

**UNIONMET (SINGAPORE) LIMITED**  
(Incorporated in Singapore)  
(Company Registration No.: 200409104W)

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**PROPOSED ACQUISITION OF 51% OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF BIOFUEL RESEARCH PTE. LTD.**

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*Capitalised words which are not defined in this announcement shall carry the same meanings ascribed to them in the announcements dated 24 June 2014 and 23 July 2014 (the "Previous Announcements").*

**1. INTRODUCTION**

Further to the Previous Announcements, the board of directors (the "**Board**") of Unionmet (Singapore) Limited (the "**Company**") wishes to announce that the Company's wholly-owned subsidiary, USP Industrial Pte. Ltd. ("**USPI**") (as the Company's nominee) has on 14 August 2014 entered into a conditional share sale agreement (the "**Agreement**") with each of the following vendors: OEL (Holdings) Limited ("**OEL**"), Spring Seeds Capital Pte. Ltd. ("**Spring Seeds**"), Kom Mam Sun and Lee Mei Fong (collectively the "**Vendors**" and each a "**Vendor**") in relation to the Proposed Acquisition to acquire 1,300,500 ordinary shares representing 51% of the entire issued and paid-up share capital of Biofuel Research Pte. Ltd. ("**Sale Shares**") from the Vendors.

**2. INFORMATION ON BIOFUEL RESEARCH PTE. LTD. ("BIOFUEL")**

Biofuel is a company incorporated in Singapore in 2003 and has a paid-up capital of S\$3,750,000 comprising 2,550,000 ordinary shares at the date of this Announcement. The principal business of Biofuel is in the research and development, and the production, of renewable biochemicals and biofuels from all types of vegetable oil by-products such as acid oils, used cooking oils, greasy waste and sludge oils by using green biomass energy plant. The biodiesel produced from Biofuel's production facility can either be blended with normal diesel and sold or sold on its own.

**3. INFORMATION ON THE VENDORS**

3.1 The following table indicates the changes in the approximate percentage and number of ordinary shares in Biofuel held by the Vendors after the Completion:

<b>Vendor</b>	<b>Approximate Percentage of total number of ordinary shares in the issued capital of Biofuel before Completion</b>	<b>Number of ordinary shares in the issued capital of Biofuel before the Completion</b>	<b>Number of Sale Shares</b>	<b>Number of ordinary shares in the issued capital of Biofuel</b>	<b>Approximate Percentage of total number of ordinary shares in the issued capital of Biofuel after the Completion</b>
OEL	51%	1,300,500	663,255	637,245	25%
Spring Seeds	33%	850,000	433,500	416,500	16%
Lee Mei Fong	6%	150,000	76,500	73,500	3%
Kom Mam Sun	10%	249,500	127,245	122,255	5%

Following completion of the Proposed Acquisition ("**Completion**"), the Vendors will continue to collectively hold 49% of total issued shares of Biofuel with OEL holding 25%, Spring Seeds holding 16%, Lee Mei Fong holding 3% and Kom Mam Sun holding 5%.

- 3.2 OEL is an investment holding company with diversified businesses in shipyard operations, biofuel and property management. Established in Singapore in 1984, OEL was renamed from Oakwell Engineering Limited in November 2013 after the divestment of its distributorship business and related engineering and assembly services. OEL has been listed on the Catalist of the SGX-ST since 21 December 1994. Spring Seeds is an investment arm of SPRING Singapore that co-invests with independent investor(s) into commercially viable Singapore-based start-ups with innovative and strong intellectual content that are scalable across international markets. Kom Mam Sun (founder of Biofuel) and Lee Mei Fong are both directors of Biofuel.

#### 4. THE PURCHASE PRICE

##### 4.1 Details of the Purchase Consideration

The purchase consideration of S\$3,000,000 for the acquisition of the Sale Shares ("**Purchase Consideration**") is payable by the Company to the Vendors in the following manner:

- (i) 5% of the Purchase Price (being \$150,000) has been paid as a refundable deposit at signing of the HOA ("**Refundable Deposit**") to OEL (as nominee of the Vendors), whose receipt of the Refundable Deposit shall be deemed as the Vendors' due receipt of the Refundable Deposit) and is refunded in full free of interest in the event the acquisition of the Sale Shares is terminated or not completed for whatever reasons; and
- (ii) the balance 95% of the Purchase Consideration (being S\$2,850,000) is payable in cash by USPI to the Vendors on the Completion Date (as defined below).

##### 4.2 Basis of Arriving at the Purchase Consideration

The Purchase Consideration was agreed upon pursuant to arm's length negotiations between USPI and the Vendors on a willing-buyer willing-seller basis, after taking into consideration, *inter alia*:

- (i) Biofuel has the production facility, as well as the technology, know-how and skills to produce biodiesel from vegetable oil by-products (ie. fatty acids/acid oils) and non-food oils such as sewage grease;
- (ii) Biofuel has an existing factory at No. 3 Tuas View Close Singapore 637491 and a leasehold interest of approximately 17 years and 10 months years commencing on 16 February 2013 in the Jurong Town Corporation leasehold property at No. 2 Tuas South Street 15 Singapore 637079 where it is building its new factory ("**New Factory**");
- (iii) The audited total shareholders' equity of Biofuel for the financial year ended 31 December 2013 is approximately S\$1,259,549;
- (iv) Biofuel has planned to commence commercial production of its biodiesel products in the New Factory within the next 4 months; and
- (v) The business potential of Biofuel in light of that it is expected to generate revenue from its New Factory within the next 4 months and the good prospects of the oil industry due to high fossil oil prices and strong demand for fuel to produce energy as a result of a continuing growth in such demand.

##### 4.3 Funding

The Purchase Consideration for the Proposed Acquisition will be paid in cash and the Group intends to fund it using existing internal cash resources and the proceeds previously raised from its rights issue exercises.

## 5. MATERIAL CONDITIONS OF THE AGREEMENT

5.1 The Agreement is conditional upon, *inter alia*, the following being fulfilled before or on Completion (as defined below):

- (i) USPI being satisfied with the results of the due diligence investigations (whether legal, financial, contractual, tax or otherwise) carried out by USPI in respect of Biofuel, including but not limited to the affairs, business, assets, liabilities, operations, records, financial position, financial performance, tax liabilities, accounts, results and prospects of Biofuel;
- (ii) all consents, approvals and authorisations of the bankers, financial institutions, landlords of leases, any other relevant third parties, government or regulatory authorities (including waiver of pre-emption rights from the existing shareholders of Biofuel) which are necessary in connection with the transfer of the Sale Shares from the Vendors to USPI and the ownership by USPI of the Sale Shares having been obtained, and if subject to conditions, on such conditions acceptable to USPI, and such consents, approvals and authorisation remaining in full force and effect and not being revoked prior to the Completion Date, including all such relevant consents from the Financier in relation to the change of ownership in shares;
- (iii) the approval of the Board of USPI for the transaction contemplated in the Agreement;
- (iv) the approval of the shareholders of USPI and the Company in an extraordinary general meeting being obtained for the acquisition of the Sale Shares;
- (v) the approval of the Board of the Vendors for the transaction contemplated in the Agreement (as required);
- (vi) the approval of the shareholders of the Vendors in an extraordinary general meeting being obtained for the sale of the Sale Shares (if required);
- (vii) obtained all relevant acknowledgements and/or consents (if required and/or necessary) from the JTC in respect of the JTC Property, including the change of ownership in shares and use of premises;
- (viii) termination of the shareholders agreement entered into between the Vendors and Biofuel on 8 July 2009;
- (ix) all representations, warranties and undertakings of the Vendors and USPI under the Agreement being complied with, and being true, accurate and correct in all respects as at the Completion Date, as if repeated at Completion and at all times between the date hereof and Completion;
- (x) each of the Vendors and USPI having performed all of the covenants and agreements required to be performed or caused to be performed by it under the Agreement;
- (xi) the Vendors or USPI not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by USPI, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened;
- (xii) there has been no change in the shareholding or capital structure of USPI occurring on or before the Completion Date; and
- (xiii) there has been no cancellation by the Financier of any loans which have been extended by the Financier to Biofuel or if the Financier has notified Biofuel of the Financier's intention to cancel any of the loans extended to Biofuel by the Financier, Biofuel has on or before the Completion Date refinanced the relevant loan with such other financial institution as USPI may approve.

## 5.2 Completion

Completion is expected to occur no later than by the date falling one (1) week upon satisfaction of all the conditions precedent set out in the Agreement (unless waived by the relevant party) or such other date as the Parties may mutually agree (the “**Completion Date**”).

## 5.3 Effect of Non-Fulfillment of Conditions Precedent

In the event that any of the conditions precedent set out in the Agreement is not fulfilled by the relevant party or is not waived by the other party within three (3) months from the date of the Agreement, the Agreement shall *ipso facto* cease and determine at the sole option of USPI and none of the parties shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by a party against the other arising from antecedent breaches of the terms hereof and save that the parties' obligation in relation to confidentiality under shall survive the termination of the Agreement.

## 5.4 Related Party Loan

Following the completion of the Proposed Acquisition, USPI agrees and undertakes to procure Biofuel to repay within a reasonable time period from the Completion Date (provided that such reasonable time period shall be no later than three (3) months after the Completion Date) the loan of approximately \$1,367,700.50 owing to directors of Biofuel and the loan of S\$1,017,761.07 owing to OEL as of the date of the Agreement together with all accrued interest payable.

## 5.5 Corporate Guarantees

As at the date of this Announcement, Biofuel has entered into facility arrangements with each of Hong Leong Finance Limited (“**Financier**”) to finance the purchase, construction and development of the JTC Property. The loan facilities from the Financier of an aggregate of S\$2,850,000 have been guaranteed by certain guarantees extended by OEL and Kom Mam Sun. Subsequent to Completion, USPI may be required by the Financier to extend corporate guarantees in place of the aforesaid guarantee.

## 5.6 Service Agreements

No director is proposed to be appointed to the Company nor any service agreement entered into with the Company in connection with the Proposed Acquisition.

## 6. RATIONALE FOR THE PROPOSED ACQUISITION

The entry into the business of blending and distribution of diesel and engine oil (the “**Oil Blending Business**”) is intended to be a diversification of the Group's existing business as the Board believes that such diversification could allow the Group to have better prospects of achieving long term growth through such new engine of growth, at the same time accessing to new business opportunities. This could in turn enhance the return on the Group's assets and improve Shareholders' value in the long run.

The Group wishes to undertake the Proposed Acquisition in order to gain a foothold in the Oil Blending Business. The Proposed Acquisition is complementary to the Group's strategy in growing the Oil Blending Business. Although Biofuel is currently not profitable, the Board has taken into account the following factors in assessing the opportunities arising from the Proposed Acquisition:

- (i) Biofuel has been conducting research and development in the biofuel sector since 2003 and has been successfully operating a biofuel facility selling to MNCs in Singapore.

- (ii) Biofuel has proven its business model and technology with operating profits in FYE 2011 and FYE 2012. The Directors believe that the losses in FYE2013 are short term resulting mainly from the increase in rental expenses due to the proposed New Factory.
- (iii) Biofuel has a leasehold interest of approximately 17 years and 10 months years commencing on 16 February 2013 in the JTC Property, and the construction of the new production facility located at the JTC Property to be completed with commercial production of biodiesel products targeted to commence within the next 4 months will significantly increase its production capacity.
- (iv) The founder of Biofuel (who spearhead the management team of Biofuel) together with OEL, Spring Seeds (the investment vehicle of SPRING Singapore, the government enterprise development agency) which has become its investor since 2009, will continue to hold the remaining 49% of the total issued shares in Biofuel subsequent to Completion.
- (v) Biofuel is involved in the green and renewable energy sector using technologies to convert waste to energy, whereby its production facility will be able to produce biodiesel from vegetable oil by-products (i.e. fatty acids/acid oils) and non-food oils such as sewage grease. This is an exciting space which has huge business potential as it provides a green solution to dispose and treat waste, as well as to produce energy in the form of biodiesel as an alternative to fossil energy.
- (vi) Due to the high fossil oil prices and strong demand for fuel to produce energy, the biodiesel to be produced by Biofuel is expected to enjoy good business prospects.

In light of the foregoing, the Board expects good potential in the business prospects of Biofuel, and that the revenues to be generated from Biofuel's new production facility after commercial production will contribute positively to the Group's financial performance.

## 7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

For the purposes of this section, the financial effects of the Proposed Acquisition on the earnings per Share, the NTA per Share of the Group are set out below and are prepared purely for illustration only and do not reflect the actual future financial situation of the Group. As the Purchase Consideration is paid in cash, the Proposed Acquisition will have no impact on the number of issued Shares. The financial effects have been computed based on the audited consolidated financial statements of the Group for the financial year ended 30 November 2013 ("FY2013") and the audited financial statements of Biofuel for its financial year ended 31 December 2013.

### 7.1 Net tangible assets ("NTA") per Share

Assuming that the Proposed Acquisition had been effected on 30 November 2013, the effects of the Proposed Acquisition on the NTA per Share as at 30 November 2013, based on the Group's FY2013 financial statements, would be as follows:

	Before the Proposed Acquisition	After completion of the Proposed Acquisition
<b>NTA as at 30 November 2013 (US cents)</b>	5.67	5.83 <sup>(1)</sup>

**Note:**

- (1) Based on Biofuel's audited statement of financial position as at 31 December 2013.

## 7.2 Earnings per Share (“EPS”)

Assuming that the Proposed Acquisition had been effected on 1 December 2012, the impact of the Proposed Acquisition on the EPS of the Group would be as follows:

	<b>Before the Proposed Acquisition</b>	<b>After the Proposed Acquisition</b>
<b>EPS for FY2013 (US cents)</b>	(0.51)	(0.58) <sup>(2)</sup>

**Note:**

- (2) Based on Biofuel’s audited statement profit or loss and other comprehensive income for the year ended 31 December 2013.

## 8. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

The relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 (a) to (e) of the Listing Manual with reference to the signing of the Agreement are as follows:

<b>Rule 1006</b>	<b>Basis</b>	<b>Relative Figures</b>
Rule 1006(a)	Net asset value of the assets to be disposed of, compared with the Group’s net asset value	Not applicable as this is an acquisition
Rule 1006(b)	Net profit attributable to the Proposed Acquisition compared with the Group’s net profit	19.39% <sup>(1)</sup>
Rule 1006(c)	The aggregate value of the consideration given for the Proposed Acquisition, compared with the market capitalisation of the Company	20.06% <sup>(2)</sup>
Rule 1006(d)	Number of equity securities issued by the Company as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue	Not applicable as the Company did not issue equity securities as consideration for the Proposed Acquisition
Rule 1006(e)	Aggregate volume of proved and probable reserves to be disposed of compared with the Group’s probable and proved reserves	Not applicable

**Note:**

- (1) Based on the Group’s net loss before tax of US\$2.20 million as disclosed in the Company’s latest announced consolidated accounts and Biofuel’s audited net loss before tax of S\$0.53 million for the financial year ended 31 December 2013 (using average exchange rate of 0.8048).
- (2) The aggregate value of consideration of \$7,353,000 is derived as the total of (i) purchase consideration of \$3,000,000; (ii) corporate guarantee of \$1,453,500 (based on 51% of the S\$2,850,000 of the loan facilities from the Financier); and (iii) repayment of related party loan up to a maximum of \$2,900,000); whereas the market capitalisation of the Company is based on 670,120,238 Shares in issue as at 13 August 2014 (being the last trading day immediately preceding the date of the Agreement) and the weighted average price of S\$0.0547 of the Shares transacted on the SGX-ST on the same date of S\$36.66 million.

As the relative figure computed under Rule 1006(c) of Listing Manual exceeds 20%, the Proposed Acquisition is considered a “major transaction” as defined in Chapter 10 of the Listing Manual of the SGX-ST and is therefore subject to Shareholders’ approval. In addition, Shareholders’ approval for the Proposed Acquisition will also be obtained in light of the following:

- (i) On 10 February 2014, the Company issued a circular to its Shareholders (the “**Diversification Circular**”) and subsequently obtained approval from its Shareholders in an EGM to diversify its business to the Property Development Business (as defined in the Diversification Circular) and the Oil Blending Business (as defined in the Diversification Circular).
- (ii) Although upon the approval by Shareholders of the diversification into Oil Blending Business, any acquisition which is in or in connection therewith may be deemed to be in the Group’s ordinary course of business and therefore not fall under the definition of a “transaction” under Chapter 10 of the Listing Manual. Notwithstanding the foregoing, Section 5 of the Diversification Circular has indicated that, inter alia, where the Group enters into the first major transaction involving the Proposed New Businesses as defined in the Diversification Circular (including the Oil Blending Business), or where the relative figures as computed on the bases set out in Rule 1006 of the Listing Manual in respect of several transactions aggregated over the course of a financial year exceeds 20%, such first major transaction or (as the case may be) the last of the aggregated transactions shall be subject to the approval by Shareholders at a general meeting.

## **9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

As at the date of this Announcement, none of the directors of the Company (the “**Directors**”) has any interest, direct or indirect, in Biofuel and/or the Proposed Acquisition (other than by reason only of being a Director). In addition, as far as the Directors are aware, none of the Company’s Controlling Shareholders (as defined in the Listing Manual) has any interest, direct or indirect, in the Proposed Acquisition (other than by reason of their shareholding interest in the Company).

## **10. DOCUMENTS FOR INSPECTION**

A copy of the HOA and Agreement are available for inspection at the Company’s registered office at 8 Shenton Way, #42-02, Singapore 068811, for a period of 3 months from the date of this Announcement.

## **11. EXTRAORDINARY GENERAL MEETING (THE “EGM”)**

An EGM will be convened by the Company to seek the shareholders’ approval for the Proposed Acquisition, notice of which will be announced in due course. The EGM will allow the shareholders the opportunity to communicate their views on the Proposed Acquisition, and consider, if thought fit, to approve the Proposed Acquisition. A circular in relation to the details of the Proposed Acquisition, together with a notice of the EGM to be convened, will be dispatched to the shareholders in due course.

## **BY ORDER OF THE BOARD**

Unionmet (Singapore) Limited

Li Hua  
(Executive Chairman and Chief Executive Officer)  
14 August 2014