



**UNION STEEL HOLDINGS LIMITED**

Co Reg. No.: 200410181W

(Incorporated in the Republic of Singapore)

(Company Registration No. 200410181W)

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## **ENTRY INTO A NON-BINDING TERM SHEET IN RELATION TO THE PROPOSED DISPOSAL OF A SUBSIDIARY**

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The Board of Directors ("**Board**" or "**Directors**") of Union Steel Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary Union Engineering Pte Ltd ("**Union Engineering**") and Low Keng Kee, Sebastian ("**Sebastian Low**", and together with the Union Engineering, the "**Vendors**") have on 26 September 2022 entered into a non-binding term sheet (the "**Term Sheet**") with Manzu Wang (the "**Purchaser**", and together with the Vendors, the "**Parties**") whereby the Vendors shall sell, and the Purchaser shall acquire, the entire issued and paid-up share capital ("**Sale Shares**") of Megafab Engineering Pte Ltd ("**MEPL**") for a proposed consideration of S\$3,000,000 ("**Proposed Disposal**").

The Term Sheet sets out broadly the key terms and conditions in respect of the Proposed Disposal which will form the basis for discussion between the Parties for a definitive share purchase agreement and ancillary documents to be signed between them in relation to the Proposed Disposal ("**Transaction Documents**") no later than six weeks from the date of Term Sheet or such other date that may be mutually agreed between the Parties. The Company will provide further details of the Proposed Disposal upon the execution of the Transaction Documents and furnish necessary information in compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

### **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 Sebastian Low 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

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

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. SALIENT TERMS OF THE TERM SHEET

### Non-binding

- 3.1 The Term Sheet is intended to be a basis for the further negotiation of the terms that will constitute the legally binding Transaction Documents that the parties to the Term Sheet will enter into concerning the Proposed Disposal.

### Consideration

- 3.2 The Vendors will dispose of the Sale Shares to the Purchaser for a consideration of S\$3,000,000 in cash (“**Consideration**”). The Consideration shall be paid by the Purchaser to the Vendors on completion of the Proposed Disposal (“**Completion**”).

### Transaction Documents

- 3.3 The Transaction Documents for the consummation of the Proposed Disposal shall include a share purchase agreement in respect of the Proposed Disposal containing representations and warranties customary for a transaction of this type and size to be given by the Vendors including a warranty that the undisclosed Company’s financials for the time period from 1 August 2022 to Completion shall be reasonable within the ordinary course of business, and shall be subject to a disclosure exercise via a disclosure letter to be issued by the Vendors which is subject to acceptance by the Purchaser.

### Conditions precedent

- 3.4 The Proposed Disposal is subject to, but not limited to, *inter alia*, the following conditions precedent being met or otherwise waived by the Purchaser:
- (a) completion of commercial, legal, tax and financial due diligence on MEPL to the full and absolute satisfaction of the Purchaser including, but not limited to, the disclosure of the following documents to the Purchaser:
    - (i) MEPL’s audited financial statements for FY 2018 to 2021 and its latest unaudited financial statement for FY 2022;
    - (ii) the current tenancy agreement between the MEPL and Union Engineering (if any); and
    - (iii) the details of all employees, staff and independent contractors of MEPL and copies of all employment, staff and independent contractor contracts;

- (b) the execution by the Parties of the Transaction Documents reflecting the terms and conditions of the Term Sheet and/or otherwise on mutually acceptable terms;
- (c) the Vendors having obtained all relevant consents and approvals from, and the making of all relevant notifications to the relevant regulatory and government bodies in respect of the Proposed Disposal, sale of the Sale Shares and entry into the Transaction Documents, including this Term Sheet;
- (d) subject to verification to the full and absolute satisfaction of the Purchaser, the payment by the Purchaser to the Vendors of all amounts owing by MEPL to the Vendors and/or the Company, which are estimated to be approximately S\$2.1 million as per financial statements ended 31 July 2022;
- (e) the obtaining of all relevant consents and approvals from, and the making of all relevant notifications to, third parties are required for the Transaction, the sale of the Sale Shares and entry into the Transaction Documents.

Purchaser's covenants

- 3.5 The Purchaser shall covenant to retain the employment of all existing and consenting employees of MEPL for a period of at least twelve (12) months from the date of Completion of the Proposed Disposal in accordance with the relevant terms set forth in the Transaction Documents, excluding corporate officers such as the Directors of the Board.

Exclusivity period

- 3.6 The Vendors shall grant the Purchaser an exclusive period of up to six (6) weeks from the date of the Term Sheet to negotiate and execute the Transaction Documents. The Term Sheet and the provisions therein shall expire upon the earlier of (i) the date falling sixty (60) days from the date of the Term Sheet; (ii) the Purchaser informing the Vendor that it no longer wishes to move forward with the Proposed Transaction; or (iii) the execution of the Transaction Documents by all of the parties thereto.

Governing Law and Dispute Resolution

- 3.7 The Term Sheet shall be governed by and construed in accordance with the laws of Singapore. Any dispute arising out of or in connection with the Term Sheet, 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.

**4. 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 Term Sheet (other than in his capacity as a director or shareholder of the Company).

**5. CAUTION IN TRADING**

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this announcement that the Transaction Documents will be entered into, the terms and conditions of the Proposed Disposal will not differ from that set out in the Term Sheet, or the Proposed Disposal will be undertaken or completed at all. The Company will make the necessary announcements as and when there are further developments on the Proposed Disposal.

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, bank managers, solicitors or other professional advisers if they have any doubt about the actions that they should take.

**6. FURTHER ANNOUNCEMENTS**

The Company will make further announcements in compliance with the requirements of the Listing Manual, including on the relative figures under Rule 1006 of the Listing Manual and financial effects of the Proposed Disposal, upon the execution of the Transaction Documents and/or when there are material developments in respect of the Proposed Disposal.

**BY ORDER OF THE BOARD**

**Ang Yu Seng**

Executive Chairman and Chief Executive Officer

**26 September 2022**