

UNION GAS HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No: 201626970Z)

ENTRY INTO A NON-BINDING MEMORANDUM OF UNDERSTANDING WITH UNION ENERGY CORPORATION PTE. LTD. IN RELATION TO A POTENTIAL ACQUISITION OF ASSETS

The board of directors (the “**Board**”) of Union Gas Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to announce that it has on 17th June 2020 signed a Memorandum of Understanding (“**MOU**”) with Union Energy Corporation Pte. Ltd. (“**UEC**”) setting out a framework for a potential acquisition of various assets by the Company from UEC (“**Potential Acquisition**”). The MOU is subject to further negotiation and the parties entering into a definite sale and purchase agreement (“**SPA**”).

INFORMATION RELATING TO THE VENDOR

UEC and its subsidiaries (“**UEC Group**”) is involved in the business of supplying and distributing liquefied petroleum gas (“**LPG**”) mainly to commercial and industrial customers, such as hotels, food establishments (such as restaurants and coffee shops) and factories (“**LPG Distribution Business**”). It is also involved in the business of supplying bottled LPG cylinders (“**LPG Bottling Business**”) and the storage of LPG (“**LPG Storage Business**”). The Group currently obtains its supply of bottled LPG cylinders solely from the UEC Group.

UEC is an “interested person” as defined under Chapter 9 of SGX-ST Listing Manual Section B: Rules of Catalist (“**Catalist Rules**”), and the Potential Acquisition, if it materializes, will likely constitute an “interested person transaction” under the Catalist Rules. Please see section titled “Interested Person Transaction” below for more information.

INFORMATION RELATING TO THE MOU

By entering into the MOU and setting out a framework for the Potential Acquisition, both UEC and the Company (the “**Parties**”) have expressed their mutual intention to enter into discussions for a potential acquisition by the Company of UEC Group’s assets in its LPG Distribution Business, LPG Bottling Business and LPG Storage Business.

The assets which are currently being contemplated of being subject to the Potential Acquisition include shares in Sembas (Asia) Trading Pte. Ltd. (“**Sembas**”), Semgas Supply Pte. Ltd. (“**Semgas**”), and Summit Gas Systems Pte. Ltd. (“**Summit**”) (the “**Potential Target Companies**”) with the bottling plants and land at 43 Jalan Buroh Singapore 619490 and 2D Jalan Pesawat Singapore 619360, as well as all LPG Distribution Business, all support infrastructure relating to the LPG Distribution business (including vehicles and storage depots), and all trademarks, brand names and goodwill relating to the LPG Distribution Business, LPG Bottling Business and LPG Storage Business currently owned by the Potential Target Companies (collectively, the “**Assets**”).

The Potential Acquisition may be conducted in one or more phases. As part of the Potential Acquisition, it is also contemplated that UEC may provide non-competition undertakings to the Company.

The consideration for the Potential Acquisition is expected to be fulfilled through a combination of cash and shares in the Company (“**Shares**”) and would be determined after due diligence has been conducted on the Assets. The Company may also finance the Potential Acquisition through bank borrowings or through a separate fund-raising exercise.

CONDITIONS PRECEDENT

The Potential Acquisition is conditional upon, *inter alia*, the following:

- a) due diligence on the Assets having been completed by the Company to its satisfaction;
- b) an independent valuation being carried out in respect of the Assets by a valuer to be appointed by the Company with the appropriate qualifications in line with applicable guidelines released by the Singapore Exchange Securities Trading Limited's ("**SGX-ST**");
- c) formal approvals of the Board and shareholders of the Company ("**Shareholders**") being obtained; and
- d) final approvals/concurrence (on any clarifications required) of all government agencies or regulatory bodies in Singapore (including, but not limited to the SGX-ST approval to the transaction and the Securities Industry Council's approval to a whitewash waiver, if any) and such other agencies and bodies in Singapore) on satisfactory terms.

Further conditions will be disclosed in a further announcement upon entry into the definitive SPA.

EXCLUSIVITY PERIOD AND NON-BINDING NATURE OF THE MOU

The Parties have agreed that they shall negotiate exclusively during the Exclusivity Period (as defined below) on the Potential Acquisition. "**Exclusivity Period**" shall mean the period starting on the date of the MOU to the earlier of (i) 31 December 2021; (ii) 14 days after the provision of a written notice by either Party ("**Party A**") to the other Party ("**Party B**"), informing Party B of Party A's intention to rescind the MOU; or (iii) such other date to be agreed between the Parties.

The MOU is not expressed to be legally binding in nature other than the Exclusivity Period and certain confidentiality obligations.

RATIONALE FOR THE POTENTIAL ACQUISITION

The Group sees the Potential Acquisition both as strategic and complementary to its existing business.

The Group is currently in the business of distributing bottled LPG cylinders to a myriad of customers, comprising domestic households (mainly using the 12.7 kg cylinders) and commercial and industrial users (mainly using the 50 kg cylinders). Currently, distribution to commercial and industrial customers do not make up a sizeable portion of the Group's LPG distribution business. By acquiring the LPG Distribution Business from UEC Group, the Group will be able to substantially increase its base of commercial and industrial customers. This is expected to generate revenue growth and enhance the quality of the profits of the Group's LPG distribution business.

As an authorised dealer of bottled LPG cylinders for the UEC Group, the Group is also dependent on the UEC Group for the supply of bottled LPG cylinders. Furthermore, there is a limited number of suppliers of bottled LPG cylinders in Singapore and alternative sources of supply of bottled LPG cylinders may not be able to meet our Group's business volume requirements at prices which are competitive. By acquiring the LPG Bottling Business and LPG Storage Business, the Group will be able to achieve greater efficiencies through the vertical integration of its supply chain, allowing it to maintain its cost-competitiveness over the long run and at the same time, reducing the Group dependence on other parties for its supply of bottled LPG cylinders.

The Potential Acquisition of new businesses and assets could also lead to new opportunities for the Group to expand its business in the future, especially those pertaining to the distribution of bottled LPG cylinders in the wholesale space, or the provision of bottling and refilling of LPG cylinders to non-Union affiliated entities.

The Potential Acquisition could also see the Group acquiring a sizeable amount of support infrastructure, which may include an entire sales team or additional fleets of delivery vehicles. With a larger team and fleet, the Group will be able to strengthen its sales and delivery capabilities and be in a stronger position to optimize the operational assets, thereby improving productivity and operational efficiency as a whole.

Overall, by owning and operating a holistic integrated LPG supply chain and acquiring an enlarged base of customers, the Group believes that it will be able maintain its competitiveness and improve the breadth and scale of its service offerings to all its customers. Upon a successful execution, barring any unforeseen circumstances, the Potential Acquisition is also expected to improve the Group's business performance and financial results, and increase the Group's scale and operational efficiencies with resilience to tide through different economic cycles.

INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the date of this announcement:

- (a) the Non-executive Chairman of the Company, Mr. Teo Kiang Ang, is a director of UEC and has an equity interest of approximately 61.89% in UEC;
- (b) the Executive Director and CEO, Mr. Teo Hark Piang, has an equity interest of approximately 12.55% in UEC;
- (c) Ms. Ellen Teo Soak Hoon, a Substantial Shareholder of the Company, has an equity interest of approximately 12.55% in UEC; and
- (d) UEC, a Substantial Shareholder of the Company, is a party to the MOU and a vendor of the Assets subject to the Potential Acquisition.

Save as disclosed above and to the best of the Directors' knowledge, none of the Directors or Substantial Shareholders has any interest, direct or indirect, in the Potential Acquisition, the MOU and the transactions contemplated therein.

INTERESTED PERSON TRANSACTION

UEC is an "associate" of both Mr. Teo Kiang Ang¹ (Non-executive Chairman) and Mr. Teo Hark Piang² (Executive Director and CEO) under the Catalist Rules and is accordingly an "interested person" under the Chapter 9 of the Catalist Rules.

The Potential Acquisition, should it materialize, is therefore likely to constitute an "interested person transaction" under the Catalist and shall be conditional upon the approval of Shareholders at an extraordinary general meeting ("**EGM**") to be convened by the Company. Among other requirements of Chapter 9 of the Catalist Rules, the Company will appoint an independent financial adviser to provide its opinion to the audit committee in connection with the Potential Acquisition, which will be contained in a circular to be dispatched for the purposes of the EGM.

¹ Mr. Teo Kiang Ang and his immediate family together (directly or indirectly), has an interest of 30% or more in UEC. Mr. Teo Kiang Ang is the father of Mr. Teo Hark Piang.

² Mr. Teo Hark Piang and his immediate family together (directly or indirectly), has an interest of 30% or more in UEC. Mr. Teo Hark Piang is the son of Mr. Teo Kiang Ang.

RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Potential Acquisition or the MOU, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement 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 announcement in its proper form and context.

FURTHER UPDATES

The Company will provide relevant update announcements as and when there are material developments.

CAUTION IN TRADING

As the MOU may or may not lead to the entry of the definitive SPA, shareholders and potential investors should exercise caution when trading in the Company's shares. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers

BY ORDER OF THE BOARD
UNION GAS HOLDINGS LIMITED

Teo Hark Piang
Executive Director and Chief Executive Officer
17th June 2020

*This announcement has been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("**Sponsor**") in accordance with Rule 226(2)(b) of the Catalist Rules. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

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