

# UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 2004 10181W)

## THE PROPOSED ACQUISITION OF TRANSVICTORY HOLDINGS PTE. LTD., STEADFAST OFFSHORE & MARINE PTE. LTD. AND TRANSVICTORY WINCH SYSTEM PTE. LTD. (THE "TRANSVICTORY GROUP")

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### 1. INTRODUCTION

The board of directors (the "**Board**") of Union Steel Holdings Limited (the "**Company**", together with its subsidiaries, collectively the "**Group**") wishes to announce that the Company had on 17 May 2016 entered into a sale and purchase agreement (the "**Agreement**") with Lie Miao Khim, Chiang Meng Chuan and Ng Siew Lin (collectively the "**Vendors**") to acquire 100% of the shares in Transvictory Holdings Pte. Ltd. ("**THPL**"), and 49% of the shares in Transvictory Winch System Pte. Ltd. so as to acquire 100% of the Transvictory Group (the "**Proposed Acquisition**").

### 2. DETAILS OF THE TRANSVICTORY GROUP

The Transvictory Group provides products and engineering services to the offshore & marine industry, mainly involving winches, crane, and deck equipment based in Singapore.

### 3. RATIONALE FOR THE PROPOSED ACQUISITION

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

### 4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

The terms of the Proposed Acquisition are set out in the Agreement. A summary of the principal terms of the Proposed Acquisition is set out in this section.

#### 4.1 Consideration

The aggregate consideration of the Proposed Acquisition is S\$15,000,000 (the "**Consideration**") of which S\$1,960,000 has been paid on signing and the balance shall be payable on completion.

The Consideration was arrived at on a willing buyer, willing seller basis, after taking into consideration (i) the earnings and growth prospects of the Transvictory Group having regard to its on-going and future projects; and (ii) the value of the net assets of the Transvictory Group.

## 4.2 Conditions Precedent under the Agreement

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

- 4.2.1 the approval in-principle of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") being obtained (and not revoked or amended as at the Completion Date) for the transaction and the issue of the circular to shareholders of the Company relating to the Proposed Acquisition, and where such approval is subject to any conditions, such conditions being acceptable to the Company, and where such conditions are required to be fulfilled on or before the Completion Date, such conditions having been so fulfilled;
- 4.2.2 the shareholders of the Company having approved the Proposed Acquisition at an extraordinary general meeting ("**EGM**") to be convened and held;
- 4.2.3 the warranties being true, complete and accurate in all respects as at the Completion Date;
- 4.2.4 the approval from the bankers and hire purchase companies of the Transvictory Group for the change in shareholding (if applicable);
- 4.2.5 the approval from Jurong Town Corporation ("**JTC**") for the change in shareholding of THPL in relation to the lease granted by JTC to THPL over 20 Third Chin Bee Road, Singapore 618639 by way of lease instrument no. IA/966980K as varied by a variation of lease instrument no. IE/83981B (if applicable); and
- 4.2.6 the settlement and resolution of certain existing shareholders' loans and trade payables.

## 4.3 Completion under the Agreement

Subject to the above, completion is expected to take place on 8 July 2016 or such other date as may be mutually agreed between the Company and the Vendors (the "**Completion Date**").

## 5. FINANCIAL EFFECTS

- 5.1 The financial effects of the Proposed Acquisition on the Group as set out below are for illustrative purposes only and are not intended to reflect the actual future financial performance or position of the Group immediately after the completion of the Proposed Acquisition. The financial effects of the Proposed Acquisition set out below have been prepared based on the Group's audited consolidated financial statements for the financial year ended 30 June 2015 ("**FY2015**").

### 5.1.1 Net tangible assets ("**NTA**")

The effect of the Proposed Acquisition on the audited consolidated NTA per share of the Group as at 30 June 2015, assuming that the Proposed Acquisition had been effected on 30 June 2015, are summarised below:-

	Before the Proposed Acquisition	After the Proposed Acquisition
Consolidated NTA <sup>(1)</sup> (S\$'000)	80,629	80,629
Number of shares ('000)	39,378	39,378
Consolidated NTA per share (cents)	204.76	204.76

**Notes:**

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

**5.1.2 Earnings per Share ("EPS")**

The effect of the Proposed Acquisition on the audited consolidated EPS of the Group for FY2015, assuming that the Proposed Acquisition had been effected at the beginning of FY2015, are summarised below:-

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
Profit (Loss) attributable to equity holders of the Company (S\$'000)	(8,411)	(9,416)
Weighted average number of Shares ('000)	39,378	39,378
Basic EPS (cents)	(21.36)	(23.91)

**5.2 Other financial information**

5.2.1 Based on the management accounts of the Transvictory Group as at 31 March 2016, the net asset value attributable to the Proposed Acquisition is approximately S\$15,000,000.

5.2.2 The loss attributable to the Proposed Acquisition is approximately S\$1,005,000 in the current financial period.

**6. RULE 1006**

6.1 The relative figures in relation to the Proposed Acquisition computed on the applicable bases set out in Rule 1006 of the Listing Manual of the SGX-ST (the "**Listing Manual**"), based on the Group's audited consolidated financial statements for the FY2015, being the latest announced audited consolidated financial statements of the Group as at the date of the Agreement, are as follows:-

<b>Rule 1006(a)</b>	Net asset value of the acquisition compared with the Group's net asset value	Not applicable, as this is an acquisition and not a disposition.
<b>Rule 1006(b)</b>	Net profits attributable to the acquisition compared with the Group's net profits	(12.72%) <i>Note that the Transvictory Group is loss-making, and the Group is also loss-making</i>
<b>Rule 1006(c)</b>	Consideration payable compared with the Company's market capitalisation <sup>(1)</sup>	88.6%
<b>Rule 1006(d)</b>	Number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue	Not applicable.
<b>Rule 1006(e)</b>	Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable, as the Company is not disposing a mineral, oil and gas company.

**Notes:**

(1) Based on the Company's market capitalisation of S\$16,932,583 computed on the bases that (i) the total number of issued shares of the Company is 39,378,100; and (ii) the weighted average price of the Company's shares on 9 May 2016 (being the last trading date on which there was a trade in the Company's shares) is S\$0.43.

6.2 As the relative figures computed under Rule 1006(c) exceed 20%, the Proposed Acquisition is considered a major transaction under Chapter 10 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of the shareholders of the Company at an EGM to be convened. A circular setting out the relevant information on the Proposed Acquisition, together with a notice of the EGM to be convened, will be despatched to the shareholders in due course.

**7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date hereof, none of the directors and the controlling shareholders of the Company have any interest or are deemed to be interested in the Proposed Acquisition.

**8. SERVICE AGREEMENT(S)**

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

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

The Agreement is available for inspection during normal business hours at the registered office of the Company at 33 Pioneer Road North, Singapore 628747 for three months from the date of this announcement.

**Shareholders and potential investors should note that the Proposed Acquisition is subject to the fulfilment of the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. 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 OF DIRECTORS**

Ang Yu Seng  
Executive Chairman and Chief Executive Officer  
18 May 2016