



(Company Registration No. 191200018G)  
(Incorporated in Singapore)

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## PROPOSED DISPOSAL OF WBL'S AUTOMOTIVE DIVISION

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### 1. THE PROPOSED DISPOSAL

#### 1.1 Introduction

The Board of Directors (the "**Board**") of United Engineers Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that the Company's indirect 67.6%-owned subsidiary, WBL Corporation Limited ("**Share Seller**" or "**WBL**") and WBL's associated company incorporated in Thailand, Rank P.T. O'Connor's Co., Ltd. (the "**Asset Seller**"), have entered into the following agreements:

- (a) a sale and purchase agreement ("**SPA**") dated 23 August 2014 between the Share Seller and StarChase Motorsports (Singapore) Pte. Ltd. (the "**Share Purchaser**"), pursuant to which, amongst other things, the Share Seller has agreed to dispose of the entire issued and paid-up share capital (the "**Sale Shares**") in each of (i) Wearnes Automotive Pte. Ltd. ("**WAPL**"); and (ii) Associated Motor Industries (Private) Limited ("**AMI**") (collectively, the "**Sale Companies**") to the Share Purchaser on the Main Closing (as defined below);
- (b) an asset purchase agreement ("**Thai APA**") dated 25 August 2014 between the Asset Seller and StarChase Motorsports (Singapore) Pte. Ltd. (also the "**Asset Purchaser**") for the sale and transfer by the Asset Seller to the Asset Purchaser of certain assets relating to the automotive business of the Asset Seller ("**Thai Assets**") on the Thai Closing (as defined below); and
- (c) a trade mark assignment agreement ("**TMAA**") dated 25 August 2014 between the Share Seller and the Share Purchaser under which the Share Seller has agreed to assign to the Share Purchaser its right, title and interest in and to certain trade marks relating to, inter alia, the WBL Automotive Division (as defined below) and the "Wearnes" name.

(collectively, the "**Proposed Disposal**"), on the terms and subject to the conditions of the SPA, the Thai APA and the TMAA.

#### 1.2 Effect of Closings

Upon Main Closing, the Sale Companies will cease to be subsidiaries of the Company and upon Thai Closing, the Asset Seller's automotive business will be transferred to the Asset Purchaser. Accordingly, upon Main Closing and Thai Closing taking place, the Share Seller would have disposed of the WBL Automotive Division (as defined below) to the Share Purchaser group.

### 2. INFORMATION ON THE SALE COMPANIES AND THE PURCHASERS

#### 2.1 WAPL and WBL's Automotive Business

- (a) WAPL, together with its subsidiaries and associated companies (collectively, the “**Sale Group**”) and the automotive business of the Asset Seller make up the automotive division (“**WBL Automotive Division**”) of the Share Seller.
- (b) WAPL has three wholly-owned subsidiaries and one 42%-owned associated company in Singapore, three wholly-owned subsidiaries in Malaysia, one wholly-owned subsidiary in the People’s Republic of China, one wholly-owned subsidiary in Hong Kong, one 90%-owned subsidiary, one 42%-owned associated company and one 50%-owned associated company in Indonesia and one 49%-owned associated company in Vietnam. AMI is a Singapore incorporated wholly-owned subsidiary of the Share Seller.
- (c) The WBL Automotive Division is a luxury automotive retailer and an importer, distributor and dealer for a range of premium passenger vehicles in Singapore, Malaysia, Greater China, Thailand, Indonesia and Vietnam. The WBL Automotive Division specialises in the retailing and distribution of car brands such as *Bentley, BMW, Infiniti, Jaguar, Land Rover, Mazda, McLaren, Mini, Renault, Volkswagen and Volvo*.

## 2.2 Share Purchaser and Asset Purchaser

The Share Purchaser and Asset Purchaser, a party unrelated to the Company, is StarChase Motorsports (Singapore) Pte. Ltd., a member of the StarChase group of companies which is a distributor and retailer of premium automobiles in some of Asia’s most populous regions.

## 3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

### 3.1 Purchase Consideration

The consideration for the Proposed Disposal is \$455 million on a debt-free, cash-free basis (“Consideration”). The Consideration will take into account adjustments for, amongst other things, estimated net indebtedness and estimated changes in working capital and a final adjustment will be carried out after closing in accordance with the terms of the SPA and Thai APA.

The Consideration was determined between the Share Seller and Share Purchaser, and the Asset Seller and Asset Purchaser, at arm’s length, on a willing buyer willing seller basis following a formal sale process, after taking into account the book value of the disposed assets and liabilities, the valuation of other publicly-listed peers and the performance of the business over the past 3 years.

### 3.2 Conditions Precedent

- (a) The agreement to purchase and sell the Sale Shares is conditional upon, inter alia, the following conditions precedent having been fulfilled or waived in accordance with the terms of the SPA:
  - (i) the passing of a resolution by the shareholders of the Share Seller approving the transactions contemplated by the SPA at a duly convened meeting of the Share Seller;
  - (ii) if required pursuant to the rules of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the passing of a resolution by the shareholders of the Company approving the transactions contemplated by the SPA at a duly convened meeting of the Company;
  - (iii) all necessary consents, approvals and waivers in respect of the sale of the entire issued and paid-up share capital of WAPL having been obtained and such consents, approvals and waivers not having been amended or revoked before the Main Closing (as defined below), and if such consents, approvals or waivers, as the case may be, are subject to terms and conditions, such terms and conditions shall be reasonably in line with

customary industry standards and mutually acceptable to both the Share Seller and the Share Purchaser, each acting reasonably;

- (iv) the execution of the Thai APA by the Asset Seller and the Asset Purchaser;
- (v) the execution of the TMAA by the Share Seller and the Share Purchaser; and
- (vi) if required, the receipt by the Share Seller and/or the Company of a confirmation from the Securities Industry Council that (1) it waives the application of Rule 5 of the Singapore Code on Takeovers and Mergers (“Code”) to the transactions contemplated by the SPA and the Thai APA or (2) the transactions contemplated by the SPA and the Thai APA will not constitute a frustration event under Rule 5 of the Code.

The Share Seller and the Share Purchaser are required to use all reasonable endeavours to ensure the satisfaction of the conditions precedent in subparagraphs (iii) to (vi) above as soon as reasonably practicable and in any event by 30 January 2015 or such later date as the parties may mutually agree in writing (“**Long Stop Date**”).

- (b) The agreement to purchase and sell the Thai Assets is conditional upon, inter alia, the following conditions precedent having been fulfilled or waived in accordance with the terms of the Thai APA:
  - (i) the passing of a resolution by the shareholders of the Asset Seller approving the transactions contemplated by the Thai APA at a duly convened meeting of the Asset Seller;
  - (ii) the Main Closing (as defined below) having occurred; and
  - (iii) the entry into novation or new agreements reasonably in line with customary industry standards and mutually acceptable to both the Asset Seller and the Asset Purchaser each acting reasonably.

The Asset Seller and the Asset Purchaser are required to use all reasonable endeavours to ensure the satisfaction of the conditions precedent as soon as reasonably practicable or such later date as the parties may mutually agree in writing.

### 3.3 Closings

- (a) Completion of the disposal of the Sale Shares under the SPA (“**Main Closing**”) will take place on the tenth (10<sup>th</sup>) business day following satisfaction (or waiver) of the conditions precedent in the SPA. Completion of the disposal of the Thai Assets under the Thai APA (“**Thai Closing**”) will take place on the tenth (10<sup>th</sup>) business day following satisfaction (or waiver) of the conditions precedent in the Thai APA.
- (b) The TMAA will only take effect on the Main Closing.

### 3.4 Warranties and Undertakings

- (a) Pursuant to the SPA, the Thai APA and the TMAA, the parties thereto have furnished warranties typical for transactions of such nature.
- (b) The Share Seller has also furnished certain non-competition and non-solicitation undertakings and pre-completion undertakings in relation to, amongst other things, the carrying on of the business of the Sale Group.

## 4. RATIONALE FOR THE PROPOSED DISPOSAL

### 4.1 Strategic Review

The Proposed Disposal is in line with the Company's strategic review and objective of streamlining activities and businesses across the Group. The Proposed Disposal is part of the plan to exit from non-strategic or non-core operations of WBL and WBL's subsidiaries, and to enhance capital management and unlock value for the Company's shareholders.

#### 4.2 **Formal Process**

The Share Seller has, through its financial adviser, J.P. Morgan (S.E.A.) Limited, conducted a formal sale process and solicited bids for the WBL Automotive Division. The Share Seller has received expressions of interest from several parties and engaged in discussions with these parties. Following these discussions and the evaluation of the proposed bids, the respective board of directors of the Company and the Share Seller selected the Share Purchaser as the preferred bidder. Maybank Kim Eng Securities Pte. Ltd. is the financial adviser to the Share Purchaser.

### 5. **PROCEEDS FROM THE PROPOSED DISPOSAL**

The net proceeds from the Proposed Disposal are intended to be used to repay external borrowings and as general working capital of the Group. This would further strengthen the Group's balance sheet and enhance the Group's financial flexibility.

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

#### 6.1 **Illustrative Nature of Financial Effects**

The financial effects of the Proposed Disposal on the net tangible assets ("NTA") per share, earnings per share ("EPS") and gearing of the Group, have been prepared based on (i) the Group's audited consolidated financial statements for the financial year ended 31 December 2013; and (ii) assuming the attributable net disposal gain of approximately \$17.1 million, are set out below. The financial effects below are purely for illustrative purposes and are therefore not necessarily indicative of the actual financial position of the Group after Completion.

#### 6.2 **NTA**

Assuming that the Proposed Disposal had been effected on 31 December 2013 (being the end of the most recently completed financial year ended 31 December 2013), the effects on the NTA per share of the Group would be as follows:

	<b>Before Proposed Disposal</b>	<b>After Proposed Disposal</b>
NTA (\$ million)	1,624.7	1,641.8
Number of shares ('000)	624,429	624,429
NTA per ordinary share (\$)	2.60	2.63

#### 6.3 **EPS**

Assuming that the Proposed Disposal had been effected on 1 January 2013 <sup>(1)</sup> (being the beginning of the most recently completed financial year ended 31 December 2013), the effects of the Proposed Disposal on the EPS of the Group would be as follows:

	<b>Before Proposed Disposal</b>	<b>After Proposed Disposal</b>
Profit attributable to shareholders (\$ million)	118.1	140.8 <sup>(2)</sup>
Weighted average no. of ordinary shares – Basic ('000)	480,666	480,666
EPS (cents) - Basic	24.5	29.3

**Notes:**

- (1) WBL Group (which includes WAPL) became subsidiaries of the Company following the successful takeover of WBL by the Company's wholly-owned subsidiary, UE Centennial Venture Pte. Ltd., which was completed on 29 May 2013. WBL Group is consolidated with the Group with effect from June 2013. As such, the Group's profit and loss attributable to shareholders in FY2013 before the Proposed Disposal includes 7 months' contribution from WBL Group for the period from June to December 2013. The financial effect illustration on the Group EPS is based on the assumption that the Group's profit and loss attributable to shareholders is adjusted for 7 month profit and loss of the Sale Group and the Thailand Operation of the automotive division of the WBL Group consistent with its contribution to the Group's profit and loss in FY2013. For the purposes of this announcement, "**Thailand Operation**" means the activities of the automotive division of the WBL Group in Thailand, operated through a joint venture with local partners.
- (2) After adjusting for transaction cost of approximately \$8.0 million and interest savings of \$7.3 million on the assumption that the net proceeds from the Proposed Disposal will be used to repay bank borrowings on 1 January 2013.

#### 6.4 Gain on disposal

Based on the foregoing, the Group would expect to realise an attributable net disposal gain of approximately \$17.1 million, and receive net proceeds of approximately \$292.1 million.

### 7. CHAPTER 10 OF THE LISTING MANUAL

#### 7.1 Relative figures

The relative figures for the Proposed Disposal, assuming a net consideration of approximately \$300.1 million (after taking into account adjustments described in para 3.1) computed on the bases set out in Rule 1006 of the Listing Manual and based on the Company's unaudited financial statements for the 2Q FY2014, respectively, are set out below.

<b>Rule 1006</b>	<b>Bases</b>	<b>Relative Figures (%)</b>
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	10.5 <sup>(1)</sup>
(b)	Net profits attributable to the assets to be disposed of, compared with the Group's net profits	5.2 <sup>(2)</sup>
(c)	Aggregate value of the consideration received compared with the market capitalisation of the Company (based on the total number of issued shares, excluding treasury shares)	17.1 <sup>(3)</sup>
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	NA

**Notes:**

- (1) Computed based on the Group's effective interest of the net asset value of the WAPL Group and the Thai Assets of approximately \$180.1 million as at 30 June 2014, compared to the Group's net asset value of approximately \$1,714.8 million as at 30 June 2014.
- (2) Computed based on net profits attributable to the WAPL Group and the Thailand Operation of the automotive division of the WBL Group of approximately \$3.8 million for 2Q FY2014, compared to the Group's net profits of approximately \$73.5 million for 2Q FY2014.
- (3) Computed based on market capitalisation of the Company on 22 August 2014 (market day preceding this announcement) of approximately \$1,755.0 million.

**7.2 Discloseable Transaction**

As the relative figures in Rule 1006 exceed 5% and is less than 20%, the Proposed Disposal constitutes a discloseable transaction as defined in Chapter 10 of the Listing Manual.

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

None of the Directors or the controlling shareholders (as defined in the Listing Manual) of the Company has any interest, direct or indirect, in the Proposed Disposal, otherwise than through their interests in shares of the Company.

**9. DIRECTORS' SERVICE CONTRACTS**

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Disposal.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the SPA, Thai APA and the TMAA will be available for inspection at the registered office of the Company at 12 Ang Mo Kio Street 64, #01-01 UE BizHub CENTRAL, Singapore 569088, during normal business hours on any weekday (public holidays excepted) for a period of three (3) months from the date of this announcement.

By Order of the Board

**Heng Fook Pyng, Jeslyn**  
Company Secretary

26 August 2014