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UNION STEEL HOLDINGS LIMITED

友联钢铁控股有限公司

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GST Reg. No: 20-0410181W

ENTRY INTO AND COMPLETION OF A SALE AND PURCHASE AGREEMENT IN RELATION TO THE PROPOSED DISPOSAL OF A SUBSIDIARY

The Board of Directors (the “**Board**”) of Union Steel Holdings Limited (the “**Company**”) refers to the announcement dated 26 September 2022 and wishes to announce that its wholly-owned subsidiary Union Engineering Pte Ltd (“**Union Engineering**”) and Low Keng Kee, Sebastian (the “**Vendors**”) had on 3 February 2023 entered into a sale and purchase agreement (the “**SPA**”) with Manzu Wang (the “**Purchaser**”, and together with the Vendors, the “**Parties**”) pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the entire issued and paid-up share capital (“**Sale Shares**”) of Megafab Engineering Pte Ltd (“**MEPL**”) for a consideration of S\$3,000,000 (“**Proposed Disposal**”).

Pursuant to the terms of the SPA, completion of the Proposed Disposal shall occur simultaneously with its execution.

1. INFORMATION ON MEPL AND THE PURCHASER

1.1 MEPL

MEPL was incorporated on 5 May 1993. Union Engineering owns 70% of the issued and paid-up share capital of MEPL and Low Keng Kee, Sebastian owns the remaining 30% of the shares.

MEPL provides land transport load handling engineering solutions. As the sole distributor in Singapore for Effer, Hiab, Mutilift, Zepro and Geesinknorba products, MEPL offers a comprehensive range of specialised load handling equipment and components including truck-mounted cranes, tailgate systems and waste compactors.

1.2 Purchaser

The Purchaser specialises in property investment and management, and wholesale trading in China. She has a deep interest in heavy equipment and trucks and therefore approached Union Steel Holdings Limited to acquire Megafab Engineering Pte Ltd.

2. RATIONALE

2.1 The rationale for the Proposed Disposal is to allow the Group to realise its investment value in MEPL for the benefit of the shareholders of the Company.

2.2 It will also allow the Group to focus on its oil and gas engineering business, which have the potential to provide a regular and growing revenue stream.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

Consideration

- 3.1 The Vendors have sold the Sale Shares to the Purchaser for a consideration of S\$3,000,000 which has been paid in cash (“**Consideration**”). The Consideration was arrived at after arm’s length negotiations and on a willing-buyer-willing-seller basis, taking into account the book value and net tangible asset value of the Sale Shares.

Based on the audited financial statements for the financial year ended 30 June 2022, the book value and net tangible asset value of the Sale Shares is approximately S\$561,000 each.

- 3.2 In addition to the Consideration, the Purchaser has paid to YLS Steel Pte Ltd, a wholly-owned subsidiary of the Company, a sum of S\$1,400,000, being the intercompany loan owing by MEPL calculated as at the date hereof;
- 3.3 A further sum of S\$2,535,000 (being the aggregate principal amounts of short-term loans and trust receipts with DBS and UOB banks as at the date hereof) was paid by the Purchase to MEPL for the full settlement of the respective loans and trade facilities.

Governing Law and Dispute Resolution

- 3.4 The SPA shall be governed by and construed in accordance with the laws of Singapore. Any dispute arising out of or in connection with the SPA, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration administered by the Singapore International Arbitration Centre in accordance with the Arbitration Rules of the Singapore International Arbitration Centre for the time being in force, which rules are deemed to be incorporated by reference. The seat of arbitration shall be Singapore, and the tribunal shall consist of one (1) arbitrator to be appointed jointly by the Parties or failing agreement by the Parties within fourteen (14) days, by the chairman for the time being of the SIAC. All arbitration proceedings shall be in the English language. The decision of the arbitrator shall be final and binding on all the Parties.

4. USE OF PROCEEDS

The net proceeds arising from the Proposed Disposal payable to the Company will amount to \$2,100,000. It is expected that the net proceeds will be made available for general working capital purposes.

5. RELATIVE FIGURES UNDER CHAPTER 10 OF THE LISTING MANUAL

- 5.1 The relative figures of the Proposed Disposal under Rule 1006 of the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited, based on the Group’s audited financial statements for the year ended 30 June 2022 are set out below:

Rule 1006	Bases	Relative Figures ^[1]
(a)	The 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. ^[2]	1%
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits. ^[3]	10.58%
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation ^[4] based on the total number of issued shares excluding treasury shares.	8.81%
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable ^[5]
(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. If the reserves are not directly comparable, the Exchange may permit valuations to be used instead of volume or amount.	Not applicable ^[6]

Notes:-

- (1) Percentage figures are rounded to the nearest two (2) decimal places.
- (2) Based on the net asset value including non-controlling interest of the Group as at 30 June 2022 amounting to S\$59,595,000 and the net asset value of MEPL as at 30 June 2022 amounting to S\$561,000.
- (3) For this purpose, “net profits” are defined as profit including discontinued operations that have not been disposed and before income tax and non-controlling interests as taken from the latest announced consolidated accounts of the Group. The Group’s and MEPL’s net profits of approximately S\$8,950,000 and S\$947,000 are based on the Group’s and MEPL’s audited financial statements for the financial year ended 30 June 2022 (being the latest announced consolidated accounts of the Group and the latest audited accounts of MEPL). The relative figure is determined by dividing the net profit of MEPL for twelve-month period from 1 July 2021 to 30 June 2022 by the net profit of the Group for the financial year ended 30 June 2022.
- (4) “market capitalisation” is calculated multiplying the number of ordinary shares in the capital of the Company (excluding treasury shares) by the volume weighted average market price of \$0.605 per share as at 2 February 2023, being the market day immediately preceding the date of the SPA.
- (5) Not applicable, as equity securities are not issued by the Company as consideration for the Acquisition.
- (6) Not applicable, as the Company is not a mineral, oil and gas company.

- 5.2 As the relative figures computed pursuant to Chapter 10 exceed 5% but do not exceed 20%, the Proposed Disposal is classified as a “disclosable transaction” within the meaning of Rule 1010 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Accordingly, shareholders’ approval is not required for the Proposed Disposal.

6. **FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL**

6.1 Value of the Sale Shares

Based on the audited financial statements of MEPL for the financial year ended 30 June 2022, the book value and net tangible asset value of the Sale Shares is approximately S\$561,000.

6.2 Profit on disposal

The net profit attributable to the Proposed Disposal (calculated based on MEPL’s audited results for the financial year ended 30 June 2022 and unaudited results for the six months ended 31 December 2022) is S\$947,000 and approximately S\$331,000 respectively.

6.3 Bases and Assumptions

The *pro forma* financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2022 and are purely for illustrative purposes only and do not reflect the actual future financial position of the Company or the Group following the Proposed Disposal.

The *pro forma* financial effects have also been prepared based on, *inter alia*:-

- (a) on the assumption that the Proposed Disposal had been effected on 30 June 2022 (being the end of the most recently completed financial year ended 30 June 2022), the effects of the Proposed Disposal on the net tangible assets per share of the Company are set out in paragraph 6.4 below; and
- (b) on the assumption that the Proposed Disposal had been effected on 1 July 2021 (being the beginning of the most recently completed financial year ended 30 June 2022), the effects of the Proposed Disposal on the earnings per share of the Group are set out in paragraph 6.5 below.

6.4 Net Tangible Assets

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$)	59,595,000	61,305,000
Number of ordinary shares (excluding treasury shares)	39,378,100	39,378,100
NTA per ordinary share (cents)	151.34	155.68

6.5 Earnings Per Share

	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to shareholders (S\$)	7,074,000	8,784,000
Weighted average no. of ordinary shares – Basic	39,378,100	39,378,100
EPS (cents) – Basic	17.96	22.31

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or, as far as the Directors are aware, controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal or any other transactions contemplated under the SPA (other than in his capacity as a director or shareholder of the Company).

8. DOCUMENTS FOR INSPECTION

Copies of the SPA are available for inspection at the Company's business address at 33 Pioneer Road North Singapore 628474 for a period of three (3) months from the date of this announcement.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including any who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate and, where appropriate, no material facts have been omitted, the omission of which would make any statement in this announcement misleading and they hereby collectively and individually accept full responsibility.

Where any information in this announcement has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

BY ORDER OF THE BOARD

Ang Yu Seng

Executive Chairman and Chief Executive Officer

3 February 2023