;**

The Board, having reviewed, *inter alia*, the terms and the rationale of the U-Gas Acquisition and the financial effects thereof, has accepted the U-Gas Volume Guarantee after due and careful enquiry and is of the view that the U-Gas Volume Guarantee is reasonable and appropriate. Other factors taken into consideration and basis for such view are the historical revenue and profitability of the Hawker Centre Business operated by UEC for the financial years of 2015 to 2017 and the future business potential of U-Gas. Please also refer to Section 2.3.2.4 above for the factors taken into account to determine the Purchase Consideration.

**(B) the principal assumptions including commercial bases and assumptions upon which the quantum of the profit guarantee is based;**

The principal assumptions upon which the U-Gas Volume Guarantee was based are as follows:–

- I. the historical revenue and profitability of the Hawker Centre Business operated by UEC for the financial years of 2015 to 2017;
- II. the future business potential of U-Gas;
- III. there are no material changes in the existing political, economic, legal and social conditions, and regulatory and fiscal measures in Singapore, being the country in which U-Gas and UEC operate;
- IV. there will be no material loss of customers which are essential for the operations of U-Gas; and
- V. there will be no changes in key management involved in the operation of the Hawker Centre Business by U-Gas as compared with that of UEC prior to the date of the SPA and repeated on the U-Gas Acquisition Completion Date.



- (C) the manner and the amount of compensation to be paid by the vendor in the event that the profit guarantee is not met and the conditions precedent, if any, and the detailed basis for such a compensation; and**

UEC shall pay the Company a sum which is equivalent to the entire reduction in volume of LPG purchased if there is a reduction of five per cent (5%) or more in the volume of LPG purchased from the Minimum Volume, in cash.

- (D) the safeguards put in place (such as the use of a banker's guarantee) to ensure the issuer's right of recourse in the event that the profit guarantee is not met, if any.**

As a safeguard, the Company shall also be at liberty to call upon a corporate guarantee to be issued in favour of the Company by a subsidiary of UEC elected by the Company for up to the sum equivalent to five per cent (5%) of the U-Gas Acquisition Consideration, amounting to approximately S\$460,000.

The Company confirms that it will comply with Rule 1013(3) of the Catalist Rules, in particular:

- (1) where the profit guarantee has been met, the Company shall immediately announce this via SGXNET; and
- (2) where profit guarantee has not been met, the Company shall immediately announce via SGXNET the following:–
  - (a) the variance between the profit guarantee and the actual profit, and the reason for the variance;
  - (b) any variation of the rights of the Company; and
  - (c) the possible course(s) of action by the Company to protect the interests of the shareholders of the Company, if any. Notwithstanding this, the Company shall provide timely updates on the specific course of action including its progress and outcome of the action.

## **2.4 Allotment and Issuance of U-Gas Acquisition Shares Consideration to UEC**

- 2.4.1 Rule 805(1) of the Catalist Rules provides that an issuer must obtain prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the Company.
- 2.4.2 Further, Rule 804 of the Catalist Rules states that except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Catalist Rules, no director of an issuer, or an associate of the director may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter.

2.4.3 The Company is thus seeking approval from independent Shareholders for the allotment and issuance of the ListCo Consideration Shares constituting the U-Gas Acquisition Shares Consideration to UEC at the EGM pursuant to Section 161 of the Act, Rule 805(1) and Rule 804 of the Catalyst Rules for the following reasons:–

- (a) the Company will not be relying on any general mandate for purposes of the U-Gas Acquisition; and
- (b) the ListCo Consideration Shares constituting the U-Gas Acquisition Shares Consideration will be allotted and issued to UEC, in which Mr. Teo and Ms. Teo have shareholding interests, and Mr. Teo is a director.

### 3. INFORMATION ON THE ASSET ACQUISITION

#### 3.1 Background

- 3.1.1 On 19 March 2018, the Company had entered into an asset purchase agreement (the “**Asset Purchase Agreement**”) to acquire the non-contractual domestic customer relationships from Semgas Supply (“**Asset Acquisition**”). The Company is engaged in the retail distribution of bottled LPG cylinders and sale of LPG-related accessories to mainly domestic households in Singapore (the “**Domestic LPG Business**”). The Company intends to further grow the distribution network and reach in relation to the Domestic LPG Business, and the Company believes that the Asset Acquisition will allow the Company to expand its distribution network and customer base.
- 3.1.2 Semgas Supply is a wholly-owned subsidiary of UEC. Semgas Supply had on 31 August 2017 entered into an asset purchase agreement (“**31 August 2017 APA**”) with an unrelated third party, in relation to the acquisition of a LPG business in Singapore (the “**LPG Business**”).
- 3.1.3 The Assets, which comprise the non-contractual domestic customer relationships with the domestic customers (“**Domestic Customers**”) associated thereof which Semgas Supply had acquired pursuant to the 31 August 2017 APA, forms a small part of the LPG Business acquired by Semgas Supply. Pursuant to the 31 August 2017 APA, the transaction was completed on 29 December 2017.
- 3.1.4 Mr. Teo had on 27 June 2017 executed the Non-Competition Deed in favour of the Company, as described in the offer document of the Company dated 13 July 2017. The Non-Competition Deed, provides that if any business opportunity is offered to Mr. Teo or any of his associates which falls within the scope of the Group’s business in the territories in which the Group operates, Mr. Teo shall immediately notify or cause his associate to notify the Group of such business opportunity, and if directed to do so by the Board, Mr. Teo will assist the Group to obtain such business opportunity on terms acceptable to the Group. Arising from the transaction pursuant to 31 August 2017 APA, Mr. Teo had notified the Company of the Assets which Semgas Supply had acquired from an unrelated third party prior to the completion of the 31 August 2017 APA.

- 3.1.5 The consideration payable for the Asset Acquisition is equivalent to S\$2,400,000 (the “**Asset Acquisition Consideration**”), and shall be satisfied by (i) a sum of S\$1,200,000 in cash and (ii) an allotment and issue of 4,533,434 ListCo Consideration Shares in favour of Semgas Supply, which is equivalent to S\$1,200,000, at an issue price of S\$0.2647 per ListCo Consideration Share.

### 3.2 Shareholders’ Approval

- 3.2.1 Shareholders’ approval is being obtained for the Asset Acquisition as a requirement pursuant to:–
- (a) Chapter 9 of the Catalist Rules, the Asset Acquisition is an interested person transaction. Given that Mr. Teo and Ms. Teo have 61.89% and 5.38% equity interest in UEC respectively, and as UEC is the sole shareholder of Semgas Supply, Semgas Supply is an interested person in relation to the Asset Acquisition; and
  - (b) Chapter 8 of the Catalist Rules, given that ordinary shares in the Company are to be issued to Semgas Supply as ListCo Consideration Shares.

### 3.3 The Asset Acquisition as a Non-Discloseable Transaction

#### 3.3.1 Information on the Assets and Semgas Supply

The Asset Acquisition will involve the purchase of the Assets by the Company from Semgas Supply, which is the non-contractual domestic customer relationships with the Domestic Customers associated thereof which Semgas Supply had acquired pursuant to the 31 August 2017 APA. Further, as mentioned above at Section 3.1.2 of this Circular, Semgas Supply is a wholly-owned subsidiary of UEC.

Based on the records provided by Semgas Supply, the average monthly historical volume of the number of LPG cylinders sold to Domestic Customers was approximately 13,748 LPG cylinders (“**Average Monthly Historical Volume**”).

#### 3.3.2 The Asset Acquisition Consideration

- 3.3.2.1 Subject to the adjustment provisions as set out in Section 3.3.2.3 of this Circular, the Asset Acquisition Consideration shall be the sum of S\$2,400,000, and shall comprise:–
- (a) the cash sum of S\$1,200,000, being fifty per cent (50%) of the Asset Acquisition Consideration (the “**Asset Acquisition Cash Consideration**”); and
  - (b) the allotment and issue of 4,533,434 ListCo Consideration Shares in the issued and paid-up capital of the Company, which is equivalent to S\$1,200,000, being fifty per cent (50%) of the Asset Acquisition Consideration (the “**Asset Acquisition Shares Consideration**”), at an issue price of S\$0.2647 per ListCo Consideration Share (being equivalent to the volume-weighted average price for each ordinary share of the Company for trades done on the SGX-ST on 14 March 2018, being the full market day preceding the date of the Asset Purchase Agreement where there were actual trades in the shares of the Company. No trades were done on 15 March 2018 and 16 March 2018 being the subsequent full market days preceding the date of the Asset Purchase Agreement).

3.3.2.2 The Asset Acquisition Cash Consideration shall be paid to Semgas Supply in accordance with the following terms and conditions, and subject to the condition as set out in the following paragraph, and subject to Section 3.3.2.3 of this Circular:–

- (a) a first instalment payment equivalent to seventy per cent (70%) of the Asset Acquisition Cash Consideration, being S\$840,000, shall be paid to Semgas Supply upon the Asset Acquisition Completion (the “**First Tranche**”); and
- (b) a second instalment payment equivalent to thirty per cent (30%) of the Asset Acquisition Cash Consideration, being S\$360,000, shall be paid to Semgas Supply three (3) months after the later of (i) the Asset Acquisition Completion Date, or (ii) a date to be agreed between the Company and Semgas Supply where there is no price adjustment by virtue of the condition as set out below in Section 3.3.2.3 of this Circular (the “**Second Tranche**”).

The Asset Acquisition Cash Consideration shall be funded from the proceeds raised from the Company’s initial public offering.

3.3.2.3 Subject to the Company’s waiver in writing to be given at its sole discretion, the Company shall be entitled to withhold payment of the Second Tranche which Semgas Supply agrees can be applied by the Company at the Company’s discretion for:–

- (a) any expenses incurred by the Company in relation to any “Sun \$ Reward Point” (as defined below) claimed by any consumer entitled to do so; and
- (b) Asset Acquisition Consideration adjustment shall be effected in the event of a reduction of 5% or more in the average monthly number of LPG cylinders sold by the Company from 1 May 2018 to 31 August 2018 as compared to the Average Monthly Historical Volume (“**APA Volume Guarantee**”).

In the event of a reduction in the number of LPG cylinders purchased as set out in Section 3.3.2.3(ii) of this Circular, the Company and Semgas Supply agree to negotiate the actual sum to be deducted from the Second Tranche with the resultant sum (if any) to be paid by the Company to Semgas Supply. In the event that the Second Tranche is insufficient to make good the deficit resulted by the reduction in the number of LPG cylinders purchased as set out in above Section 3.3.2.3(ii) of this Circular, Semgas Supply shall immediately without demand, make good any deficit pursuant to this paragraph by way of cash. There shall be no increase in the Asset Acquisition Consideration if more than the Average Monthly Historical Volume are purchased from the Company by the Domestic Customers from 1 May 2018 to 31 August 2018.

For the purposes of Section 3.3.2.3(i) of this Circular, the term “Sun \$ Reward Point” refers to the credit granted to Domestic Customers who had previously acquired LPG cylinders and as a result been granted credit/discount for their next purchase (each a “**Sun \$ Reward Point**” and collectively “**Sun \$ Reward Points**”). Semgas Supply has

represented to the Company that the Sun \$ Reward Points are scheduled to expire on or before 31 May 2018. The Company and Semgas Supply agree that Semgas Supply shall indemnify the Company for any Sun \$ Reward Points claimed by the Domestic Customers between the Asset Acquisition Completion Date and 31 May 2018 (both dates inclusive) and such indemnity may, at the Company's discretion, be effected by way of a deduction from the Second Tranche as set out in Section 3.3.2.2(b).

- 3.3.2.4 BDO Advisory had been appointed by the Company to perform an independent valuation in relation to the Assets. The Asset Acquisition Consideration was arrived at by the Company and Semgas Supply taking into consideration various commercial factors such as the potential of the Assets and the independent valuation by the independent valuer, BDO Advisory.
- 3.3.2.5 According to the valuation report by BDO Advisory, the range of valuation for the Assets is estimated to be approximately S\$2,390,000 to S\$2,510,000 as at 31 December 2017. The Asset Acquisition Consideration is at 4.4% discount from the top end of the range of valuation for the Assets.
- 3.3.2.6 The Asset Acquisition Shares Consideration represents 2.3% of the existing share capital of the Company, and 2.2% of the enlarged share capital of the Company after the Asset Acquisition Completion and 2.0% of the enlarged share capital of the Company after the U-Gas Acquisition Completion and the Asset Acquisition Completion. The U-Gas Acquisition Shares Consideration represents 10.6% of the enlarged share capital of the Company after the U-Gas Acquisition Completion and the Asset Acquisition Completion.
- 3.3.2.7 In summary, the details of the Asset Acquisition are set out below:—
  - (a) **Asset Acquisition Consideration, comprising the Asset Acquisition Cash Consideration and the Asset Acquisition Shares Consideration:** S\$2.40 million
  - (b) **Number of Shares to be allotted and issued to Semgas Supply:** 4,533,434
  - (c) **Interest of Mr. Teo in the share capital of the Company before the Asset Acquisition (without taking into account the increase in share capital pursuant to the U-Gas Acquisition:** 70.48%
  - (d) **Interest of Mr. Teo in the enlarged share capital of the Company after the Asset Acquisition (without taking into account the increase in share capital pursuant to the U-Gas Acquisition):** 71.14%
  - (e) **Interest of Mr. Teo in the enlarged share capital of the Company after the Asset Acquisition and the U-Gas Acquisition:** 74.20%

The ListCo Consideration Shares issued shall not be entitled to any proposed dividend for FY2017.

### 3.3.3 Conditions Precedent to the Asset Acquisition Completion

Completion under the Asset Purchase Agreement is conditional upon the satisfaction of the following conditions precedent (unless otherwise waived, if applicable), prior to or on the Asset Acquisition Completion Date:–

- (a) the Company being satisfied with the results of the financial due diligence exercise conducted by the Company and/or its professional advisers in respect of the Assets;
- (b) all approvals, waivers or consents under all applicable laws (including but not limited to the Catalist Rules and any requirements by the SGX-ST or otherwise) and/or as may be necessary under any terms which would otherwise constitute a default under any instrument, contract, document or agreement to which Semgas Supply is a party or by which Semgas Supply or its assets are bound:–
  - (i) as may be required for the sale and transfer of the Assets, to enable the Company to carry on the provision of products and/or services with the underlying customers relating to the Assets as the legal and beneficial owner of the Assets; and/or
  - (ii) to give effect to the Asset Purchase Agreement and the transactions contemplated thereunder,  
  
being obtained and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;
- (c) the approval-in-principle of all relevant authorities and/or agencies, including the SGX-ST (if required), for the transactions contemplated in the Asset Purchase Agreement being obtained (and such approval not having been withdrawn or revoked);
- (d) a listing and quotation notice for the listing and quotation of the Asset Acquisition Shares Consideration on Catalist being obtained from the SGX-ST and not having been withdrawn, amended or revoked; and
- (e) approval of the Shareholders for the Asset Acquisition and the performance of all of the Company's obligations under the Asset Purchase Agreement and all transactions contemplated thereunder or in connection thereto being obtained.

### 3.3.4 Completion under the Asset Purchase Agreement

On Asset Acquisition Completion under the Asset Purchase Agreement, the following shall take place:–

3.3.4.1 Semgas Supply shall deliver, or procure delivery, to the Company or make available to the Company *inter alia*:–

- (a) all such third party consents as the Company may require to vest in the Company, or as the Company may direct, the full benefit of the Assets and in relation to the financing obtained by the Semgas Supply pursuant to the 31 August 2017 APA, written confirmation by the relevant financial institution which had extended financing that it does not object to the sale of the Assets to the Company pursuant to the terms and conditions therein; and
- (b) all records of Semgas Supply relating to the Assets, as referred to in the Goods and Services Tax Act.

3.3.4.2 Subject to Semgas Supply having complied with the conditions set out above in Section 3.3.4.1 of this Circular, the Company shall:–

- (a) effect payment of and settlement of the Asset Acquisition Consideration in accordance with the conditions as set out in Section 3.3.3 of this Circular by:–
  - (i) issuing a cheque in respect of the First Tranche;
  - (ii) issuing share certificate(s) representing the relevant number of the Asset Acquisition Shares Consideration to Semgas Supply and/or its nominees, in the name of CDP and despatching the same to CDP for the account of Semgas Supply and/or its nominees; and
  - (iii) delivering a letter addressed to CDP requesting that CDP credit the securities account(s) of Semgas Supply and/or its nominees or the securities account of such Depository Agent (details of such securities account(s) to be notified in writing by Semgas Supply to the Company no later than three (3) Business Days prior to the Completion Date) with the relevant number of Asset Acquisition Shares Consideration.
- (b) deliver to Semgas Supply a certified copy of the resolution of the Board authorising the execution and delivery by the officers specified in the Asset Purchase Agreement, and any other documents referred to Asset Purchase Agreement as being required to be delivered by the officers.

#### 3.3.4.A Dealership Agreement

The Company or its nominee will be entering into a royalty-free dealership agreement (“**Dealership Agreement**”) with Semgas Supply for Union Energy to sell bottled LPG cylinders and LPG-related accessories in relation to the Domestic LPG Business under the “Sungas” brand.

The Dealership Agreement will commence on the Asset Acquisition Completion Date and shall continue until it is terminated by either party by giving thirty (30) days’ notice in writing to the other party.



### 3.3.5 Rationale for the Asset Acquisition

As mentioned in Section 3.1.1 of this Circular, the Company is engaged in the Domestic LPG Business. The Company intends to further grow the distribution network and reach of its Domestic LPG Business, and the Company believes that the Asset Acquisition will allow the Company to expand its distribution network and customer base.

### 3.3.6 Relative Figures under Chapter 10 of the Catalist Rules

Relative figures of the Asset Acquisition under Rule 1006 of the Catalist Rules, based on the Company's latest announced financial results for FY2017, are set out below.

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures (%)</b>
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable <sup>(1)</sup>
(b)	Net profits <sup>(2)</sup> attributable to the assets acquired, compared with the Group's net profits <sup>(2)</sup> .	Not applicable <sup>(3)</sup>
(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	4.5% <sup>(4)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	2.3% <sup>(5)</sup>
(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. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable <sup>(1)</sup>

**Notes:—**

- (1) This basis is not applicable to the Asset Acquisition.
- (2) Pursuant to Rule 1002(3)(b) of the Catalist Rules, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (3) There is no profit attributable to the Asset.
- (4) The market capitalisation is calculated based on the volume-weighted average price of S\$0.2647 on 14 March 2018, being the full market day preceding the date of the Asset Purchase Agreement, where there were actual trades in the shares of the Company. No trades were done on 15 March 2018 and 16 March 2018 being the subsequent full market days preceding the date of the Asset Purchase Agreement.
- (5) The number of equity securities to be issued by the Company as consideration for the Asset Acquisition is 4,533,434 Shares.

Based on the above figures, the Asset Acquisition is a non-discloseable transaction under Rule 1008 of the Catalist Rules.

### 3.3.7 Financial Effects of the Asset Acquisition

The financial effects of the Asset Acquisition on the Company as set out below are for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Asset Acquisition. The financial effects of the Asset Acquisition set out below have been prepared based on the Group's consolidated financial statements for FY2017.



### 3.3.7.1 EPS

The effects of the Asset Acquisition on the EPS of the Group for FY2017, assuming that the Asset Acquisition had been effected at the beginning of FY2017, are summarised below:–

<b>EPS</b>	<b>Before the Asset Acquisition</b>	<b>After the Asset Acquisition</b>
Earnings <sup>(1)</sup> (S\$'000)	3,475	3,475 <sup>(2)</sup>
Weighted average number of issued shares ('000)	183,397	187,931 <sup>(3)</sup>
EPS – Basic (cents)	1.89	1.85

**Notes:**

- (1) Represents net profit attributable to the Shareholders of the Company.
- (2) There is no profit attributable to the Asset.
- (3) Pursuant to the allotment and issuance of 4,533,434 new Shares in the capital of the Company as consideration for the Asset Acquisition.

### 3.3.7.2 NTA

The effects of the Asset Acquisition on the NTA per share of the Group for FY2017, assuming that the Asset Acquisition had been effected as at 31 December 2017, are summarised below:–

<b>NTA</b>	<b>Before the Asset Acquisition</b>	<b>After the Asset Acquisition</b>
Consolidated NTA (S\$'000) <sup>(1)</sup>	19,829	18,629
Number of issued shares ('000)	200,000	204,533 <sup>(2)</sup>
Consolidated NTA per share (cents)	9.91	9.11

**Notes:**

- (1) Represents consolidated NTA attributable to the Shareholders of the Company.
- (2) Pursuant to the allotment and issuance of 4,533,434 Shares in the capital of the Company as consideration for the Asset Acquisition.

### 3.3.8 Directors' Service Contracts

No person has been proposed to be appointed as an executive Director of the Company in connection with the Asset Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

### 3.3.9 Interest of Directors and Controlling Shareholders

Save for Mr. Teo and Ms. Teo who are interested in the Asset Acquisition, none of the other Directors, and to the best of the Directors' knowledge, none of the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Asset Acquisition.

### 3.4 Allotment and Issuance of Asset Acquisition Shares Consideration to Semgas Supply

- 3.4.1 As mentioned in Section 2.4 of this Circular, Rule 805(1) of the Catalist Rules provides that an issuer must obtain prior approval of shareholders in general meeting for the issue of shares unless such issuance of shares is covered under a general mandate obtained from shareholders of the Company.
- 3.4.2 Further, Rule 804 of the Catalist Rules states that except in the case of an issue made on a *pro rata* basis to shareholders or a scheme referred to in Part VIII of Chapter 8 of the Catalist Rules, no director of an issuer, or associate of the director may participate directly or indirectly in an issue of equity securities or convertible securities unless shareholders in general meeting have approved the specific allotment. Such directors and associates must abstain from exercising any voting rights on the matter.
- 3.4.3 The Company is thus seeking approval from independent Shareholders for the allotment and issuance of the Asset Acquisition Shares Consideration to Semgas Supply at the EGM pursuant to Section 161 of the Act, Rule 805(1) and Rule 804 of the Catalist Rules for the following reasons:–
- (a) the Company will not be relying on any general mandate for purposes of the Asset Acquisition; and
  - (b) the Asset Acquisition Shares Consideration will be allotted and issued to Semgas Supply, which is a wholly-owned subsidiary of UEC. UEC is a company which Mr. Teo and Ms. Teo have shareholding interests in, and in which Mr. Teo is a director.

## 4. THE PROPOSED ACQUISITIONS AS INTERESTED PERSON TRANSACTIONS

### 4.1 Chapter 9 of the Catalist Rules

- 4.1.1 Chapter 9 of the Catalist Rules governs transactions in which a listed company or any of its subsidiaries or associated companies (each known as an **“entity at risk”**) enters into or proposes to enter into with a party who is an interested person of the listed company. The purpose is to guard against the risk that interested persons could influence the listed company, its subsidiaries or associated companies to enter into transactions with it that may adversely affect the interests of the listed company or its shareholders.
- 4.1.2 For the purposes of Chapter 9 of the Catalist Rules:–
- (a) an **“entity at risk”** means a listed company, a subsidiary of the listed company that is not listed on the SGX-ST or an approved exchange or an associated company of the listed company that is not listed on the SGX-ST or an approved exchange, provided that the listed group or the listed group and its interested person(s) has control over the associated company;
  - (b) an **“associated company”** means a company in which at least 20% but not more than 50% of its shares are held by the listed company or group;
  - (c) an **“approved exchange”** means a stock exchange that has rules which safeguard the interests of shareholders against interested person transactions according to similar principles in Chapter 9 of the Catalist Rules;

- (d) an “**interested person**” means a director, chief executive officer or controlling shareholder of a listed company, or an associate of such director, chief executive officer or controlling shareholder;
- (e) an “**associate**” in relation to any director, chief executive officer or controlling shareholder (being an individual) means his immediate family (i.e., spouse, child, adopted child, stepchild, sibling and parent), the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object, and any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more. An “**associate**” in relation to a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more; and
- (f) an “**interested person transaction**” means a transaction between an entity at risk and an interested person and includes the provision or receipt of financial assistance, the acquisition, disposal or leasing of assets, the provision or receipt of services, the issuance or subscription of securities, the granting of or being granted options, and the establishment of joint ventures or joint investments, whether or not in the ordinary course of business, and whether or not entered into directly or indirectly.

## 4.2 Details of the Interested Persons

### 4.2.1 The U-Gas Acquisition as an interested person transaction

As mentioned in Section 2.2.1(a), Mr. Teo and Ms. Teo have shareholding interests in UEC, and Mr Teo is a director of UEC. As such, UEC is an interested person within the meaning of Chapter 9 of the Catalist Rules and the U-Gas Acquisition constitutes an “interested person transaction” as defined in Rule 904(5) of the Catalist Rules.

### 4.2.2 The Asset Acquisition as an interested person transaction

As mentioned in Section 3.2.1(a), Mr. Teo and Ms. Teo have shareholding interests in UEC and UEC is the sole shareholder of Semgas Supply. As such, Semgas Supply is an interested person within the meaning of Chapter 9 of the Catalist Rules and the Asset Acquisition constitutes an “interested person transaction” as defined in Rule 904(5) of the Catalist Rules.

## 4.3 Materiality Thresholds under Chapter 9 of the Catalist Rules

- 4.3.1 In accordance with Rule 906(1)(a) and Rule 918 of the Catalist Rules, where the value of an interested person transaction, or when aggregated with other transactions entered into during the same financial year, is equal to or exceeds 5% of the Company’s latest audited NTA, the approval of Shareholders is required to be obtained either prior to the transaction being entered into, or if the transaction is expressed to be conditional on such approval, prior to the completion of such transaction, as the case may be.

- 4.3.2 The value at risk of the U-Gas Acquisition is the U-Gas Acquisition Consideration, being S\$9,200,000. Based on the latest audited consolidated financial statements of the Group for FY2017, the audited consolidated NTA of the Group was approximately S\$19,829,000. The value at risk of the U-Gas Acquisition expressed as a percentage of the Group's latest audited consolidated NTA value for FY2017 is approximately 46.4%. As this value exceeds 5.0% of the Group's latest audited consolidated NTA for FY2017, pursuant to Rule 906 of the Catalist Rules, the U-Gas Acquisition is an interested person transaction which is subject to the approval of the Shareholders.
- 4.3.3 The value at risk of the Asset Acquisition is the Asset Acquisition Consideration, being S\$2,400,000. Based on the latest audited consolidated financial statements of the Group for FY2017, the audited consolidated NTA of the Group was approximately S\$19,829,000. The value at risk of the Asset Acquisition expressed as a percentage of the Group's latest audited consolidated NTA value for FY2017 is approximately 12.1%. As this value exceeds 5.0% of the Group's latest audited consolidated NTA for FY2017, pursuant to Rule 906 of the Catalist Rules, the Asset Acquisition is an interested person transaction which is subject to the approval of the Shareholders.
- 4.3.4 Accordingly, the Company will be convening the EGM to seek Shareholders' approval for the U-Gas Acquisition and the Asset Acquisition.
- 4.3.5 Pursuant to Rule 917(5) of the Catalist Rules, the current total of all interested person transactions during the course of the financial year ending 31 December 2018, being the period commencing from 1 January 2018 up to the Latest Practicable Date are as follows:–

<b>Name of interested person</b>	<b>S\$'000</b>
Sale of diesel at the fuel station to Sembas and Summit Gas Systems Pte. Ltd.	7
Provision of information technology related infrastructure services to Sembas	69
Sale of diesel in bulk to Sembas	234
Purchase of health products from Health Domain	3
Purchase of electricity from Union Power Pte. Ltd.	16

- 4.3.6 Save as disclosed above, no other interested person transactions were entered into between the Company and interested persons or associates of the interested persons.

#### **4.4 Advice of the Independent Financial Adviser**

- 4.4.1 Chapter 9 of the Catalist Rules provides that where shareholders' approval is required for an interested person transaction, the shareholders' circular must include an opinion from an independent financial adviser as to whether such transaction is on normal commercial terms and if it is prejudicial to the interests of the company and its minority shareholders.
- 4.4.2 The Company has appointed Xandar Capital Pte. Ltd. (the "IFA") as the independent financial adviser to advise the Independent Directors on whether the U-Gas Acquisition and the Asset Acquisition are on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

- 4.4.3 A copy of the letter dated 6 April 2018 from the IFA (the “**IFA Letter**”), containing its opinion in full, is set out in Appendix A to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety. The advice of the IFA to the Independent Directors has been extracted from the IFA Letter and is reproduced in italics below:–

#### **OUR OPINION**

*Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.*

#### **OUR OPINION ON THE U-GAS ACQUISITION**

*We set out below a summary of the key factors we have taken into our consideration:*

- (a) the financial performance of U-Gas;*
- (b) the U-Gas Acquisition Consideration is at a 9.4% premium to the lower bound of the Mazars Valuation Range and at a 7.4% discount to the upper bound of the Mazars Valuation Range. The U-Gas Acquisition Consideration is at a 0.3% premium to the mid-point of the Mazars Valuation Range, being approximately S\$9.17 million;*
- (c) the Mazars Valuation Report had not taken into account the Additional Hawker Centre;*
- (d) the EV/EBITDA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is within the range, but above the mean and the median of the U-Gas Comparables;*
- (e) the P/E ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is above the range, the mean and the median of the U-Gas Comparables. The high P/E ratio of U-Gas was attributable to the lower profits of S\$0.3 million for FY2017 as compared to S\$1.0 million annually for each of FY2015 and FY2016. Please refer to paragraph 4.1 of this IFA Letter for further discussion of the financial performance of U-Gas for FY2015, FY2016 and FY2017;*
- (f) the P/NAV ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is within the range, but above the mean and the median of the U-Gas Comparables;*
- (g) the P/NAV ratio of U-Gas, as implied by the U-Gas Acquisition Consideration and based on the Mazars Valuation Range, is within the range, and below the mean and the median of the U-Gas Comparables;*
- (h) the P/NTA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is above the range, the mean and the median of the U-Gas Comparables;*

- (i) *the P/NTA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration and based on the Mazars Valuation Range, is within the range, and below the mean and the median of the U-Gas Comparables;*
- (j) *the Issue Price represents a discount of 0.8% and 2.1% to the 1-month and 3-month VWAP of the Shares prior to the Announcement Date respectively;*
- (k) *the Issue Price represents a premium of 1.2% to the 6-month VWAP of the Shares prior to the Announcement Date;*
- (l) *the Issue Price is equal to the VWAP on the Last Trading Day;*
- (m) *based on the daily closing prices of the Shares, the Shares have traded above the Issue Price for the period subsequent to the Announcement Date and up to the Latest Practicable Date;*
- (n) *the EV/EBITDA ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;*
- (o) *the P/E ratio of the Group, as implied by the Issue Price, is above the range, the mean and the median of the UG Comparables;*
- (p) *the P/NAV ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;*
- (q) *the P/NTA ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;*
- (r) *for the period from the Listing Date up to the Announcement Date, the market prices of the Shares declined by 6.9% as compared to the 8.6% decrease in the FTSE ST Catalist Index over the same period;*
- (s) *rationale for the U-Gas Acquisition;*
- (t) *pro forma financial effects of the U-Gas Acquisition; and*
- (u) *other considerations set out in paragraph 4.8 of this IFA Letter.*

**Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the U-Gas Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

#### **OUR OPINION ON THE ASSET ACQUISITION**

We set out below a summary of the key factors we have taken into our consideration:

- (a) *the financials pertaining to the Assets;*
- (b) *the Asset Acquisition Consideration is at a 0.4% premium to the lower bound of the BDO Valuation Range and at a 4.4% discount to the upper bound of the BDO Valuation Range. The Asset Acquisition Consideration is at a 2.0% discount to the mid-point of the BDO Valuation Range, being approximately S\$2.45 million;*



- (c) *the P/Sales ratio of the Assets, as implied by the Asset Acquisition Consideration, is within the range, below the mean and above the median of the Retail LPG Comparables;*
- (d) *the P/NAV ratio of the Assets, as implied by the Asset Acquisition Consideration and the BDO Valuation Range, is within the range, and below the mean and the median of the Retail LPG Comparables;*
- (e) *the key factors set out in paragraph 8.1 (j), (k), (l), (m), (n), (o), (p), (q) and (r) of this IFA Letter pertaining to the issuance of Shares in part satisfaction of the Asset Acquisition Consideration;*
- (f) *rationale for the Asset Acquisition;*
- (g) *pro forma financial effects of the Asset Acquisition; and*
- (h) *other considerations set out in paragraph 6.7 of this IFA Letter.*

***Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the Asset Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.***

#### **4.5 The Audit Committee's statement**

##### **4.5.1 The U-Gas Acquisition**

As mentioned in Section 4.2.1 of this Circular, Mr. Teo and Ms. Teo have shareholding interests in UEC, and Mr. Teo is a director of UEC. As such, UEC is an interested person within the meaning of Chapter 9 of the Catalist Rules and the U-Gas Acquisition constitutes an "interested person transaction" as defined in Rule 904(5) of the Catalist Rules, and they shall abstain from making any recommendations in respect of the U-Gas Acquisition.

The Audit Committee, having considered, *inter alia*, the rationale for and the terms of the U-Gas Acquisition and the benefits to the Group that may be obtained therefrom, and taking into consideration the opinion of the IFA, the Audit Committee concurs with the opinion of the IFA, and is of the view (i) that the U-Gas Acquisition is on normal commercial terms and (ii) will not be prejudicial to the interests of the Company and its minority Shareholders.

##### **4.5.2 The Asset Acquisition**

As mentioned in Section 4.2.2 of this Circular, Mr. Teo and Ms. Teo have shareholding interests in UEC and Mr. Teo is a director of UEC, and UEC is the sole shareholder of Semgas Supply. As such, Semgas Supply is an interested person within the meaning of Chapter 9 of the Catalist Rules and the Asset Acquisition constitutes an "interested person transaction" as defined in Rule 904(5) of the Catalist Rules. Thus, Mr. Teo and Ms. Teo shall abstain from making any recommendations in respect of the Asset Acquisition.

The Audit Committee, having reviewed, *inter alia*, the rationale for and the terms of the Asset Acquisition and the benefits to the Group that may be obtained therefrom, and taking into consideration the opinion of the IFA, the Audit Committee concurs with the opinion of the IFA, and is of the view (i) the Asset Acquisition is on normal commercial terms and (ii) will not be prejudicial to the interests of the Company and its minority Shareholders.

#### **4.6 Additional Listing Application in relation to the U-Gas Acquisition and the Asset Acquisition**

The Sponsor, on behalf of the Company, will be submitting an additional listing application to the SGX-ST for the listing of and quotation for 24,329,430 Shares and 4,533,434 Shares on Catalist in relation to the U-Gas Acquisition and Asset Acquisition, respectively. An announcement will be made in due course to notify Shareholders when the listing and quotation notice from the SGX-ST is obtained.

### **5. THE PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE**

#### **5.1 Background of the New IPT General Mandate**

5.1.1 Upon the U-Gas Acquisition Completion, from time to time, there would be transactions between the Group and entities within the UEC Group in respect of recurrent transactions which would be entered into frequently by the Group in its ordinary course of business. Such transactions for the purposes of Chapter 9 of the Catalist Rules are regarded as interested person transactions and comprise the following:–

- (a) provision of maintenance and support services by Sembas to U-Gas in respect of equipment necessary in the course of its business, such as the LPG manifold systems, stoves and pipes. On the U-Gas Acquisition Completion, transactions between Sembas and U-Gas are for the purposes of Chapter 9 of the Catalist Rules regarded as interested person transactions;
- (b) sale of LPG manifold systems and piping from Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply, as the case may be to U-Gas. On the U-Gas Acquisition Completion, transactions between Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply, as the case may be, and U-Gas are for the purposes of Chapter 9 of the Catalist Rules regarded as interested person transactions.

5.1.2 As at the Latest Practicable Date, the Non-executive Chairman of the Company, Mr. Teo, and the Executive Director and CEO of the Company, Ms. Teo, have an interest of approximately 61.89% and 5.38% of the total equity interest in UEC in which Mr. Teo is a director. Hence, for the purposes of Chapter 9 of the Catalist Rules, entities within the UEC Group, namely Sembas, Semgas (S), Gasmart, United Gas and Choon Hin Gas Supply are regarded as interested persons of the Company.

5.1.3 The Company would like to seek the approval from the Shareholders for the adoption of the New IPT General Mandate in respect of certain recurrent transactions as set out above Section 5.1.1 and in Section 5.3 of this Circular, pursuant to Chapter 9 of the Catalist Rules.

5.1.4 For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the New IPT General Mandate. Further, the New IPT General Mandate will not cover any transactions entered into by a member of the Group with the Mandated Interested Persons (as defined herein) that is below S\$100,000.00 in value, as the threshold and aggregation requirements of Rules 905 and 906 of Chapter 9 of the Catalist Rules would not apply to such transactions.



- 5.1.5 Transactions with other interested persons that do not fall within the scope of the New IPT General Mandate will be subject to the relevant provisions of Chapter 9 of the Catalist Rules and/or other applicable provisions of the Catalist Rules.
- 5.1.6 General information relating to Chapter 9 of the Catalist Rules, including terms such as “interested person”, “associate” and “controlling shareholder”, are set out in Section 4 of this Circular.

## 5.2 Classes of Mandated Interested Persons

The New IPT General Mandate will apply to the Group’s transactions with Sembas, Semgas (S), Gasmart, United Gas and Choon Hin Gas Supply. (the “**Mandated Interested Persons**”).

## 5.3 Mandated Transactions under the New IPT General Mandate

As mentioned in Section 5.1.1 of this Circular, the transactions with the Mandated Interested Persons which will be covered by the New IPT General Mandate (the “**Mandated Transactions**”) relate to the provision to, or the obtaining from, the Mandated Interested Persons of recurrent transactions (such as the purchase and sale of products and services in the normal course of the Company’s business) of a revenue or trading nature or which are necessary for the Company’s day-to-day operations (but not in respect of the purchase or sale of assets, undertakings or businesses which are not part of the Company’s day-to-day operations) comprising the following:–

- (a) provision of maintenance and support services by Sembas to U-Gas in respect of equipment necessary in the course of its business, such as the LPG manifold systems, stoves and pipes. On the U-Gas Acquisition Completion, transactions between Sembas and U-Gas are for the purposes of Chapter 9 of the Catalist Rules regarded as interested person transactions; and
- (b) sale of LPG manifold systems and piping from Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply, as the case may be to U-Gas. On the U-Gas Acquisition Completion, transactions between Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply, as the case may be and U-Gas are for the purposes of Chapter 9 of the Catalist Rules regarded as interested person transactions.

## 5.4 Rationale for and benefit of the New IPT General Mandate

- 5.4.1 The Mandated Transactions will be entered into between our Group and the Mandated Interested Persons in the ordinary course of business of the Group. Such transactions will recur frequently and it will be beneficial to the Group to continue to transact with the Mandated Interested Persons as the Group derives synergy and benefits from these transactions.
- 5.4.2 The New IPT General Mandate will give the Group the flexibility to enter into transactions with the specified classes of Mandated Interested Persons in the ordinary course of the Group’s business without the need to seek Shareholders’ approval each time. The New IPT General Mandate will also enhance the Group’s ability to pursue business opportunities of a revenue or trading nature which are time sensitive, and will eliminate the need for the Company to announce and convene separate general meetings on each occasion to seek Shareholders’ prior approval for the Group to enter into such transactions. This will substantially reduce the expenses associated with the convening of such general meetings from time to time, improve administrative efficacy, and allow resources and time to be focused towards other corporate and business opportunities.

- 5.4.3 The New IPT General Mandate is intended to facilitate transactions in the ordinary course of business of the Group which are transacted from time to time with the specified Mandated Interested Persons, provided that they are transacted on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority Shareholders.

## **5.5 Review Procedures under the Mandated Transactions with the Mandated Interested Persons**

The Company has established procedures to ensure that the Mandated Transactions with the Mandated Interested Persons are undertaken on normal commercial terms, and are consistent with the Group's usual policies and practices and are not prejudicial to the interests of the Company and its minority Shareholders.

- (a) provision of maintenance and support services by Sembas to U-Gas in respect of equipment necessary in the course of its business, such as the LPG manifold systems, stoves and pipes:

The provision of maintenance and support service from Sembas to U-Gas is to be carried out by comparing against quotations (wherever possible or available) from at least two (2) other unrelated third party suppliers for the same or substantially similar provider of maintenance and support service, prior to the entry into the transaction with the Mandated Interested Person, as a basis for comparison to determine whether the price and terms offered to the Mandated Interested Person are fair, reasonable, comparable and not more favourable to those offered to other unrelated third parties for the same or substantially similar maintenance and support service. In determining whether the price and terms offered to the Mandated Interested Person are fair and reasonable, factors such as, but not limited to, the cost of the personnel engaged to provide such services, the materials used, and any other costs in relation to and necessary for Sembas to properly render the services, will also be taken into account.

In the event that such competitive quotations from unrelated third party suppliers are not available due to the nature of the transaction, if applicable, the Company will procure that Sembas provides and/or the Company will obtain two (2) recent quotations (wherever possible or available) for the provision of similar maintenance and support services provided by Sembas to its unrelated third party customers, prior to the entry into the transaction with the Mandated Interested Person, as a basis for comparison to determine whether the price and terms offered to the Mandated Interested Person are fair, reasonable, comparable and not more favourable to those offered by Sembas to other unrelated third party customers for the same or substantially similar maintenance and support services. In determining whether the price and terms offered to the Mandated Interested Person are fair and reasonable, factors such as, but not limited to, the cost of the personnel engaged to provide such services, the materials used, and any other costs in relation to and necessary for Sembas to properly render the services, will also be taken into account.

In the event that such quotations issued to unrelated third party customers of Sembas cannot be obtained (for instance, if there are no unrelated third party customers of Sembas of similar maintenance and support services), the CFO and a senior executive of the Group designated by the Audit Committee (who must have no interest, direct or indirect in the transaction) will determine whether the price and terms offered to the Mandated Interested Person are fair and reasonable in accordance with the Group's usual business practices and pricing policies or industry norms, and taking into account factors such as, but not limited to, the cost of the personnel engaged to provide such services, the materials used, and any other costs in relation to and necessary for Sembas to properly render the services, will also be taken into account.

- (b) Sale of LPG manifold systems and pipings from Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply to U-Gas:

The sale of LPG manifold systems and pipings from Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply to U-Gas is to be carried out by comparing against quotations (wherever possible or available) from at least two (2) other unrelated third party suppliers for the same or substantially similar LPG manifold systems and pipings, prior to the entry into the transaction with the Mandated Interested Person, as a basis for comparison to determine whether the price and terms offered by the Mandated Interested Person are fair, reasonable, comparable and not more favourable to those offered to other unrelated third parties for the same or substantially similar LPG manifold systems and pipings. In determining whether the price and terms offered by the Mandated Interested Person are fair and reasonable, factors such as, but not limited to, requirements and specifications, quality and consistency of service in relation to the provision of LPG manifold systems and pipings, experience and expertise and where applicable, preferential rates, rebates or discounts accorded for large purchases of systems and pipings, will also be taken into account.

In the event that such competitive quotations from unrelated third party suppliers are not available due to the nature of the transaction, if applicable, the Company will procure that Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply (as applicable) provides and/or the Company will obtain two (2) recent quotations (wherever possible or available) for similar quantities of LPG manifold systems and pipings provided by Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply to their unrelated third party customers, prior to the entry into the transaction with the Mandated Interested Person, as a basis for comparison to determine whether the price and terms offered by the Mandated Interested Person are fair, reasonable, comparable and not more favourable to those offered by Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply (as applicable) to other unrelated third party customers for the same or substantially similar quantities of LPG manifold systems and pipings. In determining whether the price and terms offered by the Mandated Interested Person are fair and reasonable, factors such as, but not limited to, requirements and specifications, profit margins, quality and consistency of service in relation to the provision of LPG manifold systems and pipings, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for large purchases of systems and pipings, will also be taken into account.

In the event that such quotations issued to unrelated third party customers of Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply cannot be obtained (for instance, if there are no unrelated third party customers of Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply of similar LPG manifold systems and pipings), the CFO and a senior executive of the Group designated by the Audit Committee (who must have no interest, direct or indirect in the transaction) will determine whether the price and terms offered to the Mandated Interested Person are fair and reasonable in accordance with the Group's usual business practices and pricing policies or industry norms, and taking into account factors such as, but not limited to, requirements and specifications, quality and consistency of service in relation to the provision of LPG manifold systems and pipings, experience and expertise, and where applicable, preferential rates, rebates or discounts accorded for large purchases of LPG manifold systems and pipings, will also be taken into account.

## 5.6 Approval Threshold

- 5.6.1 In addition to the review procedures, the following thresholds will apply to the Mandated Transactions:–
- (a) where the value of each Mandated Transaction is less than 3.0% of the Group's latest audited NTA, such transaction will be reviewed and approved by the CFO who is not related to the Mandated Interested Person(s) from time to time for such purpose, and tabled for review by the Audit Committee on a quarterly basis; and
  - (b) where the value of each Mandated Transaction is greater than or equal to 3.0% of the Group's latest audited NTA, such transaction will be reviewed and approved by the CFO and the Audit Committee, all of whom are not related to the Mandated Interested Person(s).
- 5.6.2 The above approval thresholds are adopted after taking into account, amongst other things, the nature, volume, recurrent frequency and transaction size as well as the Group's day-to-day operations, administration and businesses. The approval thresholds act as an additional safeguard to supplement the review procedures to be implemented for the Mandated Transactions.
- 5.6.3 Any of the persons referred to above may request for additional information pertaining to the transaction under the review from the independent sources or advisers, including requesting for an independent financial adviser's opinion and/or obtaining of valuations from the independent professional valuers, as he deems fit.
- 5.6.4 If any of the persons referred to above has an interest in the transaction or is a nominee for the time being of the Mandated Interested Person, the review and approval process shall be undertaken by such other senior executive of the Group as designated by the Audit Committee.
- 5.6.5 If a member of the Audit Committee has an interest in any Mandated Transaction or is a nominee for the time being of the Mandated Interested Person, he shall abstain from participating in the review and approval process of the Audit Committee in relation to the Mandated Transaction, and the review and approval of that Mandated Transaction will be undertaken by the remaining members of the Audit Committee.

## 5.7 Other Monitoring and Review Procedures

The following monitoring and review procedures will also be implemented in relation to all interested person transactions (including the Mandated Transactions):–

- 5.7.1 The Group will maintain a register of all interested person transactions, including the Mandated Transactions (the **"IPT Register"**). The IPT Register shall include information pertinent to all the interested person transactions, such as, but not limited to, the nature of the interested person transactions, the details of the interested person transactions, the rationale for entering into such transactions, the basis (as well as the supporting documents) for determining the transaction prices and material terms and conditions. The IPT Register shall be prepared, maintained and monitored by the CAO, who shall not be interested in any of the interested person transactions and who is duly delegated to do so by the Audit Committee. The Company will obtain signed declarations from all Directors and Executive Officers on an annual basis with respect to their interest in any transactions with the Group.

- 5.7.2 Separate from the Audit Committee's requirement to approve interested person transactions submitted to it, the Audit Committee will, on a quarterly basis, review the transactions in the IPT Register, to (i) in respect of interested person transactions excluding the Mandated Transactions, ensure that such interested person transactions are entered into taking into account the review procedures for other interested person transactions; (ii) in respect of the Mandated Transactions, ensure that the methods and procedures established under the New IPT General Mandate have been complied with, and the relevant approvals have been obtained; and (iii) determine if the methods and procedures established under the New IPT General Mandate continue to be adequate and/or commercially practicable in ensuring that the Mandated Transactions are not prejudicial to the interests of the Company and its minority Shareholders.
- 5.7.3 All interested person transactions shall be subject to the review by the Company's internal auditors on a quarterly basis to ensure that the relevant methods and procedures are complied with, and relevant approvals have been obtained. The internal auditors will submit their findings to the Audit Committee. The Audit Committee shall review the internal audit reports to ensure that all interested person transactions are carried out on normal commercial terms, and relevant approvals have been obtained. The Group shall grant the Audit Committee access and shall furnish such information as required by the Audit Committee for such review.
- 5.7.4 If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established methods and procedures have become inadequate or inappropriate to ensure that the Mandated Transactions will be entered into based on terms not prejudicial to the interests of the Company and its minority Shareholders, for example, in the event of changes to the nature of, or manner in which, the business activities of the Group or the Mandated Interested Person are conducted, or in the event of any amendment to Chapter 9 of the Catalist Rules, the Audit Committee will, in consultation with the Board, take such action as it deems proper in respect of such methods and procedures, and/or modify or implement such methods and procedures as may be necessary, and direct the Company to seek a fresh general mandate from Shareholders based on new methods and procedures for transactions with Mandated Interested Persons.
- 5.7.5 The Board will also ensure that all disclosures, approvals and other requirements on the Mandated Transactions, including those required by prevailing legislation, the Catalist Rules and relevant accounting standards, are complied with.

## **5.8 Advice of the Independent Financial Advisor**

- 5.8.1 A copy of the letter dated 6 April 2018 from the IFA (the "**IFA Letter**"), containing its opinion in full, is set out in Appendix A to this Circular. Shareholders are advised to read the IFA Letter carefully and in its entirety. The advice of the IFA to the Independent Directors has been extracted from the IFA Letter and is reproduced in italics below:—

### ***OUR OPINION***

*Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate. We have carefully considered as many factors as we deem essential and balanced them before*

*reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.*

#### **OUR OPINION ON THE NEW IPT GENERAL MANDATE**

*In arriving at our opinion in respect of the New IPT General Mandate, we have considered, inter alia, the methods and procedures set up by the Company, the role of the Audit Committee in enforcing the New IPT General Mandate, and the rationale for and benefits of the New IPT General Mandate.*

*Having regard to the considerations set out in paragraph 7 of this IFA Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the methods and procedures for determining the transaction prices of the New IPT General Mandate, if applied strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.*

#### **5.9 The Audit Committee's Statement**

The Audit Committee, having reviewed, *inter alia*, the rationale for and the terms of the New IPT General Mandate and the benefits to the Group that may be obtained therefrom, and taking into consideration the opinion of the IFA, is of the view that the methods and procedures set up by the Company for determining the transaction prices of Mandated Transactions are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Mr. Teo and Ms. Teo, who are Interested Persons in relation to the New IPT General Mandate, shall abstain from making any recommendations in respect of the New IPT General Mandate.

#### **5.10 Validity Period of the New IPT General Mandate**

- 5.10.1 If approved at the forthcoming EGM, the New IPT General Mandate will take effect from the date of the passing of the ordinary resolution to be proposed at the EGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM.
- 5.10.2 Approval from Shareholders will be sought for the renewal of the New IPT General Mandate at each subsequent AGM subject to the satisfactory review by the Audit Committee of the continued application to the transactions with the Mandated Interested Persons.

#### **5.11 Disclosure of IPT**

In accordance with the requirements of Chapter 9 of the Catalist Rules:—

- 5.11.1 disclosure will be made in the annual report of the Company, giving details of the aggregate value of all Mandated Transactions conducted with Mandated Interested Persons pursuant to the New IPT General Mandate during the financial year under review and in the annual reports for the subsequent financial years during which the New IPT General Mandate is in force;



5.11.2 announcements will be made with regard to the aggregate value of transactions conducted pursuant to the New IPT General Mandate for the financial periods which the Company is required to report on pursuant to Rule 705 of the Catalist Rules within the time required for the announcement of such report; and

5.11.3 disclosures of the Mandated Transactions will be presented in the form set out in Rule 907 of the Catalist Rules.

## 6. DIRECTORS' RECOMMENDATIONS

6.1 **The U-Gas Acquisition.** Mr. Teo and Ms. Teo shall abstain from making any recommendations in respect of the U-Gas Acquisition. After having considered, *inter alia*, the terms, rationale for and benefits of the U-Gas Acquisition, the IFA Letter and the statement of the Audit Committee, the Directors (except for Mr. Teo and Ms. Teo) are of the opinion that the U-Gas Acquisition is in the best interests of the Company and is not prejudicial to the interests of its minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 1 relating thereto to be proposed at the EGM as set out in the Notice of EGM.

6.2 **The Asset Acquisition.** Mr. Teo and Ms. Teo shall abstain from making any recommendations in respect of the Asset Acquisition. After having considered, *inter alia*, the terms, rationale for and benefits of the Asset Acquisition, the IFA Letter and the statement of the Audit Committee, the Directors (except for Mr. Teo and Ms. Teo) are of the opinion that the Asset Acquisition is in the best interests of the Company and is not prejudicial to the interests of its minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 2 relating thereto to be proposed at the EGM as set out in the Notice of EGM.

6.3 **The Proposed Adoption of the New IPT General Mandate.** Mr. Teo and Ms. Teo shall abstain from making any recommendations in respect of the Proposed Adoption of the New IPT General Mandate. After having considered, *inter alia*, the terms, rationale for and benefits of the Proposed Adoption of the New IPT General Mandate, the IFA Letter and the statement of the Audit Committee, the Directors (except for Mr. Teo and Ms. Teo) are of the opinion that the Proposed Adoption of the New IPT General Mandate is in the interests of the Company and is not prejudicial to the interests of its minority Shareholders. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 3 relating thereto to be proposed at the EGM as set out in the Notice of EGM.

6.4 Independent Shareholders should exercise caution in their decision in voting in favour of or against the Proposed Acquisitions, and the Proposed Adoption of the New IPT General Mandate.

## 7. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages 101 to 104 of this Circular, will be held at 23 April 2018, 10 a.m. (or soon thereafter as the AGM of the Company convened on the same day and at the same place at 9 a.m. shall have concluded or shall have been adjourned, as the case may be) at 190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409 for the purpose of considering and, if thought fit, passing with or without modifications the ordinary resolutions set out in the notice of EGM on pages 101 to 104 of this Circular.

## **8. ABSTENTION FROM VOTING**

- 8.1 Mr. Teo and Ms. Teo, shall abstain, and have procure that their associates and nominees will abstain, from voting on resolutions at the EGM approving the Proposed Acquisitions and the New IPT General Mandate.
- 8.2 Each of Mr Teo and Ms Teo and their associates will also refrain from accepting nomination as proxy or otherwise vote at the EGM in respect of the resolutions to be proposed unless Shareholders appointing them as proxies give specific instructions in the relevant proxy forms on the manner in which they wish their votes to be cast for the said resolutions.

## **9. ACTIONS TO BE TAKEN BY SHAREHOLDERS**

### **9.1 Appointment of Proxies**

If a Shareholder (who is not a Relevant Intermediary, as defined in Section 181(6) of the Act) is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the Proxy Form attached herein in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not later than 72 hours before the time appointed for the EGM. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM if he so wishes. An appointment of a proxy or proxies shall be deemed to be revoked if a Shareholder attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

A Relevant Intermediary may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

For the purpose of Section 9.1 of this Circular, a Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund ("**CPF**"), if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

### **9.2 When Depositor regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register at least 72 hours before the EGM.



## 10. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

10.1 As of the Latest Practicable Date, the shareholdings of the Directors are as follows:–

Name of Director	Direct Interest	Deemed Interest
<b><i>Shares of the Company</i></b>		
Teo Kiang Ang <sup>(1)</sup>	140,963,500	–
Teo Soak Theng Alexis <sup>(1)</sup>	–	–
Loo Hock Leong	–	–
Lim Chwee Kim	400,000	–
Heng Chye Kiou	–	–

**Note:**

(1) Mr. Teo, who is the Non-executive Chairman of the Company, is the father of Ms. Teo, who is the Company's Executive Director and CEO.]

10.2 As of the Latest Practicable Date, the shareholding of the Substantial Shareholder is as follows:–

	Direct Interest	%	Deemed Interest	%
Teo Kiang Ang <sup>(1)</sup>	140,963,500	70.48	–	0

**Note:–**

(1) Mr. Teo is the Non-executive Chairman and controlling shareholder of the Company.

## 11. RESPONSIBILITY STATEMENT BY THE DIRECTORS

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisitions and the New IPT General Mandate and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

## 12. CONSENTS

### 12.1 The IFA, Xandar Capital Pte. Ltd.

The IFA, Xandar Capital Pte. Ltd., has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name, the IFA Letter and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

## 12.2 The independent valuers, BDO Advisory and Mazars

Each of the independent valuers, BDO Advisory and Mazars has given and has not withdrawn its written consent to the issue of this Circular and the inclusion of its name, the Valuation Letter and all references thereto, in the form and context in which they appear in this Circular, and to act in such capacity in relation to this Circular.

## 13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 3 Lorong Bakar Batu #07-04 Union Industrial Center, Singapore 348741, during normal business hours from the date of this Circular up to and including the date falling three (3) months from the date of the Announcement (save for the IFA Letter and the letter of consent from the IFA, Mazars and BDO which will be available from the date of this Circular up to and including the date of the EGM):—

- (a) the SPA;
- (b) the Asset Purchase Agreement;
- (c) the letter from the IFA;
- (d) the full valuation reports from Mazars and BDO Advisory;
- (e) the letters of consent from Mazars and BDO Advisory, respectively, referred to in Section 12 of this Circular;
- (f) the letter of consent from the IFA, referred to in Section 12 of this Circular;
- (g) the constitution of the Company; and
- (h) the annual report of the Company for FY2017.

## 14. CAUTIONARY STATEMENT

Shareholders and potential investors should exercise caution when trading in Shares, and where in doubt as to the action they should take, they should consult their financial, tax or other advisors.

Yours faithfully

For and on behalf of  
the Board of Directors of  
**UNION GAS HOLDINGS LIMITED**  
**Teo Soak Theng Alexis**  
Executive Director and Chief Executive Officer

## APPENDIX A – LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

6 April 2018

**Union Gas Holdings Limited**

3 Lorong Bakar Batu #07-04  
Union Industrial Centre  
Singapore 348741

**Attention:** The Independent Directors

Dear Sirs

**LETTER FROM XANDAR CAPITAL PTE. LTD. TO THE INDEPENDENT DIRECTORS OF UNION GAS HOLDINGS LIMITED IN RESPECT OF:**

- (A) THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF U-GAS PTE. LTD. AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 24,329,430 SHARES AT AN ISSUE PRICE OF S\$0.2647 EACH AND CASH OF S\$2,760,000 AS CONSIDERATION;
- (B) THE PROPOSED ACQUISITION OF ASSETS FROM SEMGAS SUPPLY PTE. LTD. (BEING NON-CONTRACTUAL CUSTOMER RELATIONSHIPS WITH DOMESTIC CUSTOMERS) AS AN INTERESTED PERSON TRANSACTION WITH THE ALLOTMENT AND ISSUANCE OF 4,533,434 SHARES AT AN ISSUE PRICE OF S\$0.2647 EACH AND CASH OF S\$1,200,000 AS CONSIDERATION; AND
- (C) THE PROPOSED ADOPTION OF THE NEW INTERESTED PERSON TRANSACTIONS GENERAL MANDATE

*Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meanings herein.*

### 1. INTRODUCTION

#### 1.1 U-GAS ACQUISITION

On 19 March 2018 (the “**Announcement Date**”), Union Gas Holdings Limited (the “**Company**” or “**Union Gas**”) announced the entry into a definitive sale and purchase agreement (the “**SPA**”) between the Company and Union Energy Corporation Pte. Ltd. (the “**UEC**”) to acquire the entire issued and paid-up share capital of U-Gas Pte. Ltd. (“**U-Gas**”) for an aggregate consideration of S\$9.20 million (the “**U-Gas Acquisition Consideration**”)(collectively, the “**U-Gas Acquisition**”).

To satisfy the U-Gas Acquisition Consideration, the Company will (i) allot and issue 24,329,430 new ordinary shares in the issued share capital of the Company (“**Shares**”) at an issue price of S\$0.2647 each (the “**Issue Price**”) to UEC (the “**U-Gas Acquisition Shares Consideration**”), and (ii) pay UEC S\$2.76 million in cash (the “**U-Gas Acquisition Cash Consideration**”).

## 1.2 ASSET ACQUISITION

On the Announcement Date, the Company also announced that it had entered into an asset purchase agreement (the "**Asset Purchase Agreement**") to acquire the non-contractual domestic customer relationships from Semgas Supply Pte. Ltd. ("**Semgas Supply**") for an aggregate consideration of S\$2.40 million (the "**Asset Acquisition Consideration**") (collectively, the "**Asset Acquisition**").

To satisfy the Asset Acquisition Consideration, the Company will (i) allot and issue 4,533,434 new Shares at an issue price of S\$0.2647 each to Semgas Supply (the "**Asset Acquisition Shares Consideration**"), and (ii) pay Semgas Supply S\$1.20 million in cash (the "**Asset Acquisition Cash Consideration**").

## 1.3 CHAPTER 9 OF THE CATALIST RULES

UEC is the sole shareholder of U-Gas. UEC is a company incorporated in Singapore in which Mr Teo Kiang Ang ("**Mr Teo**") and Ms. Teo Soak Theng Alexis ("**Ms Teo**") have equity interests of 61.89% and 5.38% respectively. Semgas Supply is a wholly-owned subsidiary of UEC. Mr Teo is the Non-Executive Chairman and controlling shareholder of the Company (holding 70.48% direct interest in the Company), and is also a director of UEC. Ms Teo is the Executive Director and Chief Executive Officer of the Company.

As such, UEC and Semgas Supply are deemed interested persons within the meaning of Chapter 9 of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst ("**Catalist Rules**") and each of the U-Gas Acquisition and the Asset Acquisition (collectively, the "**Proposed Acquisitions**") constitutes an "interested person transaction" as defined in Rule 904(5) of the Catalyst Rules.

As the value at risk of the Proposed Acquisitions each exceeds 5.0% of the latest audited consolidated net tangible assets ("**NTA**") of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2017 ("**FY2017**"), each of the Proposed Acquisitions is an interested person transaction which is subject to the approval of the Shareholders. An independent financial adviser ("**IFA**") also has to be appointed to advise as to whether each of the Proposed Acquisitions is on normal commercial terms and if it is prejudicial to the interests of the Company and its minority shareholders.

## 1.4 PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE

Under Chapter 9 of the Catalyst Rules, a listed company may seek a general mandate from its shareholders for recurrent interested person transactions of a revenue or trading nature or for those necessary for its day-to-day operations, but not in respect of the purchase or sale of assets, undertakings or businesses.

The Company is proposing to adopt a new general mandate (the "**New IPT General Mandate**") for certain recurrent interested person transactions ("**Mandated Transactions**") to be entered into between (a) the Group and (b) Sembas (Asia) Trading Pte. Ltd. ("**Sembas**"), Semgas (S) Pte. Ltd., ("**Semgas (S)**"), Gasmart Pte Ltd ("**Gasmart**"), United Gas Pte. Ltd. ("**United Gas**") and Choon Hin Gas Supply Pte Ltd ("**Choon Hin Gas Supply**") (collectively also known hereinafter

as the “**Mandated Interested Persons**”), under Rule 921 of the Catalyst Rules (the “**Proposed Adoption of the New IPT General Mandate**”).

Pursuant to Chapter 9 of the Catalyst Rules, an IFA has to be appointed to opine that the methods and procedures set out in the New IPT General Mandate are sufficient to ensure that all Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

## **1.5 APPOINTMENT OF THE IFA**

Xandar Capital Pte. Ltd. (“**Xandar Capital**”) has been appointed by the Company to act as the IFA to advise the Directors who are considered to be independent for the purposes of making a recommendation to Shareholders in respect of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate (the “**Independent Directors**”) as to (i) whether the U-Gas Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders, (ii) whether the Asset Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders and (iii) whether the methods and procedures set out in the New IPT General Mandate are sufficient to ensure that all Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

This letter sets out our evaluation of the Proposed Acquisitions and the New IPT General Mandate and our advice to the Independent Directors therein (the “**IFA Letter**”). This IFA Letter forms part of the Circular issued by the Company in connection with the Proposed Acquisitions and the New IPT General Mandate.

## **2. TERMS OF REFERENCE**

Xandar Capital has been appointed to advise the Independent Directors as to (i) whether the U-Gas Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders, (ii) whether the Asset Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders and (iii) whether the methods and procedures set out in the New IPT General Mandate are sufficient to ensure that all Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

We are not and were not involved in any aspect of the negotiations pertaining to the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate, nor were we involved in the deliberations leading up to the decisions on the part of the Directors to agree on the terms of the Proposed Acquisitions and to adopt the New IPT General Mandate. Our evaluation is limited to the terms of the Proposed Acquisitions and the methods and procedures set out in the New IPT General Mandate, and has not taken into account the legal risks, commercial risks or merits, financial risks or merits of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate.

Our terms of reference do not require us to express, evaluate or comment on the rationale for, strategic or commercial merits and/or risks of the Proposed Acquisitions and the Proposed

Adoption of the New IPT General Mandate, or the future performance or prospects of the Group. We are, therefore, not expressing any opinion herein as to the future financial or other performance of the Company or the Group, whether with or without the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate.

As with other business transactions of the Company, the merit and/or associated risk, whether commercial, financial or otherwise, of the Proposed Acquisitions and Proposed Adoption of the New IPT General Mandate, are solely the responsibility of the Board. Likewise, we are not expressing herein as to the prices at which the Shares may trade upon completion of the Proposed Acquisitions and the adoption of the New IPT General Mandate. We are also not addressing the relative merits of the Proposed Acquisitions and the New IPT General Mandate, as compared to any alternative transaction previously considered by the Company or that otherwise may become available to the Group in the future. Such evaluations or comments remain the responsibility of the Board and the management of the Company.

In the course of our evaluation and for the purpose of our opinion in relation to the Proposed Acquisitions and the New IPT General Mandate, we have held discussions with certain Directors and management of the Company and have examined information provided by the Directors and management of the Company and other publicly available information collated by us, upon which our view is based. We have not independently verified such information, whether written or verbal, and accordingly cannot and do not make any representation or warranty in respect of, and do not accept any responsibility for, the accuracy, completeness or adequacy of such information. We have nevertheless made enquiries and used our judgment as we deemed necessary or appropriate in assessing such information and are not aware of any reason to doubt the accuracy or reliability of the information.

We have relied upon the assurance of the Directors that the Directors collectively and individually accept full responsibility for the accuracy of the information given in the Circular and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, the Circular constitutes full and true disclosure of all material facts about the Proposed Acquisitions and the New IPT General Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in the Circular misleading. Where information in the Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Circular in its proper form and context. In relation to this IFA Letter, the Directors have confirmed that the facts stated, with respect to the Group, the Proposed Acquisitions and the New IPT General Mandate, are to the best of their knowledge and belief, fair and accurate in all material aspects.

We have not made any independent evaluation or appraisal of the assets or liabilities (including without limitation, real properties) of the Company, the Group, U-Gas or the Assets, and we have not been furnished with any such evaluation or appraisal of such assets save as disclosed herein. We have been provided with (i) a valuation report prepared by Mazars LLP ("**Mazars**") which opined on the market value of a 100% equity interest U-Gas as at 31 December 2017 (the "**Mazars Valuation Report**"); and (ii) a valuation report prepared by BDO Advisory Pte. Ltd. ("**BDO Advisory**") which opined on the indicative valuation of the Assets (as defined herein) as at 31 December 2017 (the "**BDO Valuation Report**") (collectively, the "**Valuation Reports**"). We have placed sole reliance thereon for the valuation and/or information contained in the Valuation Reports. We are not involved and assume no responsibility for the Valuation Reports. We have not made any independent verification of the matters or bases set out in the Valuation Reports.

Accordingly, no representation or warranty, express or implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our opinion is based upon prevailing market, economic, industry, monetary and other conditions (where applicable) and the information made available to us contained in the Circular as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our view in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained therein. Shareholders should take note of any announcements relevant to their consideration of the Proposed Acquisitions and the New IPT General Mandate, which may be released by the Company after the Latest Practicable Date.

**In arriving at our opinion, we did not consider the specific investment objectives, financial situation, tax consequences, risk profile or unique needs and constraints of any Shareholder or any specific group of Shareholders. We recommend that any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment objectives or portfolios should consult his or their legal, financial, tax or other professional advisors immediately.**

**Our opinion is for the use and benefit of the Independent Directors in their deliberation of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate, and the recommendations made by the Independent Directors shall remain the responsibility of the Independent Directors.**

**The Company has been separately advised by its own advisors in the preparation of the Circular (other than this IFA Letter). We have no role or involvement and have not provided any advice, financial or otherwise, whatsoever in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, express or implied, on the contents of the Circular (other than this IFA Letter).**

**Our opinion, in relation to the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate, should be considered in the context of the entirety of this IFA Letter and the Circular.**

We recommend that the Independent Directors advise Shareholders to read these pages carefully.

### **3. INFORMATION RELATING TO THE U-GAS ACQUISITION**

Information on the U-Gas Acquisition is set out in Section 2 of the Circular. Shareholders are advised to read the information carefully.

#### **3.1 ABOUT U-GAS**

U-Gas is a company incorporated in Singapore on 29 September 2017 with its principal activities being the retail sale of LPG to Hawker Centres (the “**Hawker Centre Business**”). U-Gas was incorporated as part of the process of internal restructuring by UEC such that the Hawker Centre Business will be conducted by only one entity after the conclusion of the internal restructuring by UEC.



As such, U-Gas will be assuming the rights and obligations as the supplier of LPG to certain Hawker Centres under 37 LPG supply agreements and equivalent agreements existing as at the date of the SPA (the "**Material Contracts**"). As these Material Contracts were previously entered into by other subsidiaries of UEC, the novation of the Material Contracts will be required. As at the Latest Practicable Date, the parties are attending to the process regarding the novation of the Material Contract.

UEC is the sole shareholder of U-Gas, and is a company incorporated in Singapore in which Mr Teo and Ms Teo have 61.89% and 5.38% equity interests in respectively. Mr Teo is also a director of UEC.

### 3.2 SALE AND PURCHASE AGREEMENT

On the Announcement Date, the Company announced the entry into the SPA, being a definitive sale and purchase agreement entered into between the Company and UEC to acquire a total of two (2) ordinary shares (the "**Sale Shares**"), representing the entire issued and paid-up share capital of U-Gas, for an aggregate consideration of S\$9.2 million.

The Company's entry into the SPA is made pursuant to a deed entered into by UEC on 27 June 2017 to grant the Company or its nominee with a call option (the "**Commercial Business Call Option**") to acquire existing or future companies that are part of UEC Group and engaged in the business of UEC Group that is involved in the supply and distribution of LPG to commercial and industrial customers, such as hotels, food establishments (such as Hawker Centres, restaurants and coffee shops) and factories (the "**Commercial Business Segment**").

On 14 February 2018, the Company had issued a binding letter of intent to UEC subject to which the Company intends to exercise the Commercial Business Call Option granted to the Company by UEC on 27 June 2017, as an interested person transaction.

On 19 March 2018, the Company provided UEC with a formal exercise notice in respect of the Commercial Business Call Option for the purposes of acquiring the Hawker Centre Business. Pursuant to the Company's exercise of the Commercial Business Call Option, UEC shall sell and the Company shall purchase the Sale Shares on the terms and subject to the conditions of the SPA with UEC. On the same day, being 19 March 2018, the Company had also executed the SPA with UEC for the acquisition of the Sale Shares.

Upon completion of the U-Gas Acquisition, U-Gas will become a wholly-owned subsidiary of the Company.

### 3.3 U-GAS ACQUISITION CONSIDERATION

The U-Gas Acquisition Consideration payable by the Company for the purchase of the Sale Shares was arrived at by the Company and UEC taking into consideration various commercial factors such as the performance and continuing potential of the underlying Hawker Centre Business relating to U-Gas and the valuation by the independent valuer, Mazars. Subject to certain adjustment provisions, the U-Gas Acquisition Consideration is equivalent to S\$9.2 million, and shall comprise:



- (a) the sum of S\$2.76 million in cash, being equivalent to 30% of the U-Gas Acquisition Consideration; and
- (b) the allotment and issue of 24,329,430 ordinary shares in the issued and paid-up capital of the Company, which is equivalent to S\$6.44 million, being 70% of the U-Gas Acquisition Consideration, at the Issue Price of S\$0.2647 per Share (being equivalent to the volume-weighted average price for the Shares for trades done on the SGX-ST on 14 March 2018, being the last full market day preceding the date of the SPA where there were actual trades in the Shares).

#### *U-Gas Acquisition Cash Consideration*

The U-Gas Acquisition Cash Consideration shall be paid to UEC in accordance with the following terms and conditions, and subject to certain adjustment provisions:

- (a) a first instalment payment equivalent to two thirds of the U-Gas Acquisition Cash Consideration, being S\$1.84 million, shall be paid to UEC upon the U-Gas Acquisition Completion ("**Tranche 1**") and
- (b) a second instalment payment equivalent to one third of the U-Gas Acquisition Cash Consideration, being S\$0.92 million, shall be paid to UEC in accordance with certain adjustment provisions ("**Tranche 2**").

The U-Gas Acquisition Cash Consideration shall be funded from the Company's internal resources.

#### *Adjustment Provisions for the U-Gas Acquisition Cash Consideration*

Subject to the Company's waiver in writing to be given at its sole discretion, the Company shall be entitled to withhold payment of Tranche 2 indefinitely until all the Material Contracts have been novated to the U-Gas, or until the U-Gas Acquisition Consideration is adjusted in accordance with the provisions in the SPA. The U-Gas Acquisition Consideration shall be reduced in accordance with the reduction formula set out in the SPA if:

- (a) fewer than 37 Material Contracts (as set out in Schedule 3 of the SPA) are novated to the Company for any reason; and/or
- (b) any one of the 37 Material Contracts is novated to the Company after 31 July 2018;
- (c) any one of the 37 Material Contracts is terminated on or before the later of the date falling:
  - (i) three (3) months after the date of the relevant novation agreements which novate these Material Contracts over to U-Gas; or
  - (ii) three (3) months after date of completion of the U-Gas Acquisition (the "**U-Gas Acquisition Completion Date**").

The reduction formula, which is set out in the SPA, allows for a proportionate deduction to be made from Tranche 2 after taking into reference the profits contributed by each Hawker Centre that is not novated or is terminated within the prescribed periods in the preceding paragraph.

#### *U-Gas Acquisition Shares Consideration*

The U-Gas Acquisition Shares Consideration represents 12.2% of the existing share capital, 10.8% of the enlarged share capital of the Company after the U-Gas Acquisition Completion, and 10.6% of the enlarged share capital of the Company after the U-Gas Acquisition Completion and the Asset Acquisition Completion.

Mr Teo's interest in the share capital of the Company will increase from 70.48% of the existing share capital to 74.20% of the enlarged share capital after the U-Gas Acquisition Completion and the Asset Acquisition Completion.

The 24,329,430 new Shares to be allotted and issued in connection with the U-Gas Acquisition shall not be entitled to any proposed dividends for FY2017.

### **3.4 SALIENT TERMS OF THE SPA**

The other salient terms of the SPA are set out in Sections 2.3.3 through 2.3.5 of the Circular. We have extracted some of the terms below for your reference:

#### Conditions Precedent

Completion under the SPA is conditional upon, *inter alia*, the satisfaction of the following conditions (unless otherwise waived, if applicable), prior to or on the U-Gas Acquisition Completion Date:

- (a) the Company being satisfied with the results of the legal and financial due diligence exercise conducted by the Company and/or its professional advisers in respect of U-Gas;
- (b) the Company having obtained UEC's confirmation in writing that (i) the U-Gas Acquisition, and (ii) the business of U-Gas which comprises the Material Contracts, are in compliance as at the U-Gas Acquisition Completion Date with the non-competition deed which Mr. Teo, a director of UEC and the Non-Executive Chairman of the Company, had on 27 June 2017, executed in favour of the Company (the "**Non-Competition Deed**");
- (c) all approvals, waivers or consents under all applicable laws (including but not limited to the Catalist Rules and any requirements by the SGX-ST or otherwise) and/or as may be necessary under terms which would otherwise constitute a default under any instrument,

contract, document or agreement to which U-Gas is a party or by which U-Gas or its assets are bound:

- (i) as may be required for the sale of the Sale Shares, to enable the Company to be registered as holder of all of the Sale Shares; and/or
- (ii) to give effect to the SPA and the transactions contemplated thereunder,

being obtained and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;

- (d) approval of the Shareholders for the U-Gas Acquisition and the performance of the Company of all of its obligations under the SPA and all transactions contemplated thereunder or in connection thereto being obtained; and
- (e) a listing and quotation notice for the listing and quotation of the U-Gas Acquisition Shares Consideration on the Catalist being obtained from the SGX-ST and not having been withdrawn, amended or revoked.

#### Post-Completion Obligations

As part of the U-Gas Acquisition, upon the U-Gas Acquisition Completion, Mr Teo Hark Piang, who is an executive director of UEC, will be providing advisory services to the Company in relation to the Hawker Centre Business (as further described in paragraph (a) and (b) immediately below), to the satisfaction of the Company, at no additional cost to the Company.

To that end, UEC has provided a post-completion undertaking in the SPA in favour of the Company that UEC shall, for a period of one (1) year from the U-Gas Acquisition Completion Date:

- (a) procure Mr. Teo Hark Piang and all representatives of UEC Group who have been involved in the Hawker Centre Business in respect of the UEC Group immediately prior to completion under the SPA, to provide the Company with all necessary assistance, on any matter arising out of or in connection with U-Gas, including but not limited to the Hawker Centre Business; and

- (b) assist in the operation of the Hawker Centre Business, to the satisfaction of the Company.

If the volume of LPG purchased from the Company by the Hawker Centres named as customers in the Material Contracts as set out in the Company's sale summary reports from 1 May 2018 to 30 April 2019 is less than the minimum volume of 1,057,000 cubic meters per year (the "**Minimum Volume**"), UEC shall pay the Company a sum equivalent to the sale price of the reduced volume of LPG purchased, in accordance with the SPA ("**U-Gas Volume Guarantee**"). Pursuant to the SPA, UEC undertook to procure that on or before the U-Gas Acquisition Completion, a subsidiary of UEC elected by the Company issues a corporate guarantee to guarantee UEC's payment obligations pursuant to this U-Gas Volume Guarantee up to a total amount equivalent to 5% of the U-Gas Acquisition Consideration (the "**Corporate Guarantee**"). The Company shall be entitled to call on the Corporate Guarantee if UEC fails to make payment in accordance with the SPA in relation to the U-Gas Volume Guarantee. The Company shall not be obliged to pay UEC any monies if there is an increase in the volume of the LPG purchased from the Company by the aforementioned Hawker Centres for the period from 1 May 2018 to 30 April 2019 as compared with the Minimum Volume.

#### Other Post-Completion Undertakings

UEC has also undertaken, *inter alia*, that UEC will, in relation to any of the Material Contracts and/or any LPG supply agreements and equivalent agreements of similar nature to the Material Contracts which have not been signed and/or novated to U-Gas on or prior to the U-Gas Acquisition Completion Date:

- (a) novate these agreements to U-Gas;
- (b) cause to be transferred these agreements to the U-Gas; and/or
- (c) cause relevant third party to enter into such agreements with the U-Gas;

at no additional consideration to be paid by the Company and at no less favourable terms to U-Gas and/or such nominee as the Company may in its sole discretion determine ("**Interim Clause**").

### **3.5 THE VENDOR - UEC**

UEC is incorporated in Singapore and its principal business activities are the manufacture of gas, distribution of gaseous fuels through mains, and the general wholesale trade (including general importers and exporters). Please refer to paragraph 1.3 of this IFA Letter for further information about UEC, Mr Teo, Ms Teo and the Company.

## **4. EVALUATION OF THE U-GAS ACQUISITION**

In our evaluation of the U-Gas Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the financial performance of U-Gas;
- (b) the net asset value and net tangible assets of U-Gas;
- (c) the Mazars Valuation Report;
- (d) the comparison of valuation ratios of selected listed companies which are broadly comparable with U-Gas;
- (e) the new Shares as partial satisfaction of the U-Gas Acquisition Consideration;
- (f) the rationale for the U-Gas Acquisition;
- (g) the pro forma financial effects of the U-Gas Acquisition; and
- (h) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

### **4.1 FINANCIAL PERFORMANCE OF U-GAS**

U-Gas was incorporated on 29 September 2017 as part of the internal restructuring process by UEC such that the Hawker Centre Business will be conducted by only one entity after the conclusion of the internal restructuring by UEC. As such, U-Gas does not have any audited financials. The Company has provided us with the unaudited pro forma financial information of U-Gas for which the Company had engaged an external auditor to conduct an assurance engagement in accordance with the Singapore Standard on Assurance Engagements (SSAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the Institute of Singapore Chartered Accountants.

A summary of the unaudited pro forma income statements of U-Gas for the three financial years ended 31 December ("FY") 2017 is set out below respectively:

S\$'millions	Unaudited		
	FY2015	FY2016	FY2017
Revenue	9.0	8.8	8.9
Gross profit	2.3	2.5	1.8
Profit before tax	1.2	1.2	0.4
Profit after tax	1.0	1.0	0.3

U-Gas's revenue is primarily derived from the sale of LPG to Hawker Centres in Singapore. Prior to the incorporation of U-Gas, the sale of LPG in connection with the Hawker Centre Business was made by Semgas (S) and Gasmart, both of which are subsidiaries of UEC. The merchants associations of the respective Hawker Centres will typically enter into contracts with Semgas (S) or Gasmart to regulate the price of LPG sold to the Hawker Centres. These contracts typically last from six (6) to ten (10) years where the LPG pricing per cubic meter can be either (a) fixed for the entire length of the contract, or (b) fixed for an initial period of two (2) to three (3) years and thereafter priced at a discount to prevailing market rates. LPG is being supplied to 38 Hawker Centres in Singapore based on the 37 Material Contracts.

Revenue has remained relatively stable between FY2015 and FY2017, with annual revenues ranging between S\$8.8 million and S\$9.0 million. Gross profit, profit before tax and profits after tax have also remained relatively stable for FY2015 and FY2016, with profit after tax of S\$1.0 million for each of FY2015 and FY2016. Profit after tax for FY2017 decreased significantly, declining from S\$1.0 million in FY2016 to S\$0.3 million in FY2017. We understand from the management of the Company that the decrease in profits after tax for FY2017 was largely due to the increase in the LPG contract price derived from the contract prices for propane and butane published by the Saudi Arabian Oil Company.

We understand from management that of the 37 Material Contracts with the respective Hawker Centres, 4 contracts will be expiring in 2018 and the Company does not foresee any difficulty in securing the renewal of these contracts.

#### 4.2 NET ASSET VALUE AND NET TANGIBLE ASSETS OF U-GAS

We set out below the key pro forma balance sheet information of U-Gas as at 31 December 2017.

S\$'millions	Unaudited 31 December 2017
Current assets	0.9
Current liabilities	(0.7)
<b>Net current assets</b>	<b>0.2</b>
Non-current assets	3.1
Non-current liabilities	-
<b>Total equity</b>	<b>3.3</b>

As at 31 December 2017, U-Gas had total assets of approximately S\$3.9 million, mainly comprising intangible assets of S\$2.4 million, plant and equipment of S\$0.7 million, trade and other receivables of S\$0.6 million, other assets of S\$0.1 million and cash and cash equivalents of S\$0.1 million. The intangible assets relate to deferred customer retention costs. Plant and machinery relate to motor vehicles and LPG equipment.

Total liabilities as at 31 December 2017 was S\$0.7 million, mainly comprising trade and other payables of S\$0.7 million. These mainly relate to customer deposits for LPG consumption.

Based on the pro forma balance sheet, the net asset value (“NAV”) of U-Gas as at 31 December 2017 was S\$3.3 million and its net tangible assets (“NTA”) was S\$0.9 million. The U-Gas Acquisition Consideration is approximately 2.8 times of the NAV of U-Gas as at 31 December 2017 and 10.0 times of the NTA of U-Gas as at 31 December 2017.

#### 4.3 THE MAZARS VALUATION REPORT

The Company had commissioned Mazars to perform a business valuation exercise to estimate the market value range of the 100% equity interest in U-Gas and on the basis that 37 agreements for the supply of LPG to Hawker Centres (each being a Material Contract) are novated to U-Gas. We have been provided with the Mazars Valuation Report dated 8 March 2018.

We set out certain extracts in *italics* below from the Mazars Valuation Report with regards to the valuation methodology and key assumptions employed by Mazars:

- *This valuation exercise was performed under the Market Value basis.*
- *Market Value is defined by the International Valuation Standards Council (“IVSC”) as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”*
- *On the basis that U-Gas’ operations is expected to continue for the foreseeable future, we have relied on the Income Approach and the Market Approach to estimate the Market Value range of the 100% equity interest in U-Gas.*
- *The value of U-Gas is dependent on the ongoing operations of the LPG Business rather than the current net book value of its tangible assets and liabilities. As such, we have not relied on the Cost Approach in this engagement.*
- *Our conclusions are primarily dependent on the following assumptions:*
  - *U-Gas will continue to have sufficient liquidity and funding to continues its operations for the foreseeable future.*
  - *The operations of U-Gas will not be affected by disruptive technology, unforeseen competition or adverse government policies during the forecast period.*

- *There will be no early termination of any of the existing contracts with the markets and food centres. Expiring contracts will be successfully renewed on similar terms.*
- *There are no unexpected adverse movement in Saudi Aramco Contract Prices, which is the major driver of the LPG cost to U-Gas.*
- *U-Gas will be able to retain its key management and operation team.*
- *U-Gas will be able to achieve the projected revenue growth rate and profit margins. We have assumed the TTM EBITDA of S\$1.254 million to be the maintainable EBITDA level of the business going forward.*
- *There are no material undisclosed or contingent liabilities that have not been brought to our attention during the course of the engagement.*
- *We have conducted a sensitivity analysis by varying the discount rate by  $\pm 1\%$ . Via the Income Approach, the Market Value range of the 100% equity interest in U-Gas is approximately from S\$7.24 million to S\$9.93 million as shown below.*
- *Based on the methodologies and assumptions mentioned above, via Market Approach, the Market Value range of the 100% equity interest in U-Gas is approximately from S\$8.41 million to S\$10.22 million as shown below.*

**The Independent Directors are advised to read the Mazars Valuation Report, especially the valuation methodology, the risk factors and key assumptions carefully. The Mazars Valuation Summary Letter is appended as Appendix B to the Circular and the Mazars Valuation Report is available for inspection at the registered office of the Company.**

Mazars has opined that based on the income and market approach, the market value range of the 100% equity interest in U-Gas is approximately from S\$8.41 million to S\$9.93 million as at 31 December 2017 (the “**Mazars Valuation Range**”).

We note that the U-Gas Acquisition Consideration is at a 9.4% premium to the lower bound of the Mazars Valuation Range and at a 7.4% discount to the upper bound of the Mazars Valuation Range. The U-Gas Acquisition Consideration is at a 0.3% premium to the mid-point of the Mazars Valuation Range, being approximately S\$9.17 million.

We understand from the Company that there is an additional contract to supply LPG to a Hawker Centre in Singapore (“**Additional Hawker Centre**”) that was not included in Schedule 3 of the SPA. In accordance with the Interim Clause, the contract with the Additional Hawker Centre, will be novated to U-Gas at no additional consideration to the Company. We note that the Mazars Valuation Report had not taken into account the Additional Hawker Centre.



#### 4.4 COMPARISON OF VALUATION RATIOS OF SELECTED LISTED COMPANIES WHICH ARE BROADLY COMPARABLE WITH U-GAS

U-Gas is principally engaged in the business of retail sale of LPG to hawker centres. For the purposes of assessing the U-Gas Acquisition, we have considered listed companies whose business are broadly comparable with U-Gas ("**U-Gas Comparables**").

We had discussions with management about the suitability and reasonableness of the U-Gas Comparables. We wish to highlight that the U-Gas Comparables are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to U-Gas in terms of location, business activities, customer base, size of operations, asset base, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made here is necessarily limited and it may be difficult to place reliance on the comparison of valuation with the U-Gas Comparables. Therefore, any comparison made serves only as an illustrative guide.

A brief description of the U-Gas Comparables is set out below:

<b>U-Gas Comparables</b>	<b>Listing Location</b>	<b>Brief Business Description</b>	<b>Market Capitalisation as at the Latest Practicable Date <sup>(1) (2)</sup> (\$ million)</b>
Hiroshima Gas Co Ltd (" <b>Hiroshima Gas</b> ")	Japan	Hiroshima Gas produces and supplies natural gas and liquefied petroleum gas in Chugoku region. Hiroshima Gas serves residential, commercial, and industrial customers. Hiroshima Gas also constructs and maintains gas supply lines. Additionally, the company sells and leases gas appliances such as alarms.	322
Empresas Lipigas SA (" <b>Lipigas</b> ")	Chile	Lipigas distributes integrated oils. The company supplies liquefied petroleum and natural gas for residential, industrial, commercial, and automotive uses. Lipigas serves customers worldwide.	1,335
Busan City Gas Co., Ltd. (" <b>Busan City Gas</b> ")	Korea	Busan City Gas sells and distributes evaporated liquefied natural gas in Pusan city and Gyeongnam area. The company also sells energy related products such as gas boilers and gas pipes.	469

<b>U-Gas Comparables</b>	<b>Listing Location</b>	<b>Brief Business Description</b>	<b>Market Capitalisation as at the Latest Practicable Date <sup>(1) (2)</sup> (S\$ million)</b>
Siamgas & Petrochemicals PCL (" <b>Siamgas</b> ")	Thailand	Siamgas distributes LPG. The company provides LPG, ammonia and other related petrochemical products such as propane, butane and propellant. Siamgas is also involved in the logistics services for LPG and petrochemical products.	1,170
PetroVietnam Southern Gas Joint Stock Corporation (" <b>Southern Gas</b> ")	Vietnam	Southern Gas exports, imports, and distributes liquefied petroleum gas.	95

Source: Bloomberg Finance L.P., annual reports, announcements and websites of respective companies

**Notes:**

- (1) Market capitalisation of the U-Gas Comparables is based on their respective closing prices as at the Latest Practicable Date.
- (2) Based on the closing exchange rate of S\$1:JPY80.2, S\$1:CLP463.8, S\$1:KRW823.7, S\$1:THB23.8, S\$1:VND17,392 as at the Latest Practicable Date. JPY, CLP, KRW, THB and VND refer to the Japanese Yen, Chilean Peso, Korean Won, Thai Baht and Vietnamese Dong respectively.

For the comparison with the U-Gas Comparables, we have referred to various valuation ratios to provide an indication of the market expectations with regard to the valuation of these companies. In this respect, we have considered the following widely used ratios:

**Valuation Ratio**

**General Description**

**EV/EBITDA**

"EV" or "Enterprise Value" is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. "EBITDA" stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items.

The "EV/EBITDA" multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

Valuation Ratio	General Description
Price-to-Earnings ("P/E")	The P/E ratio illustrates the ratio of the market price of a company's share relative to its historical consolidated earnings per share. The P/E ratio is affected by, <i>inter alia</i> , the capital structure of a company, its tax position as well as its accounting policies relating to among others, depreciation and amortisation.
Price-to-Net Asset Value ("P/NAV")	P/NAV ratio illustrates the ratio of the market price of a company's share relative to its asset backing as measured in terms of its historical consolidated NAV per share as stated in its financial statements. The NAV figure provides an estimate of the value of a company assuming the sale of all its tangible and intangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their book NAVs are affected by differences in their respective accounting policies, in particular their depreciation and asset valuation policies.
Price-to-Net Tangible Asset ("P/NTA")	P/NTA ratio illustrates the ratio of the market price of a company's share relative to its historical NTA per share as recorded in its financial statements. The NTA figure provides an estimate of the value of a company assuming the sale of all its tangible assets, the proceeds which are first used to settle its liabilities and obligations with the balance available for distribution to its shareholders. Comparisons of companies using their NTAs are affected by differences in their respective accounting policies, in particular, their depreciation and asset valuation policies.

We set out in the table below the financial ratios of the U-Gas Comparables as at the Latest Practicable Date:

U-Gas Comparables	Net Profit / (Loss) <sup>(1)</sup> (S\$m)	EV / EBITDA <sup>(2)</sup> (times)	P/E <sup>(3)</sup> (times)	P/NAV <sup>(4)</sup> (times)	P/NTA <sup>(4)</sup> (times)
Hiroshima Gas	33.3	5.6	9.5	0.5	0.6
Lipigas	90.3	8.5	14.5	4.4	5.2
Busan City Gas	55.1	3.2	8.6	0.7	0.7
Siamgas	114.4	6.9	9.9	2.5	2.9
Southern Gas	6.6	6.5	15.0	1.7	1.7
Maximum		8.5	15.0	4.4	5.2
Minimum		3.2	8.6	0.5	0.6
Mean		6.1	11.5	2.0	2.2
Median		6.5	9.9	1.7	1.7
<b>U-Gas</b>	0.3	7.6 <sup>(5)</sup>	29.9 <sup>(5)</sup>	2.8	10.0
<b>(Based on the U-Gas Acquisition Consideration)</b>				1.0 <sup>(6)</sup>	1.4 <sup>(6)</sup>

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.

**Notes:**

- (1) The net profits attributable to shareholders in the most recent last twelve months period ("LTM") compiled from the respective companies' financial results. Net profit figures are based upon the average exchange rates prevailing during the corresponding LTM period for each respective company.
- (2) The EBITDA figures of the U-Gas Comparables are based upon the LTM information compiled from the respective companies' financial results. EV of the companies are based on their respective market capitalisations as at the Latest Practicable Date.
- (3) The P/E ratios of the U-Gas Comparables are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the net profits attributable to shareholders in the LTM compiled from the respective companies' financial results.
- (4) The P/NAV and P/NTA ratios of the U-Gas Comparables are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the most recent NAV and NTA attributable to shareholders as announced by the respective companies.
- (5) Based on the pro forma financials of U-Gas for FY2017 and the U-Gas Acquisition Consideration. EV for U-Gas is determined as the sum of the U-Gas Acquisition Consideration in addition to minority interest, short term and long term borrowings less cash and cash equivalents. Based on the pro forma

balance sheet of U-Gas, U-Gas did not have any minority interest, short term or long term borrowings as at 31 December 2017.

- (6) Based on the U-Gas Acquisition Consideration and the mid-point of the Mazars Valuation Range, being approximately S\$9.17 million.

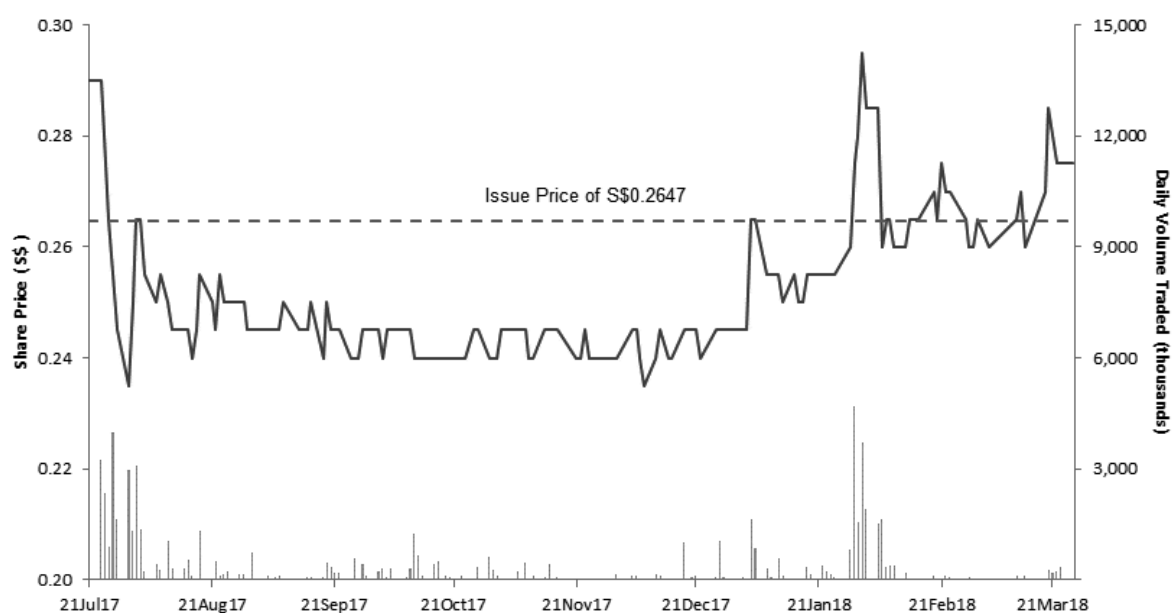
Based on the above ratio analysis, we note that:

- (a) the EV/EBITDA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is within the range, but above the mean and the median of the U-Gas Comparables;
- (b) the P/E ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is above the range, the mean and the median of the U-Gas Comparables. The high P/E ratio of U-Gas was attributable to the lower profits of S\$0.3 million for FY2017 as compared to S\$1.0 million annually for each of FY2015 and FY2016. Please refer to paragraph 4.1 of this IFA Letter for further discussion of U-Gas' operational performance for FY2015, FY2016 and FY2017;
- (c) the P/NAV ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is within the range, but above the mean and the median of the U-Gas Comparables;
- (d) the P/NAV ratio of U-Gas, as implied by the U-Gas Acquisition Consideration and based on the Mazars Valuation Range, is within the range, and below the mean and the median of the U-Gas Comparables;
- (e) the P/NTA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is above the range, the mean and the median of the U-Gas Comparables; and
- (f) the P/NTA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration and based on the Mazars Valuation Range, is within the range, and below the mean and the median of the U-Gas Comparables.

#### **4.5 NEW SHARES AS PARTIAL SATISFACTION OF THE U-GAS ACQUISITION CONSIDERATION**

##### **4.5.1 The Issue Price and the Market Performance of the Shares**

The historical price chart (based on closing prices and the number of Shares traded on a daily basis) for the Shares during the period commencing from 21 July 2017 (the "**Listing Date**"), being the date of the commencement of trading of the Shares on Catalist, up to the Latest Practicable Date is set out below.



Source: Bloomberg L.P

A summary of the salient announcements and events relating to the Company during the aforesaid period is set out below:

Date	Event
21-Jul-17	Commencement of trading of Shares on Catalist.  The Company announced that it would announce its financial results for the half year ended 30 June 2017 on or before 13 September 2017.
18-Aug-17	The Company announced the appointment of Mr Leong Chee Meng, Kenneth, as Company Secretary in place of Ms Helen Campos, who had resigned as Company Secretary with effect from 18 August 2017.
31-Aug-17	The Company announced the (i) re-designation of Ms Sylvia Lio, the Chief Financial Officer, as the Chief Accounting Officer, and (ii) appointment of Ms Chng Geok as the Finance Director.
11-Sep-17	The Company announced its unaudited consolidated financial statements for the half year ended 30 June 2017. The Group reported revenues of S\$19.8 million and profit after tax of S\$1.5 million.

Date	Event
06-Feb-18	The Company announced that the Accounting and Corporate Regulatory Authority (“ACRA”) had on 6 February 2018 granted the Company’s application for an extension of time to hold its first Annual General Meeting (the “ <b>First AGM</b> ”) for the financial period from 3 October 2016 to 31 December 2017 by 30 April 2018.
15-Feb-18	The Company announced that pursuant to the Commercial Business Call Option, the Company had, on 14 February 2018, issued a binding letter of intent to UEC subject to which the Company is willing to exercise the Commercial Business Call Option for the purposes of acquiring certain parts of the commercial segment of the business of UEC which relates to the business of the retail sale of LPG to hawker centres.
27-Feb-18	The Company announced its unaudited consolidated financial statements for the year ended 31 December 2017. The Group reported revenues of S\$39.2 million and profit after tax of S\$3.5 million.
19-Mar-18	The Company announced the Proposed Acquisitions.

Source: Company announcements from SGXNET.

We have tabulated below selected statistical information on the share price performance and trading liquidity of the Shares commencing from the 6-months period prior to the Announcement Date, up to the Latest Practicable Date.

	Highest price S\$ <sup>(1)</sup>	Lowest price S\$ <sup>(2)</sup>	VWAP S\$ <sup>(3)</sup>	Premium / (Discount) of Issue Price to VWAP %	Average daily trading volume '000 <sup>(4)</sup>	Average daily trading volume as a percentage of free float % <sup>(5)</sup>
<b><u>Prior to the Announcement Date</u></b>						
Last 6 months	0.295	0.235	0.2616	1.2	287	0.49
Last 3 months	0.295	0.240	0.2704	(2.1)	404	0.69
Last 1 month	0.275	0.260	0.2669	(0.8)	35	0.06
Last Trading Day <sup>(6)</sup>	0.260	0.260	0.2647	0.0	96	0.16
<b><u>After the Announcement Date</u></b>						
After the Announcement Date to the Latest Practicable Date	0.285	0.275	0.2755	(3.9)	216	0.37

Source: Bloomberg Finance L.P.

**Notes:**

- (1) The highest price refers to the highest daily closing price of the Shares during the relevant period.
- (2) The lowest price refers to the lowest daily closing price of the Shares during the relevant period.
- (3) The volume weighted average price ("**VWAP**") of the Shares over the relevant period.
- (4) The average daily trading volume of the Shares is computed based on the total volume of Shares traded during the relevant period, divided by the number of days on which the SGX-ST is open for the trading of securities during the relevant period.
- (5) Free float refers to the Shares other than those directly and deemed held by the Directors and the substantial shareholders of the Company. For the purpose of computing the average daily trading volume as a percentage of free float for the various periods, we have calculated the free float to be approximately 58.6 million Shares, being the Shares not held by Directors and substantial shareholders, representing approximately 29.3% of the 200,000,000 total issued Shares.
- (6) 14 March 2018, being the last full trading day prior to the Announcement Date where trades in the Shares were done ("**Last Trading Day**"). There were no trades done on 15 March 2018 and 16 March 2018.

Based on the above table, we note that:

- (i) the price of the Shares have ranged between S\$0.235 and S\$0.295 in the 6 months prior to the Announcement Date;
- (ii) the Issue Price represents a discount of 0.8% and 2.1% to the 1-month and 3-month VWAP of the Shares prior to the Announcement Date respectively;
- (iii) the Issue Price represents a premium of 1.2% to the 6-month VWAP of the Shares prior to the Announcement Date;
- (iv) the Issue Price is equal to the VWAP on the Last Trading Day;
- (v) the VWAP of the Shares increased to S\$0.2755 for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
- (vi) the Issue Price represents a discount of 3.9% to the VWAP of the Shares for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date;
- (vii) in the 6 months leading up till the Announcement Date, the Shares were traded on 108 days out of a possible 125 market days, or 86.4% of market days during the corresponding period;
- (viii) the average daily trading volume of Shares for the 1-month, 3-month and 6-month period prior to the Announcement Date was low, representing only 0.06%, 0.69% and 0.49% of the free float respectively; and
- (ix) the average daily trading volume of Shares increased to 0.37% of the free float for the period between the market day immediately after the Announcement Date and up to the Latest Practicable Date.



We also note that based on the daily closing prices of the Shares, the Shares have traded above the Issue Price for the period subsequent to the Announcement Date and up to the Latest Practicable Date.

#### 4.5.2 The Issue Price versus the NAV per Share

Based on the audited NAV of the Group of S\$19.8 million as at 31 December 2017 and the issued share capital of 200,000,000 Shares as at the Latest Practicable Date, the audited NAV per Share was approximately S\$0.0991. The Issue Price represents a premium of 167.0% (or S\$0.1656) to the NAV per Share as at 31 December 2017.

#### 4.5.3 The Issue Price versus the NTA per Share

Notwithstanding the merger reserves of S\$1.8 million which have been classified under “Equity attributable to owners of the Company”, the Group did not have any intangible assets at 31 December 2017. Accordingly, the NTA per Share would be equivalent to the NAV per Share as at 31 December 2017. Therefore, the Issue Price represents a premium of 167.0% (or S\$0.1656) to the NTA per Share as at 31 December 2017.

#### 4.5.4 The financial performance of the Group

##### (a) Income Statement

A summary of the consolidated income statements of the Group for FY2015, FY2016 and FY2017 is set out below:

S\$'millions	Audited FY2015	Audited FY2016	Audited FY2017
Revenue	35.1	35.7	39.2
Gross profit	10.3	11.6	13.8
Profit before tax	3.7	4.7	4.2
Profit after tax	3.0	4.0	3.5

Revenue increased by S\$3.5 million or 9.7% from S\$35.7 million in FY2016 to S\$39.2 million in FY2017, mainly due to the increase in (i) revenue from the retail of bottled LPG cylinders and LPG-related accessories to mainly domestic households in Singapore (“**Domestic LPG Business**”), and (ii) sale and distribution of diesel to retail customers at the fuel station at 50 Old Toh Tuck Road and bulk sale of diesel to commercial customers (“**Diesel Business**”), which was partially offset by decrease in sales of compressed natural gas (“**CNG**”) primarily to natural gas vehicles (“**NGVs**”) and industrial customers for their commercial use at 50 Old Toh Tuck Road (“**CNG Business**”).

Gross profit increased by S\$2.2 million or 19.4% from S\$11.6 million in FY2016 to S\$13.8 million in FY2017 due to increase in revenue, and gross profit margin increased from 32.5% in FY2016 to 35.3% in FY2017.

The increase in gross profit margin was mainly due to the decrease in the purchase cost of bottled LPG cylinders, which was partially offset by the increase in the purchase cost of natural gas and diesel out-pacing the increase in the average selling price of natural gas and diesel to customers.

Despite the improvements in gross profit and gross profit margins, profit after tax decreased by S\$0.5 million or 12.2% from S\$4.0 million in FY2016 to S\$3.5 million in FY2017. The decrease in profit after tax was largely due to a significant increase in administrative expenses of S\$2.6 million or 335.1% from S\$0.8 million in FY2016 to S\$3.4 million in FY2017 arising from, *inter alia*, increase in employee compensation and listing expenses.

## (b) Balance Sheet

We set out below the key balance sheet information of the Group as at 31 December 2016 and 31 December 2017.

S\$'millions	Audited as at 31 December 2017
Current assets	18.0
Current liabilities	(6.4)
<b>Net current assets</b>	<b>11.6</b>
Non-current assets	9.4
Non-current liabilities	(1.2)
<b>Total equity</b>	<b>19.8</b>

As at 31 December 2017, the Group had total assets of S\$27.5 million, mainly comprising cash and cash equivalents of S\$16.1 million, property, plant and equipment of S\$9.4 million, trade and other receivables of S\$1.4 million, inventories of S\$0.3 million and other assets of S\$0.1 million.

Total liabilities as at 31 December 2017 was S\$7.6 million, mainly comprising trade and other payables of S\$5.0 million, other financial liabilities of S\$0.7 million, deferred tax liabilities of S\$0.7 million, income tax payable of S\$0.7 million, provisions of S\$0.3 million and other financial liabilities of S\$0.3 million.

As at 31 December 2017, the Group had an NAV of S\$19.8 million. Notwithstanding the merger reserves of S\$1.8 million which have been classified under "Equity attributable to owners of the Company", the Group had no intangible asset as at 31 December 2017 and hence its NTA would be equivalent to its NAV.

### 4.5.5 The valuation of the Group implied by the Issue Price versus the valuation of companies comparable to the Group

The Group is an established provider of fuel products in Singapore and is principally engaged in three business segments, being the Domestic LPG Business, the CNG Business and the Diesel Business. For the purposes of assessing the valuation of the Group as implied by the Issue Price,

we have considered listed companies whose business are broadly comparable with the Group (**“UG Comparables”**).

We had discussions with management about the suitability and reasonableness of the UG Comparables. We wish to highlight that the UG Comparables are not exhaustive and it should be noted that there may not be any listed company that is directly comparable to the Group in terms of location, business activities, customer base, size of operations, asset base, geographical markets, track record, financial performance, operating and financial leverage, future prospects, liquidity, quality of earnings, accounting policies, risk profile and other relevant criteria. As such, any comparison made here is necessarily limited and it may be difficult to place reliance on the comparison of valuation with the UG Comparables. Therefore, any comparison made serves only as an illustrative guide.

The UG Comparables are as follows:

- (a) Hiroshima Gas;
- (b) Lipigas;
- (c) Busan City Gas;
- (d) Siamgas; and
- (e) Southern Gas.

Please refer to paragraph 4.4 of this IFA Letter for the relevant information of the UG Comparables.

For the comparison with the UG Comparables, we have referred to various valuation ratios to provide an indication of the market expectations with regard to the valuation of these companies.

We set out in the table below the financial ratios of the UG Comparables as at the Latest Practicable Date:

UG Comparables	Net Profit / (Loss) <sup>(1)</sup> (S\$m)	EV / EBITDA <sup>(2)</sup> (times)	P/E <sup>(3)</sup> (times)	P/NAV <sup>(4)</sup> (times)	P/NTA <sup>(4)</sup> (times)
Hiroshima Gas	33.3	5.6	9.5	0.5	0.6
Lipigas	90.3	8.5	14.5	4.4	5.2
Busan City Gas	55.1	3.2	8.6	0.7	0.7
Siamgas	114.4	6.9	9.9	2.5	2.9
Southern Gas	6.6	6.5	15.0	1.7	1.7
Maximum		8.5	15.0	4.4	5.2
Minimum		3.2	8.6	0.5	0.6
Mean		6.1	11.5	2.0	2.2
Median		6.5	9.9	1.7	1.7
<b>The Company <sup>(5)</sup></b> <b>(Based on the Issue Price)</b>	3.5	7.6	15.2	2.7	2.7

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.

**Notes:**

- (1) The net profits attributable to shareholders in the LTM compiled from the respective companies' financial results. Net profit figures are based upon the average exchange rates prevailing during the corresponding LTM period for each respective company.
- (2) The EBITDA figures of the UG Comparables are based upon the LTM information compiled from the respective companies' financial results. EV of the companies are based on their respective market capitalisations as at the Latest Practicable Date.
- (3) The P/E ratios of the UG Comparables are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the net profits attributable to shareholders in the LTM compiled from the respective companies' financial results.
- (4) The P/NAV and P/NTA ratios of the UG Comparables are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the most recent NAV and NTA attributable to shareholders as announced by the respective companies.
- (5) Based on the Group's LTM financials and the Issue Price. EV for the Group is determined as the sum of the market capitalisation of the Group, as implied by the Issue Price, in addition to minority interest, short term and long term borrowings less cash and cash equivalents.

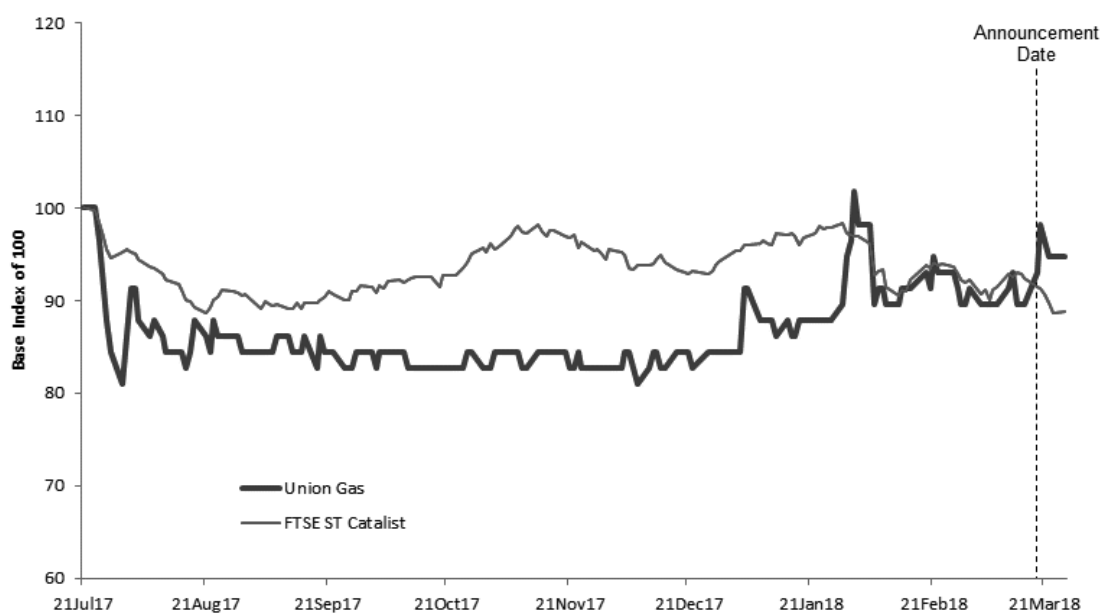
Based on the above ratio analysis, we note that:

- (a) the EV/EBITDA ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;
- (b) the P/E ratio of the Group, as implied by the Issue Price, is above the range, the mean and the median of the UG Comparables;
- (c) the P/NAV ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables; and
- (d) the P/NTA ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables.

#### 4.5.6 MARKET PRICE PERFORMANCE OF THE SHARES

In addition, to assess the relative performance of the Shares versus the Singapore equity market, we have compared the price movements of the Shares against that of the FTSE ST Catalist Index, a free float adjusted market-capitalisation weighted index representing the performance of sponsored companies in the SGX-ST Catalist.

The chart below sets out the market price performance of the Shares and the FTSE ST Catalist Index from the Listing Date up to the Latest Practicable Date:



Source: Bloomberg Finance L.P.

**Note:**

- (1) All share prices and FTSE ST Catalist Index values have been rebased to 100 as at 21 July 2017, being the Listing Date, for comparison purposes.

	<b>The Shares</b>	<b>FTSE ST Catalyst Index</b>
Rebased Index as at Listing Date	100	100
Rebased Index as at Announcement Date	93.1	91.4
Change from Listing Date (%)	(6.9)	(8.6)
Rebased Index as at Latest Practicable Date	94.8	88.8
Change from Listing Date (%)	(5.2)	(11.2)
Change from Announcement Date (%)	1.9	(2.8)

Based on the above, we note the following:

- (a) for the period from the Listing Date up to the Announcement Date, the market prices of the Shares declined by 6.9% as compared to the 8.6% decrease in the FTSE ST Catalyst Index over the same period;
- (b) for the period from the Announcement Date up till the Latest Practicable Date, the Shares have outperformed the FTSE ST Catalyst Index with the market prices of the Shares increasing by 1.9%, as compared to the 2.8% decline in the FTSE ST Catalyst Index; and
- (c) for the period commencing from the Listing Date up till the Latest Practicable Date, the market prices of the Shares declined by 5.2% as compared to the 11.2% decline in the FTSE ST Catalyst Index.

Shareholders should, however, note that the historical trading performance of the Shares is not indicative of future price levels, which may be affected by factors beyond the scope of our evaluation.

#### **4.6 RATIONALE FOR THE U-GAS ACQUISITION**

We note from Section 2.3.6 of the Circular that the U-Gas Acquisition is in line with the Group's growth strategy and the Company recognises the performance and continuing potential of the underlying business relating to U-Gas, in particular the Hawker Centre Business. The Company has, in a bid to enhance shareholders' value, decided to acquire the entire issued and paid-up capital of U-Gas.

#### **4.7 PRO FORMA FINANCIAL EFFECTS OF THE U-GAS ACQUISITION**

The full text of the pro forma financial effects of the U-Gas Acquisition is set out in Section 2.3.8 entitled "Pro Forma Financial Effects of the U-Gas Acquisition" of the Circular. Shareholders are advised to read Section 2.3.8 of the Circular carefully.

In summary, we note the following:

- (a) the earnings per share will decrease from 1.89 cents to 1.82 cents after the U-Gas Acquisition; and
- (b) the NTA per share will decrease from 9.91 cents to 8.02 cents after the U-Gas Acquisition.

#### 4.8 OTHER CONSIDERATIONS

In determining whether the U-Gas Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have also considered the following:

- (a) U-Gas Acquisition Consideration to be satisfied via the issuance of new Shares and cash

The U-Gas Acquisition Consideration will be satisfied via (i) the issuance of the U-Gas Acquisition Shares Consideration, which accounts for 70% of the U-Gas Acquisition Consideration, and (ii) payment of S\$2.76 million in cash, which accounts for the remaining 30% of the U-Gas Acquisition Consideration. As the bulk of the U-Gas Acquisition Consideration is to be satisfied via the issuance of the U-Gas Acquisition Shares Consideration, the drawdown on the cash reserves of the Company will not be overly onerous. As at 31 December 2017, the Group had S\$16.1 million in cash and cash equivalents.

- (b) U-Gas Acquisition Cash Consideration to be paid in tranches

The U-Gas Acquisition Cash Consideration of S\$2.76 million will be paid to UEC in two tranches, with Tranche 1 comprising S\$1.84 million being paid upon completion of the U-Gas Acquisition, and the Company being entitled to withhold payment of Tranche 2 (amounting to S\$0.92 million) until all the Material Contracts have been novated to U-Gas, or until the U-Gas Acquisition Consideration is adjusted in accordance with the provisions in the SPA. This staggered cash payment further reduces the burden placed on the Group's cash reserves.

- (c) Adjustment Provisions of the U-Gas Acquisition Cash Consideration

The Company is entitled to withhold payment of Tranche 2 indefinitely until all the Material Contracts have been novated to the U-Gas, or until the U-Gas Acquisition Consideration is adjusted in accordance with the provisions in the SPA. Subject to the occurrence of certain conditions, the U-Gas Acquisition Consideration shall be reduced in accordance with the reduction formula set out in the SPA (the "**U-Gas Clawback**"). Please refer to paragraph 3.3 of this IFA Letter for further details on the conditions and the reduction formula.

As U-Gas's revenue are primarily derived from the Material Contracts, a decrease in the number of Material Contracts novated to U-Gas or deterioration in the terms of the Material Contracts novated to U-Gas may impact its future performance. The Company's entitlement to withhold payment of Tranche 2 subject to certain conditions and the U-Gas Clawback will help to mitigate some of the risk associated with the U-Gas Acquisition.



(d) U-Gas Volume Guarantee

If the volume of LPG purchased from the Company by the Hawker Centres named as customers in the Material Contracts as set out in the Company's sale summary reports from 1 May 2018 to 30 April 2019 is less than the Minimum Volume, UEC shall pay the Company a sum equivalent to the sale price of the reduced volume of LPG purchased, in accordance with the SPA. This U-Gas Volume Guarantee provides additional comfort with respect to future purchases of LPG by the Hawker Centres for the period from 1 May 2018 to 30 April 2019.

(e) Dilution impact of the U-Gas Acquisition

Based on the 24,329,430 Shares to be issued to UEC in connection with the U-Gas Acquisition, the enlarged share capital of the Company would comprise 224,329,430 Shares after the U-Gas Acquisition. The Shares held by public shareholders, being Shares not held by Directors and substantial shareholders, will be diluted from 29.3% of the existing share capital to 26.1% of the enlarged share capital after the U-Gas Acquisition.

## 5. INFORMATION RELATING TO THE ASSET ACQUISITION

Information on the Asset Acquisition is set out in Section 3 of the Circular. Shareholders are advised to read the information carefully.

### 5.1 THE ASSETS

Semgas Supply had on 31 August 2017 entered into an asset purchase agreement ("**31 August 2017 APA**") with an unrelated third party, in relation to the acquisition of a LPG business in Singapore (the "**LPG Business**").

The non-contractual customer relationships with the domestic customers associated thereof which Semgas Supply had acquired pursuant to the 31 August 2017 APA (the "**Assets**") forms a small part of the LPG Business acquired by Semgas Supply. Pursuant to the 31 August 2017 APA, the transaction was completed on 29 December 2017.

Mr. Teo had on 27 June 2017 executed the Non-Competition Deed in favour of the Company. The Non-Competition Deed provides that if any business opportunity is offered to Mr. Teo or any of his associates which falls within the scope of the Group's business in the territories in which the Group operates, Mr. Teo shall immediately notify or cause his associate to notify the Group of such business opportunity, and if directed to do so by the Board, Mr. Teo will assist the Group to obtain such business opportunity on terms acceptable to the Group. Arising from the transaction pursuant to the 31 August 2017 APA, Mr. Teo had notified the Company of the Assets which Semgas Supply had acquired from an unrelated third party prior to the completion of the 31 August 2017 APA.

Based on the records provided by Semgas Supply, the average monthly historical volume of the number of LPG cylinders sold to domestic customers by the LPG Business was approximately 13,748 LPG cylinders ("**Average Monthly Historical Volume**"). Apart from the Average Monthly

Historical Volume, the Company was not able to provide us with any historical financial information relating to the Assets.

## 5.2 ASSET PURCHASE AGREEMENT

On the Announcement Date, the Company announced that it had entered into the Asset Purchase Agreement with Semgas Supply to acquire the Assets which Semgas Supply had acquired pursuant to the 31 August 2017 APA for an aggregate consideration of S\$2.4 million.

## 5.3 ASSET ACQUISITION CONSIDERATION

The Asset Acquisition Consideration was arrived at by the Company and Semgas Supply taking into consideration various commercial factors such as the potential of the Assets and the independent valuation by the independent valuer, BDO Advisory. Subject to certain adjustment provisions, the Asset Acquisition Consideration shall be the sum of S\$2.4 million, and shall comprise:

- (a) the cash sum of S\$1.2 million, being fifty per cent (50%) of the Asset Acquisition Consideration; and
- (b) the allotment and issue of 4,533,434 ordinary shares in the issued and paid-up capital of the Company, which is equivalent to S\$1.2 million, being fifty per cent (50%) of the Asset Acquisition Consideration, at the Issue Price of S\$0.2647 per Share.

### *Asset Acquisition Cash Consideration*

The Asset Acquisition Cash Consideration shall be paid to Semgas Supply in accordance with the following terms and conditions, and subject to certain adjustment provisions:

- (a) a first instalment payment equivalent to seventy per cent (70%) of the Asset Acquisition Cash Consideration, being S\$0.84 million, shall be paid to Semgas Supply upon the Completion of the Asset Acquisition (the "**First Tranche**"); and
- (b) a second instalment payment equivalent to thirty per cent (30%) of the Asset Acquisition Cash Consideration, being S\$0.36 million, shall be paid to Semgas Supply three (3) months after the later of (i) the Asset Acquisition Completion Date, or (ii) a date to be agreed between the Company and Semgas Supply where there is no price adjustment pursuant to the adjustment provisions (the "**Second Tranche**").

The Asset Acquisition Cash Consideration shall be funded from the proceeds raised from the Company's initial public offering.

### *Adjustment Provisions of the Asset Acquisition Cash Consideration*

Subject to the Company's waiver in writing to be given at its sole discretion, the Company shall be entitled to withhold payment of the Second Tranche which Semgas Supply agrees can be applied by the Company at the Company's discretion for:

- (a) any expenses incurred by the Company in relation to any “Sun \$ Reward Point” (as defined below) claimed by any consumer entitled to do so; and
- (b) Asset Acquisition Consideration adjustment shall be effected in the event of a reduction of 5% or more in the average monthly number of LPG cylinders sold by the Company from 1 May 2018 to 31 August 2018 as compared to the Average Monthly Historical Volume (“**APA Volume Guarantee**”).

In the event of a reduction in the number of LPG cylinders purchased as set out in the preceding paragraph, the Company and Semgas Supply agree to negotiate the actual sum to be deducted from the Second Tranche with the resultant sum (if any) to be paid by the Company to Semgas Supply (“**Asset Clawback**”). In the event that the Second Tranche is insufficient to make good the deficit resulted by the reduction in the number of LPG cylinders purchased, Semgas Supply shall immediately without demand, make good any deficit pursuant to this paragraph by way of cash.

The term “Sun \$ Reward Point” refers to the credit granted to domestic customers who had previously acquired LPG cylinders and as a result been granted credit/discount for their next purchase (each a “**Sun \$ Reward Point**” and collectively “**Sun \$ Reward Points**”). Semgas Supply has represented to the Company that the Sun \$ Reward Points are scheduled to expire on or before 31 May 2018. The Company and Semgas Supply agree that Semgas Supply shall indemnify the Company for any Sun \$ Reward Points claimed by the domestic customers between the Asset Acquisition Completion Date and 31 May 2018 (both dates inclusive) and such indemnity may, at the Company’s discretion, be effected by way of a deduction from the Second Tranche.

#### *Asset Acquisition Shares Consideration*

The Asset Acquisition Shares Consideration represents 2.3% of the existing share capital, 2.2% of the enlarged share capital of the Company after the Asset Acquisition Completion, and 2.0% of the enlarged share capital of the Company after the U-Gas Acquisition Completion and the Asset Acquisition Completion. Mr Teo’s interest in the share capital of the Company will increase from 70.48% of the existing share capital to 74.20% of the enlarged share capital after the U-Gas Acquisition Completion and the Asset Acquisition Completion.

The 4,533,434 new Shares to be allotted and issued in connection with the Asset Acquisition shall not be entitled to any proposed dividends for FY2017.

## **5.4 SALIENT TERMS OF THE ASSET PURCHASE AGREEMENT**

The other salient terms of the Asset Purchase Agreement are set out in Sections 3.3.3 and 3.3.4 of the Circular. We have extracted some of the terms below for your reference:

Conditions Precedent	Completion under the Asset Purchase Agreement is conditional upon, <i>inter alia</i> , the satisfaction of the following conditions precedent (unless otherwise waived, if applicable), prior to or on the Asset Acquisition Completion Date:
	(a) the Company being satisfied with the results of the financial due diligence exercise conducted by the

Company and/or its professional advisers in respect of the Assets;

- (b) all approvals, waivers or consents under all applicable laws (including but not limited to the Catalist Rules and any requirements by the SGX-ST or otherwise) and/or as may be necessary under any terms which would otherwise constitute a default under any instrument, contract, document or agreement to which Semgas Supply is a party or by which Semgas Supply or its assets are bound:

- (i) as may be required for the sale and transfer of the Assets, to enable the Company to carry on the provision of products and/or services with the underlying customers relating to the Assets as the legal and beneficial owner of the Assets; and/or

- (ii) to give effect to the Asset Purchase Agreement and the transactions contemplated thereunder,

being obtained and if required to be fulfilled by a particular date, being so fulfilled, and such approvals, waivers or consents remaining valid and in full force and effect;

- (c) the approval-in-principle of all relevant authorities and/or agencies, including the SGX-ST (if required), for the transactions contemplated in the Asset Purchase Agreement being obtained (and such approval not having been withdrawn or revoked);
- (d) a listing and quotation notice for the listing and quotation of the Asset Acquisition Shares Consideration on Catalist being obtained from the SGX-ST and not having been withdrawn, amended or revoked; and
- (e) approval of the Shareholders for the Asset Acquisition and the performance of all of the Company's obligations under the Asset Purchase Agreement and all transactions contemplated thereunder or in connection thereto being obtained.

## **5.5 THE VENDOR – SEMGAS SUPPLY**

Semgas Supply is a wholly owned subsidiary of UEC. Please refer to paragraphs 1.3 and 3.5 of this IFA Letter for further information about UEC, Mr Teo, Ms Teo and the Company.

## 6. EVALUATION OF THE ASSET ACQUISITION

In our evaluation of the Asset Acquisition, we have taken into account the following factors which we consider to be pertinent and to have a significant bearing on our evaluation:

- (a) the financials pertaining to the Assets;
- (b) the BDO Valuation Report;
- (c) the valuation of the Assets implied by the Asset Acquisition Consideration versus the valuation of companies whom are involved in the retail LPG segment;
- (d) the new Shares as partial satisfaction of the Asset Acquisition Consideration;
- (e) the rationale for the Asset Acquisition;
- (f) the pro forma financial effects of the Asset Acquisition; and
- (g) other considerations.

These factors are discussed in greater detail in the ensuing paragraphs.

### 6.1 FINANCIALS PERTAINING TO THE ASSETS

As mentioned earlier, apart from the Average Monthly Historical Volume, the Company was not able to provide us with any historical financial information relating to the Assets.

We understand from the Company that the Assets do not include any tangible assets or liabilities. As the Assets do not include any tangible assets or liabilities, it does not have any meaningful NAV or NTA to discuss.

### 6.2 BDO VALUATION REPORT

The Company had commissioned BDO Advisory to provide an indicative valuation of the Assets as at 31 December 2017. We have been provided with the BDO Valuation Report dated 8 March 2018.

We set out certain extracts in *italics* below from the BDO Valuation Report with regards to the approach, valuation methodology and assumptions employed by BDO Advisory:

- *The Assets consists of non contractual customer relationships of an unrelated third party with its existing group of customers, being the intangible asset identified.*
- *Excess Earnings*
  - *The excess earnings methodology states that the value of an intangible asset is given by the present value of the earnings it generates, net of a reasonable return on other assets also contributing to that stream of earnings. Customer contracts, customer relationships and customer-related assets are amongst the assets most*

*usually valued using this method, although the method can also be applied to other contracts (e.g. supplier agreements), trademarks and other assets.*

- *We have adopted the excess earnings approach to determine the value derived from the Assets for the following reasons:*
  - *Excess earnings approach is a common approach used to value customer-related assets as it estimates the value of an intangible asset based on the expected future excess earnings stream attributable to a particular asset;*
  - *Cost approach does not value the business expectation value of the customer relationship; and*
  - *The scarcity of information available on precedent transactions performed in the recent past of intangible assets with similar characteristics as the Assets.*
- *We have considered the value of the Assets based on the actual average monthly sales volume of bottle LPG gas cylinders for 2017. The unrelated third party has delivered an average of 13,748 gas cylinders per month to its existing customers in 2017.*
- *Accordingly, it is expected that the Assets will provide a steady stream of income underpinned by the regular orders of gas cylinders placed by the existing customers.*
- *We have assessed the value of the Assets based on the following two scenarios:*
  - *Attrition rate of 3.6% based on the average annual decline rate of the LPG sales volume in Singapore for year 2013 to 2017; and*
  - *Attrition rate of 2% based on UGH's existing LPG business attribution rate as provided by the Management.*
- *The attrition rate is applied to reflect the loss of revenue due to customer attrition.*

**The Independent Directors are advised to read the BDO Valuation Report, especially the approach, valuation methodology and assumptions carefully. The BDO Valuation Summary Letter is appended as Appendix B to the Circular and the BDO Valuation Report is available for inspection at the registered office of the Company.**

BDO Advisory has opined that the implied valuation for the Assets, as at 31 December 2017, based on the excess earnings approach was S\$2.39 million and S\$2.51 million, which were based on the attrition rates of 3.6% and 2.0% respectively (the “**BDO Valuation Range**”).

We note that the Asset Acquisition Consideration is at a 0.4% premium to the lower bound of the BDO Valuation Range and at a 4.4% discount to the upper bound of the BDO Valuation Range. The Asset Acquisition Consideration is at a 2.0% discount to the mid-point of the BDO Valuation Range, being approximately S\$2.45 million.

### 6.3 THE VALUATION OF THE ASSETS IMPLIED BY THE ASSET ACQUISITION CONSIDERATION VERSUS THE VALUATION OF COMPANIES WHOM ARE INVOLVED IN THE RETAIL LPG SEGMENT

The Assets comprise the non-contractual customer relationships with domestic customers where such non-contractual customer relationships primarily involve the sale of bottled LPG and/or LPG-related accessories to domestic residential customers in Singapore. For the purposes of assessing the valuation of the Assets as implied by the Asset Acquisition Consideration, we have considered listed companies whose business are broadly comparable to the retail LPG segment which the Assets pertain to ("**Retail LPG Comparables**").

We had discussions with management about the suitability and reasonableness of the Retail LPG Comparables. We wish to highlight that the Retail LPG Comparables are not exhaustive and it should be noted that there may not be any listed company whose business is directly comparable to the retail LPG segment that the Assets pertain to in terms of location, business activities, customer base, size of operations, asset base, geographical markets, future prospects and other relevant criteria. As such, any comparison made here is necessarily limited and it may be difficult to place reliance on the comparison of valuation with the Retail LPG Comparables. Therefore, any comparison made serves only as an illustrative guide.

The Retail LPG Comparables are as follows:

- (a) Hiroshima Gas;
- (b) Lipigas;
- (c) Busan City Gas;
- (d) Siamgas; and
- (e) Southern Gas.

Please refer to paragraph 4.4 of this IFA Letter for the relevant information of the Retail LPG Comparables.

For the comparison with the Retail LPG Comparables, we have referred to the Price to Sales ("**P/Sales**") and the P/NAV ratios to provide an indication of the market expectations with regard to the valuation of these companies. The P/Sales ratio illustrates the ratio of the market price of a company's share relative to its revenues as stated in its financial statements.



We set out in the table below the financial ratios of the Retail LPG Comparables as at the Latest Practicable Date:

<b>Retail LPG Comparables</b>	<b>P/Sales <sup>(1)</sup> (times)</b>	<b>P/NAV <sup>(2)</sup> (times)</b>
Hiroshima Gas	0.4	0.5
Lipigas	1.3	4.4
Busan City Gas	0.4	0.7
Siamgas	0.5	2.5
Southern Gas	0.3	1.7
Maximum	1.3	4.4
Minimum	0.3	0.5
Mean	0.6	2.0
Median	0.4	1.7
<b>The Assets</b>	<b>0.5<sup>(3)</sup></b>	<b>1.0<sup>(4)</sup></b>
<b>(Based on the Asset Acquisition Consideration and the BDO Valuation Report)</b>		

Source: Bloomberg Finance L.P., annual reports and/or announcements of the respective companies.

**Notes:**

- (1) The P/Sales ratios of the Retail LPG Comparables are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the revenues in the LTM compiled from the respective companies' financial results.
- (2) The P/NAV ratios of the Retail LPG Comparables are based on (i) their respective closing prices as at the Latest Practicable Date; and (ii) the most recent NAV attributable to shareholders as announced by the respective companies.
- (3) Based on the Asset Acquisition Consideration and the estimated sales associated with the Assets for FY2017 of approximately S\$5.2 million. We have estimated the sales associated with the Assets for FY2017 based on (i) the Average Monthly Historical Volume, and (ii) the price that the Company sold its LPG cylinders to its domestic customers, before the Goods and Services Tax ("GST"), as at the Latest Practicable Date. Shareholders should note that the estimated sales associated with the Assets for FY2017 are not necessarily indicative of the future performance of the Assets.
- (4) Based on the Asset Acquisition Consideration and the mid-point of the BDO Valuation Range, being approximately S\$2.45 million.

Based on the above ratio analysis, we note that:

- (a) the P/Sales ratio of the Assets, as implied by the Asset Acquisition Consideration, is within the range, below the mean and above the median of the Retail LPG Comparables; and
- (b) the P/NAV ratio of the Assets, as implied by the Asset Acquisition Consideration and the BDO Valuation Range, is within the range, and below the mean and the median of the Retail LPG Comparables.

#### **6.4 THE NEW SHARES AS PARTIAL SATISFACTION OF THE ASSET ACQUISITION CONSIDERATION**

We note that the Asset Acquisition Consideration is to be partially satisfied via the allotment and issuance of the Asset Acquisition Shares Consideration at S\$0.2647 for each Share. Please refer to paragraph 4.5 of this IFA Letter for our analysis of the Issue Price and the market price performance of the Shares.

#### **6.5 RATIONALE FOR THE ASSET ACQUISITION**

We note from Section 3.3.5 of the Circular that the Company intends to further grow the distribution network and reach of its Domestic LPG Business, and the Company believes that the Asset Acquisition will allow the Company to expand its distribution network and customer base

#### **6.6 PRO FORMA FINANCIAL EFFECTS OF THE ASSET ACQUISITION**

The full text of the pro forma financial effects of the Asset Acquisition is set out in Section 3.3.7 entitled "Financial Effects of the Asset Acquisition" of the Circular. Shareholders are advised to read Section 3.3.7 of the Circular carefully.

In summary, we note the following:

- (a) the earnings per share will decrease from 1.89 cents to 1.85 cents after the Asset Acquisition; and
- (b) the NTA per share will decrease from 9.91 cents to 9.11 cents after the Asset Acquisition.

#### **6.7 OTHER CONSIDERATIONS**

In determining whether the Asset Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders, we have also considered the following:

- (a) Asset Acquisition Consideration to be satisfied via the issuance of new Shares and cash

The Asset Acquisition Consideration will be satisfied via (i) the issuance of the Asset Acquisition Shares Consideration, which accounts for 50% of the Asset Acquisition

Consideration, and (ii) payment of S\$1.20 million in cash, which accounts for the remaining 50% of the Asset Acquisition Consideration. In view of the quantum and the fact that 50% of the Asset Acquisition Consideration is to be satisfied via the issuance of U-Gas Acquisition Shares Consideration, the drawdown on the cash reserves of the Company will not be overly onerous. As at 31 December 2017, the Group had S\$16.1 million in cash and cash equivalents.

(b) Asset Acquisition Cash Consideration to be paid in tranches

The Asset Acquisition Cash Consideration of S\$1.20 million will be paid to Semgas Supply in two tranches, with the First Tranche comprising S\$0.84 million being paid upon completion of the Asset Acquisition, and the Second Tranche comprising S\$0.36 million being paid on or after the date falling three (3) months after the later of (i) the completion date for the Asset Acquisition, or (ii) a date to be agreed between the Company and Semgas Supply where there is no price adjustment pursuant to the adjustment provisions. This staggered cash payment further reduces the burden placed on the Group's cash reserves.

(c) Adjustment Provisions of the Asset Acquisition Cash Consideration

The Company is entitled to withhold payment of the Second Tranche under certain conditions as set out in paragraph 5.3 of this IFA Letter. Furthermore, the Asset Clawback allows for the Asset Acquisition Consideration to be adjusted in the event of a reduction of 5% or more in the average monthly number of LPG cylinders sold by the Company from 1 May 2018 to 31 August 2018 as compared to the Average Monthly Historical Volume. The Company's entitlement to withhold payment of the Second Tranche subject to certain conditions and the Asset Clawback will help to mitigate some of the risk associated with the Asset Acquisition.

(d) Dilution impact of the Asset Acquisition

Based on the 4,533,434 Shares to be issued to Semgas Supply in connection with the Asset Acquisition, the enlarged share capital of the Company would comprise 204,533,434 Shares after the Asset Acquisition. The Shares held by public shareholders, being Shares not held by Directors and substantial shareholders, will be diluted from 29.3% of the existing share capital to 28.7% of the enlarged share capital after the Asset Acquisition.

## **7. PROPOSED ADOPTION OF THE NEW IPT GENERAL MANDATE**

Information on the New IPT General Mandate is set out in Section 5 of the Circular.

### **7.1 CLASSES OF MANDATED INTERESTED PERSONS**

Information on the classes of Mandated Interested Persons of the New IPT General Mandate is set out in Section 5.2 of the Circular.

We note that, as at the Latest Practicable Date, the Mandated Interested Persons are Sembas, Semgas (S), Gasmart, United Gas and Choon Hin Gas Supply. The Mandated Interested Persons are all entities of the UEC Group and are all wholly owned by UEC.

## **7.2 MANDATED TRANSACTIONS**

Information on the Mandated Transactions of the New IPT General Mandate is set out in Section 5.3 of the Circular.

We note that the categories of Mandated Transactions are as follows:

- (i) provision of maintenance and support services by Sembas to U-Gas in respect of equipment necessary in the course of its business, such as the LPG manifold systems, stoves and pipes. On the U-Gas Acquisition Completion, transactions between Sembas and U-Gas are for the purposes of Chapter 9 of the Catalist Rules regarded as interested person transactions; and
- (ii) sale of LPG manifold systems and piping from Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply, as the case may be to U-Gas. On the U-Gas Acquisition Completion, transactions between Sembas, Semgas (S), Gasmart, United Gas and/or Choon Hin Gas Supply, as the case may be and U-Gas are for the purposes of Chapter 9 of the Catalist Rules regarded as interested person transactions,

collectively, the “**Mandated Transactions**”.

## **7.3 RATIONALE FOR AND BENEFITS OF THE NEW IPT GENERAL MANDATE**

Information on the rationale for and benefits of the New IPT General Mandate is set out in Section 5.4 of the Circular.

We note that the New IPT General Mandate is intended to facilitate transactions in the ordinary course of the business of the Group which are transacted from time to time with the specified Mandated Interested Persons, provided that they are transacted on normal commercial terms and will not be on terms or conditions that would be prejudicial to the interests of the Company and/or its minority Shareholders.

## **7.4 METHODS AND/OR REVIEW PROCEDURES FOR THE MANDATED TRANSACTIONS**

Detailed on the methods and/or review procedures are set out in Sections 5.5 and 5.7 of the Circular.

We note that the methods and procedures include, *inter alia*, the following:

- (a) the Mandated Transactions shall be carried out after comparisons with at least two (2) quotations from unrelated third parties for the same or substantially similar quantities and/or quality of products and/or services.

In the event such competitive quotations from unrelated third party suppliers are not available due to the nature of the transaction, if applicable, the Company will obtain two (2) recent quotations (wherever possible or available) from the relevant Mandated Interested Person for similar services provided by the relevant Mandated Interested Person to their unrelated third party customers, prior to the entry into the transaction with the Mandated Interested Person;

- (b) prior approval of the Audit Committee will be required for when the value of each of the Mandated Transactions is equal to or exceeds 3.0% of the Group's latest audited NTA; and
- (c) other monitoring and review procedures, including a register for all interested person transactions, quarterly reviews by the internal auditors and the Audit Committee, and quarterly reviews of the internal audit reports by the Audit Committee.

## **7.5 ROLE OF THE AUDIT COMMITTEE IN RELATION TO THE NEW IPT GENERAL MANDATE**

We note that the Audit Committee will:

- (a) review and approve each Mandated Transaction with value equal to or above 3.0% of the Group's latest audited NTA;
- (b) review the transactions in the register of all Interested Person Transactions (the "**IPT Register**") on a quarterly basis;
- (c) review the internal audit reports submitted by the internal auditors on a quarterly basis; and
- (d) during these reviews, determine if the methods and procedures established under the New IPT General Mandate continues to be adequate and/or commercially practicable in ensuring that the Mandated Transactions are not prejudicial to the interests of the Company and its minority Shareholders. If the Audit Committee is of the view that the established methods and procedures have become inadequate or inappropriate to ensure that the Mandated Transactions will be entered into based on terms not prejudicial to the interests of the Company and its minority Shareholders, the Audit Committee will, in consultation with the Board of Directors, take such action as it deems proper in respect of such methods and procedures, and/or modify or implement such methods and procedures as may be necessary, and direct the Company to seek a fresh general mandate from the Shareholders based on new methods and procedures for transactions with the Mandated Interested Persons.

## **7.6 VALIDITY PERIOD OF THE NEW IPT GENERAL MANDATE**

If approved at the forthcoming EGM, the New IPT General Mandate will take effect from the date of the passing of the ordinary resolution to be proposed at the EGM and will (unless revoked or varied by the Company in a general meeting) continue to be in force until the subsequent AGM.

The Company intends to seek the approval of Shareholders for the renewal of the New IPT General Mandate annually. The renewal of the New IPT General Mandate shall be subject to the

satisfactory review by the Audit Committee of the continued need for the New IPT General Mandate and the adequacy of the review procedures for the transactions.

## **8. OUR OPINION**

Having regard to our terms of reference, in arriving at our opinion, we have taken into account a range of factors which we consider to be pertinent and have a significant bearing on our assessment of the Proposed Acquisitions and the Proposed Adoption of the New IPT General Mandate. We have carefully considered as many factors as we deem essential and balanced them before reaching our opinion. Accordingly, it is important that our IFA Letter, in particular, all the considerations and information we have taken into account, be read in its entirety.

### **8.1 OUR OPINION ON THE U-GAS ACQUISITION**

We set out below a summary of the key factors we have taken into our consideration:

- (a) the financial performance of U-Gas;
- (b) the U-Gas Acquisition Consideration is at a 9.4% premium to the lower bound of the Mazars Valuation Range and at a 7.4% discount to the upper bound of the Mazars Valuation Range. The U-Gas Acquisition Consideration is at a 0.3% premium to the mid-point of the Mazars Valuation Range, being approximately S\$9.17 million;
- (c) the Mazars Valuation Report had not taken into account the Additional Hawker Centre;
- (d) the EV/EBITDA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is within the range, but above the mean and the median of the U-Gas Comparables;
- (e) the P/E ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is above the range, the mean and the median of the U-Gas Comparables. The high P/E ratio of U-Gas was attributable to the lower profits of S\$0.3 million for FY2017 as compared to S\$1.0 million annually for each of FY2015 and FY2016. Please refer to paragraph 4.1 of this IFA Letter for further discussion of the financial performance of U-Gas for FY2015, FY2016 and FY2017;
- (f) the P/NAV ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is within the range, but above the mean and the median of the U-Gas Comparables;
- (g) the P/NAV ratio of U-Gas, as implied by the U-Gas Acquisition Consideration and based on the Mazars Valuation Range, is within the range, and below the mean and the median of the U-Gas Comparables;
- (h) the P/NTA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration, is above the range, the mean and the median of the U-Gas Comparables;
- (i) the P/NTA ratio of U-Gas, as implied by the U-Gas Acquisition Consideration and based on the Mazars Valuation Range, is within the range, and below the mean and the median of the U-Gas Comparables;

- (j) the Issue Price represents a discount of 0.8% and 2.1% to the 1-month and 3-month VWAP of the Shares prior to the Announcement Date respectively;
- (k) the Issue Price represents a premium of 1.2% to the 6-month VWAP of the Shares prior to the Announcement Date;
- (l) the Issue Price is equal to the VWAP on the Last Trading Day;
- (m) based on the daily closing prices of the Shares, the Shares have traded above the Issue Price for the period subsequent to the Announcement Date and up to the Latest Practicable Date;
- (n) the EV/EBITDA ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;
- (o) the P/E ratio of the Group, as implied by the Issue Price, is above the range, the mean and the median of the UG Comparables;
- (p) the P/NAV ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;
- (q) the P/NTA ratio of the Group, as implied by the Issue Price, is within the range, and above the mean and the median of the UG Comparables;
- (r) for the period from the Listing Date up to the Announcement Date, the market prices of the Shares declined by 6.9% as compared to the 8.6% decrease in the FTSE ST Catalyst Index over the same period;
- (s) rationale for the U-Gas Acquisition;
- (t) pro forma financial effects of the U-Gas Acquisition; and
- (u) other considerations set out in paragraph 4.8 of this IFA Letter.

**Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the U-Gas Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

## **8.2 OUR OPINION ON THE ASSET ACQUISITION**

We set out below a summary of the key factors we have taken into our consideration:

- (a) the financials pertaining to the Assets;
- (b) the Asset Acquisition Consideration is at a 0.4% premium to the lower bound of the BDO Valuation Range and at a 4.4% discount to the upper bound of the BDO Valuation Range. The Asset Acquisition Consideration is at a 2.0% discount to the mid-point of the BDO Valuation Range, being approximately S\$2.45 million;



- (c) the P/Sales ratio of the Assets, as implied by the Asset Acquisition Consideration, is within the range, below the mean and above the median of the Retail LPG Comparables;
- (d) the P/NAV ratio of the Assets, as implied by the Asset Acquisition Consideration and the BDO Valuation Range, is within the range, and below the mean and the median of the Retail LPG Comparables;
- (e) the key factors set out in paragraph 8.1 (j), (k), (l), (m), (n), (o), (p), (q) and (r) of this IFA Letter pertaining to the issuance of Shares in part satisfaction of the Asset Acquisition Consideration;
- (f) rationale for the Asset Acquisition;
- (g) pro forma financial effects of the Asset Acquisition; and
- (h) other considerations set out in paragraph 6.7 of this IFA Letter.

**Accordingly, after taking into account the above factors and the information made available to us as at the Latest Practicable Date, we are of the opinion that, on balance, the Asset Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders.**

### **8.3 OUR OPINION ON THE NEW IPT GENERAL MANDATE**

In arriving at our opinion in respect of the New IPT General Mandate, we have considered, *inter alia*, the methods and procedures set up by the Company, the role of the Audit Committee in enforcing the New IPT General Mandate, and the rationale for and benefits of the New IPT General Mandate.

Having regard to the considerations set out in paragraph 7 of this IFA Letter and the information available to us as at the Latest Practicable Date, we are of the opinion that the methods and procedures for determining the transaction prices of the New IPT General Mandate, if applied strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

This IFA Letter is addressed to the Independent Directors for their benefit, in connection with and for the purpose of their consideration of the Proposed Acquisitions and the adoption of the New IPT General Mandate, and the recommendation made by them to the Shareholders shall remain the responsibility of the Independent Directors. Neither the Company nor the Directors may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose, except for the Proposed Acquisitions and the Proposed Adoption of the New IPT General mandate, at any time and in any manner without the prior written consent of Xandar Capital in each specific case.

This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours truly  
For and on behalf of  
**XANDAR CAPITAL PTE. LTD.**

LOO CHIN KEONG  
EXECUTIVE DIRECTOR

DAVID WEE  
VICE PRESIDENT

## **APPENDIX B – INDEPENDENT VALUATION SUMMARY LETTER IN RELATION TO THE PROPOSED U-GAS ACQUISITION**

8 March 2018

**The Board of Directors**  
**Union Gas Holdings Limited**  
25 Genting Road, 04-01  
Union Energy Group Building  
Singapore 349482

### **INDEPENDENT VALUATION SUMMARY LETTER IN RELATION TO THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF U-GAS PTE. LTD. (THE “U-GAS ACQUISITION”)**

Dear Sirs/Madames,

#### **1. Introduction**

Mazars LLP (“Mazars” or “we”) have been engaged by Union Gas Holdings Limited (“Union Gas” or the “Company”) to perform a business valuation exercise to estimate the Market Value range of the entire issued and paid-up share capital (being equivalent to the 100% equity interest) of U-Gas Pte Ltd (“U-Gas”) as at 31 December 2017 (the “Valuation Date”).

We understand that the U-Gas Acquisition is deemed to be an Interested Person Transaction in accordance with Chapter 9 of the Catalyst Rules.

This letter has been prepared solely for the purpose of disclosure as an appendix in the Company’s Circular to be issued in relation to the U-Gas Acquisition. All capitalised terms used in this letter shall have the same meanings as ascribed to them in the Circular. This is a summary of the information contained in our Independent Valuation Report dated 1 March 2018 (the “**Valuation Report**”). Accordingly, this letter should be read in conjunction with the full text of the Valuation Report.

#### **2. Terms of reference**

This letter and the Valuation Report do not constitute any opinion or an advice concerning the merits of any potential acquisition or investment and the fairness of the contemplated terms thereof. The decision to proceed with any acquisition, investment or divestment or otherwise based on the information contained in this letter and the Valuation Report belongs entirely to the Company. We assume no responsibility or liability for any loss suffered by any party as a result of their reliance on information contained in this letter and the Valuation Report.

Our valuation analysis is based on assumptions and inputs provided by the management. In accordance with the requirements of International Valuation Standards (“IVS”) 200, paragraph 100.1, we have taken reasonable efforts to assess the reasonableness of the significant assumptions and inputs. However, we do not provide any assurance on the achievability of the financial forecasts. The responsibility of achieving the forecasts remains the sole responsibility of the management of the Company.

Financial statements and other related information provided by the Company or their representatives, in the course of this engagement, have been accepted without any verification. We have not audited, reviewed, or compiled the financial information provided to us and, accordingly, we express no audit opinion or any other form of assurance with regards to this information. The accuracy of such information is the sole responsibility of the Company. Our conclusion of value is conditional upon the completeness, accuracy and fair presentation of the information from Management.

Public information and industry and statistical information have been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information. We assume no responsibility for the accuracy and the reasonableness of such information.

### 3. Valuation Approach and Methodology

This valuation exercise was performed on Market Value basis. Market Value is defined by the International Valuation Standards Council ("IVSC") as *"the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."*

We have considered all three generally accepted valuation approaches, namely the income approach, the market approach and the cost approach.

On the basis that U-Gas' operations is expected to continue for the foreseeable future, we have relied on the income approach and the market approach to estimate the Market Value range of the 100% equity interest in U-Gas.

The value of U-Gas is dependent on its ongoing operations rather than the current net book value of its tangible assets and liabilities. As such, we have not relied on the cost approach in this engagement.

### 4. Conclusion of value

Based on the methodology and analysis as detailed in the Valuation Report, the Market Value range of the equity interest in U-Gas is estimated to be approximately from **S\$8.41 million** to **S\$9.93 million** as at Valuation Date.

Our conclusions are primarily dependent on the following assumptions:

- U-Gas will continue to have sufficient liquidity and funding to continue its operations for the foreseeable future.
- The operations of U-Gas will not be affected by disruptive technology, unforeseen competition or adverse government policies during the forecast period.
- There will be no early termination of any of the existing contracts with the markets and food centres. Expiring contracts will be successfully renewed on similar terms.
- There are no unexpected adverse movement in Saudi Aramco Contract Prices, which is the major driver of the LPG cost to U-Gas.
- U-Gas will be able to retain its key management and operation team.
- U-Gas will be able to achieve the projected revenue growth rate and profit margins. We have assumed the TTM EBITDA of S\$1.254 million to be the maintainable EBITDA level of the business going forward.
- There are no material undisclosed or contingent liabilities that have not been brought to our attention during the course of the engagement.

Our conclusion is based upon prevailing market, economic, industry, monetary and other conditions and information made available to us as of the date of the Valuation Report. Such conditions may change significantly over a relatively short period of time and we assume no responsibility and are not required to update, revise or reaffirm our conclusion to reflect events or developments subsequent to the issue of our final Valuation Report.

Yours sincerely

**Mazars LLP**

## **APPENDIX C – INDEPENDENT VALUATION SUMMARY LETTER IN RELATION TO THE PROPOSED ASSET ACQUISITION**

8 March 2018

**The Board of Directors**  
Union Gas Holdings Limited  
25 Genting Road  
#04-01 Union Energy Group Building  
Singapore 349482

### **INDEPENDENT VALUATION SUMMARY LETTER IN RELATION TO THE PROPOSED ASSET ACQUISITION**

Dear Sirs,

#### **1. Introduction**

BDO Advisory Pte. Ltd. (“**BDO Advisory**”) has been appointed by the Board of Directors of Union Gas Holdings Limited (“**UGH**” or the “**Company**”) (“**Directors**”) to perform an indicative valuation of assets comprises of the non-contractual domestic customer relationships of an unrelated third party with the domestic customers thereof which Semgas Supply Pte. Ltd (“**Vendor**”) had acquired on 29 December 2017 (the “**Assets**”), as at 31 December 2017 (“**Valuation Date**”). It does not include any tangible assets or liabilities associated with the Assets.

This letter has been prepared for the purpose of disclosure as an appendix to the Company’s Circular to be issued in relation to, inter alia, the proposed Asset acquisition. The letter is a summary containing information from our valuation report dated 8 March 2018 (the “**Valuation Report**”). Accordingly, this letter and its contents should be read in conjunction with the full text in the full Valuation Report.

#### **2. Terms of reference**

The objective of the Valuation Report is to provide an independent view of the fair market value of the Assets as at 31 December 2017 in accordance with International Valuation Standards.

We are not expressing an opinion on the commercial merits and structure on the transaction of the Company and accordingly, this letter and the Valuation Report do not purport to contain all the information that may be necessary to fully evaluate the commercial or investment merits of the transaction of the Company. The assessment of the commercial and investment merits of the transaction is solely the responsibility of the Directors. In addition, our work should not be construed as an investment advice to the current or prospective shareholders/investors of the Company.

We have not conducted a comprehensive review of the business, operational or financial conditions of the Assets nor any work in relation to the feasibility of tax efficiency of the business operation of the Assets, and accordingly our Valuation Report does not make any representation or warranty, expressed or implied in this regard.

Our scope in the engagement does not require us to express and we do not express a view on the future prospects of the Company, or any views on the future trading process of the shares or the financial condition of the Company.

Our terms of reference do not require us to provide advice on legal, regulatory, accounting or taxation matters made available to us if the Company has obtained specialist advice, and where we have considered, and where appropriate, relied upon such advice.

The information used by us in preparing the Valuation Report has been obtained from a variety of sources as indicated within the Valuation Report. While our work has involved an analysis of the financial information and accounting records, it has not included an audit in accordance with generally accepted auditing standards. Accordingly, we assume no responsibility and make no representation with respect to the accuracy or completeness of any information provided to us by and on the behalf of the Company.

Budgets/forecasts/projections relate to future events and are based on assumptions which may not remain valid for the whole of the relevant period. Consequently, they cannot be relied upon to the same extent as information derived from audited accounts for completed accounting periods. For these reasons, we express no opinion as to how closely the actual results achieved will correspond to those budgeted/forecasted/projected. Instead, our work is in nature of a review of the information provided to us, and discussions with members of the management of the Company (“**Management**”).

### 3. Use of our valuation report and summary valuation letter

Our work will be carried out solely for the purpose of assisting the Company in connection with the proposed Asset acquisition. This letter and the Valuation Report prepared in the course of our work may not be used for any other purpose or by any other person, referred to in any document or made available to any party (other than your professional advisors acting in that capacity) without our prior written consent (such consent not to be unreasonably withheld) (including without limitation, the shareholders of the Company, and the prospective investors) except for the purpose of any matter relating to the proposed Asset acquisition (including making references to and reproduction in the Circular and being made available for inspection). Any recommendation made by the Directors to the shareholders of the Company shall remain the responsibility of such Directors.

### 4. Reliance on available information and representation from Management

In the course of our work, we have held discussions with the Management. We have also examined and relied on information provided by the Company, and reviewed other relevant publicly available information. We have not independently verified all such information provided or any representation or assurance made by them, whether written or verbal, and accordingly cannot and do not warrant or accept responsibility for the accuracy or completeness of such information, representation or assurance. However, we have a duty to exercise reasonable professional skill and care in performing our work in accordance with the terms of this engagement and have made reasonable enquires and exercised our judgment on the reasonable use of such information. Our work will, where appropriate, be conducted in accordance with applicable professional guidance.



The Management have confirmed to us, upon making all reasonable enquiries and to their best knowledge and belief, that the information provided to us constitute full and true disclosure, in all material respects and facts relating to the Assets as required for the purposes of our valuation.

In no circumstances shall we be liable, other than in the event of our bad faith, wilful default for any loss or damage, of whatsoever nature arising from information material to our work being withheld or concealed from us or misrepresented to us by the Management and the Directors, employees or staffs of the Company or any other person of whom we have made inquiries of during the course of our work.

## 5. Valuation methodology

The basis of valuation will be made by reference to the fair market value. Fair market value is defined as “the amount at which the assets would change hands between a knowledgeable willing buyer and a knowledgeable willing seller, neither being under a compulsion to buy or sell”.

The Assets consists of non-contractual domestic customer relationships of an unrelated third party with its existing group of domestic customers, being the intangible asset identified. We have adopted the excess earnings approach to determine the value derived from the Assets for the following reasons:

- Excess earnings approach is a common approach used to value domestic customer-related assets as it estimates the value of an intangible asset based on the expected future excess earnings stream attributable to a particular asset;
- Cost approach does not value the business expectation value of the domestic customer relationship; and
- The scarcity of information available on precedent transactions performed in the recent past of intangible assets with similar characteristics as the Assets.

Under this approach and methodology, the value of the Assets is derived based on the present value of the earnings it generates, net of a reasonable return on other assets also contributing to that stream of earnings.

We have assessed the value of the Assets based on the following two scenarios:

- Attrition rate of 3.6% based on the average annual decline rate of the LPG sales volume in Singapore for year 2013 to 2017; and
- Attrition rate of 2% based on UGH’s existing LPG business attrition rate as provided by the Management.

The attrition rate is applied to reflect the loss of revenue due to domestic customer attrition.

Our valuation is based on various assumptions with respect to the Assets, including their respective present and future financial conditions. The assumptions are based on information that we have been provided and discussions with the Management of the Company reflecting current expectations and future events.

Among other assumptions that are stated in the Valuation Report, the key assumptions are as follows:

- No audit or review has been carried out on the performance forecasts;
- The information provided to us by the Management reflects the financial positions of the Assets;
- There will be no major changes in the corporate taxation basis or rate applicable to the Assets; and
- There are no subsequent events, which will have material effect on the financial information provided by the Management.

## 6. Conclusion

In summary and as detailed in the Valuation Report, the indicative fair market value of the Assets is in the range of S\$2.39 million and S\$2.51 million, based on attrition rates of 3.6% and 2.0% respectively as at the Valuation Date.

Our views are based on the current economic, market, industry, regulatory, monetary and other conditions and on the information made available to us as of the date of this letter and the Valuation Report. Such conditions may change significantly over a relatively short period and we assume no responsibility and are not required to update, revise or reaffirm our conclusion set out in this letter to reflect events or developments subsequent to the date of this letter and the Valuation Report.

Yours faithfully,

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**BDO Advisory Pte. Ltd.**

## UNION GAS HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201626970Z)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“**EGM**”) of **UNION GAS HOLDINGS LIMITED** (the “**Company**”) will be held at 190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409 on 23 April 2018 at 10 a.m. (or as soon thereafter as the annual general meeting (the “**AGM**”) of the Company convened on the same day and at the same place at 9 a.m. shall have concluded or shall have been adjourned, as the case may be), for the purpose of considering, and if thought fit, passing with or without modifications, the following resolutions below.

All capitalised terms used in this Notice of EGM which are not defined herein shall have the same meaning ascribed to them in the circular to shareholders of the Company dated 6 April 2018.

#### **ORDINARY RESOLUTIONS:**

**ORDINARY RESOLUTION 1: The proposed acquisition of the entire issued and paid-up share capital of U-Gas Pte. Ltd. as an interested person transaction with the allotment and issuance of 24,329,430 shares at an issue price of S\$0.2647 each and cash of S\$2,760,000 as consideration**

That:–

- (a) approval be and is hereby given for the proposed acquisition of the entire issued and paid-up share capital of U-Gas Pte. Ltd. from Union Energy Corporation Pte. Ltd. (“**UEC**”) (“**U-Gas Acquisition**”) in accordance with the terms and conditions of the sale and purchase agreement (the “**SPA**”);
- (b) approval be and is hereby given to the directors of the Company for the time being (“**Directors**”) or any of them to allot and issue to UEC, subject to and otherwise in accordance with the terms and conditions of the SPA, 24,329,430 Shares on the date of the completion of the U-Gas Acquisition;
- (c) such Shares when issued shall rank *pari passu* in all respects with the then existing shares of the Company, save as may be provided in the terms and conditions of the SPA. The precise terms of the issue of the ordinary shares in the issued share capital of the Company (the “**Shares**”) are set out in the SPA. Mr. Teo Kiang Ang (“**Mr. Teo**”) and Ms. Teo Soak Theng Alexis (“**Ms. Teo**”) and their associates (if any) will abstain from exercising any voting rights on this Ordinary Resolution 1. Such Shares issued shall not be entitled to any proposed dividend for FY2017;
- (d) approval be and is hereby given for the U-Gas Acquisition in accordance with the terms and conditions of the SPA, which constitutes an interested person transaction under the Catalyst Rules; and
- (e) the Directors and any of them be and are hereby authorised and empowered to approve, complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable or necessary or in the interests of the Company to give effect to the U-Gas Acquisition, this Ordinary Resolution 1 and the transactions contemplated by the U-Gas Acquisition and/or authorised by this Ordinary Resolution 1.

**ORDINARY RESOLUTION 2: The proposed asset acquisition from Semgas Supply Pte. Ltd. as an interested person transaction with the allotment and issuance of 4,533,434 shares at an issue price of S\$0.2647 each and cash of S\$1,200,000 as consideration**

That:–

- (a) approval be and is hereby given for the proposed acquisition by the Company of the assets from Semgas Supply Pte. Ltd. (“**Semgas Supply**”) (“**Asset Acquisition**”) in accordance with the terms and conditions of the asset purchase agreement (“**Asset Purchase Agreement**”);
- (b) approval be and is hereby given to the Directors or any of them to allot and issue to Semgas Supply, subject to and otherwise in accordance with the terms and conditions of the Asset Purchase Agreement, 4,533,434 Shares on the date of the completion of the Asset Acquisition;
- (c) such Shares when issued shall rank *pari passu* in all respects with the then existing shares of the Company, save as may be provided in the terms and conditions of the Asset Purchase Agreement. The precise terms of the issue of the Shares are set out in the Asset Purchase Agreement. Mr. Teo and Ms. Teo and their associates (if any) will abstain from exercising any voting rights on this Ordinary Resolution 2. Such Shares issued shall not be entitled to any proposed dividend for FY2017;
- (d) approval be and is hereby given for the Asset Acquisition in accordance with the terms and conditions of the Asset Purchase Agreement, which constitutes an interested person transaction under the Catalist Rules; and
- (e) the Directors and any of them be and are hereby authorised and empowered to approve, complete and do all such acts and things (including to approve, modify, ratify, sign, seal, execute and deliver all such documents as may be required) as they or he may consider expedient, desirable or necessary or in the interests of the Company to give effect to the Asset Acquisition, this Ordinary Resolution 2 and the transactions contemplated by the Asset Acquisition and/or authorised by this Ordinary Resolution 2.

**ORDINARY RESOLUTION 3: The proposed adoption of the new interested person transactions general mandate**

THAT:–

- (a) approval be and is hereby given, for the purposes of Chapter 9 of the Catalist Rules, in particular for the purposes of Rule 920 of the Catalist Rules in relation to a general mandate from the Shareholders, for the Company, its subsidiaries and associated companies that are considered to be “**entities at risk**” (as that term is used in Chapter 9 of the Catalist Rules), or any of them, to enter into Mandated Transactions, with Mandated Interested Persons, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders and in accordance with the review procedures for such Mandated Transactions (the “**New IPT General Mandate**”);

For the purposes of this resolution:–

- (i) “Mandated Interested Persons” means Sembas (Asia) Trading Pte. Ltd., Semgas (S) Pte. Ltd., Gasmart Pte. Ltd., United Gas Pte. Ltd. and Choon Hin Gas Supply Pte. Ltd; and
- (ii) “Mandated Transactions” means the transactions with the Mandated Interested Persons which will be covered by the New IPT General Mandate;

- (b) the New IPT General Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company; and
- (c) the Directors and each of them be and is hereby authorised to take such steps, complete and do all such things (including without limitation to execute all such agreements and documents as may be required and to approve any amendments, alterations or modifications to any documents) as they or he may consider necessary, desirable, expedient or in the interests of the Company to give effect to the New IPT General Mandate and/or this Ordinary Resolution 3 as they or he may deem fit.

## BY ORDER OF THE BOARD

Leong Chee Meng Kenneth  
Company Secretary  
6 April 2018

### Notes:-

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint one or two proxies, in any case not more than two proxies, to attend and vote on his behalf. A proxy need not be a member of the Company.
2. Where a member (other than a Relevant Intermediary\*) appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.
3. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
  - \* A Relevant Intermediary is:
    - (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
    - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
    - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund ("CPF"), if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. The completion and return of a Proxy Form by a member does not preclude him from attending and voting in person at the EGM if he so wishes. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.
5. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than 72 hours before the time appointed for holding the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed by an attorney on behalf of an appointor, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such as it thinks fit to act as its representatives at the EGM, in accordance with section 179 of the Companies Act (Chapter 50) of Singapore.
9. CPF investors and/or the investors of the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by CDP to the Company.

# Union Gas Holdings Limited

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 201626970Z)

## IMPORTANT:

1. For investors who have used their CPF/SRS monies to buy shares in Union Gas Holdings Limited, this Circular is forwarded to them at the request of the CPF/SRS Approved Nominees.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/SRS have to sub investors who wish to attend the EGM as OBSERVERS have to submit their requests through their respective Agent Banks so that their Agent Banks may register, in the required format with the Company Secretary, by the time frame specified. (Agent Banks: Please see **Note 10** on the required format). Any voting instructions must also be submitted to their Agent Banks within the time frame specified to enable them to vote on the CPF/SRS investor's behalf.

## PROXY FORM EXTRAORDINARY GENERAL MEETING

\*I/We \_\_\_\_\_ (Name)

of \_\_\_\_\_ (Address),

\_\_\_\_\_ (NRIC/Passport Number), being a member/members of Union Gas Holdings Limited (the "Company"), hereby appoint:

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/them, the Chairman of the Extraordinary General Meeting ("EGM") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the EGM of the Company to be held at 190 Keng Lee Road, Chui Huay Lim Club, Level 4, Function Room 1 & 2, Singapore 308409, on 23 April 2018 at 10 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/they may on any other matter arising at the EGM.

Ordinary Resolution	No. Of Votes For*	No. Of Votes Against*
1. The Proposed Acquisition of the entire issued and paid-up share capital of U-Gas Pte. Ltd. as an interested person transaction with the allotment and issuance of 24,329,430 shares at an issue price of S\$0.2647 each and cash of S\$2,760,000 as consideration		
2. The proposed acquisition of the domestic liquefied petroleum gas business from Semgas Supply Pte. Ltd. as an interested person transaction with the allotment and issuance of 4,533,434 shares at an issue price of S\$0.2647 each and cash of S\$1,200,000 as consideration		
3. The proposed adoption of the new interested person transactions general mandate		

\* If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [✓] within the relevant box. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant resolution, please indicate the number of Shares in the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

Total number of Shares held	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Member(s)/Common Seal of Corporate Member

\* Delete where inapplicable

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



#### NOTES:–

1. A member of the Company (other than a Relevant Intermediary\*) entitled to attend and vote at the EGM is entitled to appoint one or two proxies, in any case not more than two proxies, to attend and vote on his behalf. A proxy need not be a member of the Company. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for holding the EGM.
2. Where a member (other than a Relevant Intermediary\*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. A Relevant Intermediary may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).
  - \* A Relevant Intermediary is:
    - (a) a banking corporation licensed under the Banking Act (Chapter 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
    - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or
    - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund ("CPF"), if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under this instrument of proxy to the EGM.
5. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the number of shares entered against his name in the Depository Register and registered in his name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed by an attorney on behalf of an appointor, the letter or power of attorney or a duly certified copy thereof (failing previous registration with the Company) must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such as it thinks fit to act as its representatives at the EGM, in accordance with section 179 of the Companies Act (Chapter 50) of Singapore.
10. Agent Banks acting on the request of CPF/SRS investors who wish to attend the EGM as Observers are required to submit in writing, a list with details of the investors' names, NRIC/Passport numbers, addresses and numbers of shares held. The list, signed by an authorised signatory of the Agent Bank, should reach the Company Secretary, at the registered office of the Company not later than 72 hours before the time appointed for holding the EGM.
11. CPF investors and/or the investors of the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the EGM in person. CPF and SRS Investors who are unable to attend the EGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the EGM.

#### Personal data privacy:

By submitting this Proxy Form, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of EGM dated 6 April 2018.



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