CIRCULAR DATED 23 NOVEMBER 2011
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Unless otherwise stated, capitalised terms on this cover are defined in this Circular under the Section entitled "Definitions".

If you have sold or transferred all your ordinary shares in the capital of Union Steel Holdings Limited (the "**Company**"), you should immediately forward this Circular, the Notice of Extraordinary General Meeting and the Proxy Form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 2004010181W)

CIRCULAR TO SHAREHOLDERS

in relation to

PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HOCK ANN METAL SCAFFOLDING PTE LTD

Financial Adviser to the Company

ERNST & YOUNG

ERNST & YOUNG CORPORATE FINANCE PTE LTD

(Company Registration No. 199702967E)
(Incorporated in the Republic of Singapore)

IMPORTANT DATES AND TIMES:

Last date and time for lodgment of Proxy Form	:	6 December 2011 at 10.00 a.m.
Date and time of Extraordinary General Meeting	:	8 December 2011 at 10.00 a.m.
Place of Extraordinary General Meeting	:	33 Pioneer Road North, Singapore 628474

CONTENTS

DEFINITIONS

The following definitions shall apply throughout unless otherwise stated in this Circular:

"**2011 PAT**"	:	PAT for the financial year ending 31 December 2011
"**2012 PAT**"	:	PAT for the financial year ending 31 December 2012
"**2013 PAT**"	:	PAT for the financial year ending 31 December 2013
"**Affiliated Persons**"		In relation to any of the Vendors, means (i) any person connected with such Vendor within the meaning of "**connected person**" as defined in Section 2 of the Securities and Futures Act, Chapter 289 of Singapore; or (ii) any extended family member of such Vendors
"**Aggregate Consideration**"	:	The aggregate consideration for the Sale Shares
"**Board**"	:	The board of directors of the Company from time to time
"**Business Day**"	:	A day which is not a Saturday, a Sunday or a public holiday in Singapore
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular dated 23 November 2011 to Shareholders
"**Closing**"	:	Completion of the sale of the Tranche 1 Shares pursuant the terms and subject to the conditions of the SPA
"**Closing Date**"	:	The date on which Closing takes place, being 1 March 2012 or such date falling on the 20th Business Day following notification of the fulfilment or waiver of the condition(s) set out in the SPA, whichever is the later, or at such other date as may be agreed in writing between the Parties
"**Company**" or "**Union Steel**"	:	Union Steel Holdings Limited
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore, as modified, supplemented or amended from time to time
"**Completion**"	:	The completion of the sale and purchase of the Sale Shares pursuant the terms and subject to the conditions of the SPA, whereby Hock Ann becomes a wholly-owned subsidiary of the Company
"**Completion Date**"	:	The date on which Completion takes place
"**Directors**"	:	The directors of the Company as at the date of this Circular
"**EGM**"	:	The extraordinary general meeting of the Company, notice of which is set out on page A-1 of this Circular
"**Encumbrance**"	:	Any claim, charge, mortgage, lien, option, equity, power of sale, hypothecation, retention of title, right of pre-emption, right of first refusal or other third party right or security interest of any kind or an agreement, arrangement or obligation to create any of the foregoing
"**EPS**"	:	Earnings per Share

"**FY**"	:	Financial year ended or ending: (a) 30 June for the Group; and (b) 31 December for Hock Ann
"**Group**"	:	The Company and its subsidiaries, collectively
"**GST**"	:	Goods and services tax charged under the Goods and Services Tax Act, Chapter 117A of Singapore
"**Hock Ann**" or "**Target**"	:	Hock Ann Metal Scaffolding Pte Ltd
"**Hock Ann Board**"	:	The board of directors for the time being of each Target Company
"Hock Ann Group" or "Target Group"	:	Hock Ann and its dormant subsidiary, Hock Ann Marine (each, a "**Target Company**")
"Hock Ann Marine"	:	Hock Ann Marine Scaffolding Pte Ltd
"**Key Employees**"	:	Messrs Loke Kok Keong and Wilson Ong
"**Latest Practicable Date**"	:	11 November 2011, being the latest practicable date prior to the printing of this Circular
"**Listing Manual**"	:	The listing manual of the SGX-ST, as may be amended or modified from time to time
"**Losses**"	:	All losses, liabilities, costs (including legal costs and experts' and consultants' fees), charges, expenses, actions, proceedings, claims and demands
"**Management Accounts**"	:	The unaudited management accounts relating to each Target Company and to the Target Group (taken as a whole) drawn up to 30 June 2011
"**Material Contract**"	:	means any contract agreement or arrangement which: (a) is a lease, tenancy or licence entered into by any Target Company in relation to any of the Properties; or (b) is outside the ordinary and usual course of business and does not relate to the business of any Target Company but are important to such Target Company's future operations; or (c) is not on commercial arm's length terms as at the date on which it is entered into; or (d) has a consideration or annual value in excess of S$100,000; or (e) involves or would involve expenditure/liabilities in excess of S$100,000 in absolute terms either on its own or when aggregated with contracts of similar nature; or (f) if terminated or not fulfilled substantially in accordance with its terms, would cause considerable or operational difficulties to any Target Company; or

		(g) is important to (or has a substantial impact on the profitability of) any Target Company and if terminated, may not be able to be adequately and promptly replaced on similar terms
"**NAV**"	:	Net asset value
"**NTA**"	:	Net tangible assets
"**Office Property**"	:	The whole of Lot U668M of Town subdivision 11 comprising the premises therein and known as 41 Middle Road, #03-00 Boon Sing Building, Singapore 188950
"**Parties**"	:	The Company and the Vendors
"**PAT**"	:	Profit after tax
"**Properties**"	:	The eight (8) rooms leased at the premises known as 1A Murai Farmway, Singapore 709154, the Office Property and the premises known as 2 Jalan Papan, Singapore 619393) ("**Property**" referring to any one of them)
"**Proposed Acquisition**"	:	The proposed acquisition by the Company of the entire issued share capital of Hock Ann owned by the Vendors on the terms and subject to the conditions of the SPA
"**Restricted Employee**"	:	Any employee of the Target Group who is immediately prior to Closing employed in the Target Group and who has access to confidential information of the Target Group
"**Restricted Period**"	:	The period from the Closing Date until 30 June 2015 (or such shorter period of time recognised by applicable law as being binding on the Vendors)
"**Restricted Territory**"	:	Singapore and such other territory in which the Company or any Target Company carries on or may carry on business of the same or similar type to the business of any Target Company as now carried on or as may be carried on during the Restricted Period
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Sale Shares**"	:	All the issued and paid-up ordinary shares in the share capital of Hock Ann
"**Service Agreements**"	:	Service agreements to be entered into by Hock Ann with each of the Key Employees on 28 September 2011
"**Shares**"	:	Ordinary shares in the capital of the Company
"**Shareholder**"	:	The registered holders of Shares, except that where the registered holder is CDP, the term "**Shareholders**" shall, in relation to those Shares, mean Depositors whose Securities Accounts are credited with those Shares
"**SPA**"	:	The sale and purchase agreement dated 28 September 2011 in relation to the Proposed Acquisition

"**Specified Accounts**"	:	The audited consolidated accounts of the Target Group (taken as a whole) and the audited accounts of the Target Group for the 12-month period ended on 31 December 2010
"**Target P/E Ratio**"	:	The Target P/E Ratio is 4 times
"**Tranche 1 Shares**"	:	480,000 ordinary shares in Hock Ann, comprising 160,000 shares registered in the name of Loke Kok Keong, 160,000 shares registered in the name of Or Hock Seng and 160,000 shares registered in the name of Wilson Ong
"**Tranche 2 Shares**"	:	160,002 ordinary shares in Hock Ann, comprising 53,334 shares registered in the name of Loke Kok Keong, 53,334 shares registered in the name of Or Hock Seng and 53,334 shares registered in the name of Wilson Ong
"**Tranche 3 Shares**"	:	159,999 ordinary shares in Hock Ann, comprising 53,333 shares registered in the name of Loke Kok Keong, 53,333 shares registered in the name of Or Hock Seng and 53,333 shares registered in the name of Wilson Ong
"**Vendors**"	:	Messrs Loke Kok Keong, Wilson Ong and Or Hock Seng
"**S$**" and "**cents**"	:	Singapore dollars and cents respectively
"**%**" or "**percent**"	:	Percentage or per centum

The expressions "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Words importing persons shall, where applicable, include corporations and unincorporated associations.

References to persons shall include corporations.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or any statutory modification thereof and not otherwise defined in this Circular shall have the same meaning assigned to it under the Companies Act or any statutory modification thereof, as the case may be.

In this Circular, all references to percentage holding of Shares are based on 393,781,089 Shares in issue as at the Latest Practicable Date.

Any reference to a time of day in this Circular is made by reference to Singapore time unless otherwise stated.

Any discrepancies in the tables in this Circular between the sum of listed amounts and the totals thereof shown are due to rounding.

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 2004010181W)

Directors	**Registered Office**
Ang Yu Seng (Chairman and Chief Executive Officer)	33 Pioneer Road North
Ang Yew Chye (Executive Director)	Singapore 628474
Chang Yeh Hong (Independent Director)	
Siau Kai Bing (Independent Director)	
Chan Kok Poh (Independent Director)	

23 November 2011

To: The Shareholders of Union Steel Holdings Limited

Dear Sir/Madam

Proposed Acquisition of the Hock Ann Group

1. INTRODUCTION

1.1 On 28 September 2011, it was announced that the Company had entered into the SPA on 28 September 2011 with Messrs Loke Kok Keong, Wilson Ong and Or Hock Seng (the Vendors), pursuant to which the Company agreed to acquire the Sale Shares held by the Vendors in three separate tranches (the "**SPA Announcement**"). Subsequent to Completion, the Company will own 100% of the Hock Ann Group (being Hock Ann and its dormant subsidiary, Hock Ann Marine).

1.2 The Company was introduced to the Vendors by the Vendors' adviser, Blue Sky Consultancy Pte Ltd, who was engaged by the Vendors to source for potential buyers for the Hock Ann Group. There is no introducer fee paid or payable by the Company to the Vendor's adviser for the Proposed Acquisition.

1.3 The Directors are convening the EGM to be held on 8 December 2011 to seek Shareholders' approval for the ordinary resolution relating to the Proposed Acquisition (the "**Ordinary Resolution**"), to be proposed at the EGM, notice of which is set out in this Circular.

1.4 The purpose of this Circular is to provide Shareholders with relevant information relating to the Proposed Acquisition, including the rationale for the Proposed Acquisition, the financial effects of the Proposed Acquisition on the Group and to seek Shareholders' approval for the Ordinary Resolution.

2. SALE SHARES AND AGGREGATE CONSIDERATION

2.1 Sale Shares

Pursuant to the SPA, the Vendors shall sell as legal and, where applicable, beneficial owners and the Company shall purchase the Sale Shares, free from Encumbrances and together with all rights and advantages attaching to them (in relation to the Tranche 1 Shares) as at Closing and (in relation to the Tranche 2 Shares and the Tranche 3 Shares) as at the respective dates of transfer to the Company as set out in paragraph 2.3 below (including the right to receive all dividends or distributions declared, made or paid on or after the respective dates).

2.2 Aggregate Consideration

The Vendors shall sell, and the Company shall acquire, the Sale Shares in separate tranches and the Aggregate Consideration shall be calculated based on the Target's audited consolidated PAT, as follows:

(1) Tranche 1 Consideration = 60% X the 2011 PAT (based on the audited accounts as adjusted in accordance with the adjustments mentioned below) X Target P/E Ratio, but subject to a cap of S$14.4 million;

(2) Tranche 2 Consideration = 20% X the 2012 PAT (based on the audited accounts as adjusted in accordance with the adjustments mentioned below) X Target P/E Ratio; and

(3) Tranche 3 Consideration = 20% X the 2013 PAT (based on the audited accounts as adjusted in accordance with the adjustments mentioned below) X Target P/E Ratio.

The maximum amount of Aggregate Consideration payable by the Company shall be subject to an overall cap of S$24.0 million. For the avoidance of doubt, in the event that any of the Target's PAT for the above mentioned years (being FY2011, FY2012 and FY2013) is negative, the consideration for the respective tranche will be nil.

For the purpose of determining the Aggregate Consideration, the following adjustments to the relevant audited accounts for the purpose of calculating PAT shall be made:

(i) the exclusion of non-operating income and expenses (including without limitation any gains made or losses incurred on disposal of fixed assets, income from Job Credit Scheme, dividend income from investments and interest income from fixed deposits) and their consequential tax impact;

(ii) the exclusion of accounts receivable and not collected within 180 days from the date of the relevant invoice;

(iii) the exclusion of any financial and tax impact as a result of changes to the accounting policies of the Target Group to align with the Company's accounting policies; and

(iv) (to the extent this adversely impacts the PAT of the Target Group) the exclusion of any transactions that do not fall within the course of the business of any Target Company in the normal course, and which were entered into or initiated without the prior written consent of Loke Kok Keong (for the avoidance of doubt, the Parties agree that no separate consent from the other Vendors is required for such transactions).

As per the SPA, Hock Ann shall instruct its auditors to prepare and deliver to Hock Ann (concurrently with the delivery by the auditors to Hock Ann of the respective audited accounts for the financial years ending 31 December 2011, 31 December 2012 and 31 December 2013) a separate written statement setting out the above adjustments to the relevant audited accounts for the purpose of calculating the PAT.

2.3 Payment of the Aggregate Consideration

The Aggregate Consideration shall be paid by the Company to the Vendors over the following periods of time:

(1) the Tranche 1 Consideration on Closing;

(2) the Tranche 2 Consideration, within thirty (30) days after the date of the general meeting of Hock Ann at which the relevant audited accounts for the determination of the 2012 PAT have been approved (such payment to be effected by delivering cashier's orders, drawn on a licensed bank in Singapore and made out in favour of the respective Vendors, to MC Corporate Services Pte Ltd); and

(3) the Tranche 3 Consideration, within thirty (30) days after the date of the general meeting of Hock Ann at which the relevant audited accounts for the determination of the 2013 PAT have been approved (such payment to be effected by delivering cashier's orders, drawn on a licensed bank in Singapore and made out in favour of the respective Vendors, to MC Corporate Services Pte Ltd).

The Company shall effect the transfer of the legal and beneficial ownership of the Tranche 2 Shares on the date specified in paragraph 2.3(2) above and effect the transfer of the legal and beneficial ownership of the Tranche 3 Shares on the date specified in paragraph 2.3(3) above.

The amount of Sale Shares for each tranche as set out in the SPA is as below:

(1) Tranche 1 Shares - 480,000 ordinary shares in Hock Ann, comprising 160,000 shares registered in the name of Loke Kok Keong, 160,000 shares registered in the name of Or Hock Seng and 160,000 shares registered in the name of Wilson Ong;

(2) Tranche 2 Shares - 160,002 ordinary shares in Hock Ann, comprising 53,334 shares registered in the name of Loke Kok Keong, 53,334 shares registered in the name of Or Hock Seng and 53,334 shares registered in the name of Wilson Ong; and

(3) Tranche 3 Shares - 159,999 ordinary shares in Hock Ann, comprising 53,333 shares registered in the name of Loke Kok Keong, 53,333 shares registered in the name of Or Hock Seng and 53,333 shares registered in the name of Wilson Ong.

2.4 Basis for the Aggregate Consideration

The Aggregate Consideration was arrived at on a willing seller-willing buyer basis after arms' length negotiations between the Parties and taking into consideration, *inter alia,* the book value and NTA value of Hock Ann as at 31 December 2010 of approximately S$3,176,000, net profit after tax for the year ended 31 December 2010 of approximately S$6,589,000, the historical performance and potential business growth of Hock Ann, and the rationale for the Proposed Acquisition as set out in paragraph 4.4 below. The maximum Aggregate Consideration of S$24.0 million represents a premium of approximately S$20.8 million over the book value of Hock Ann as at 31 December 2010.

There was no independent valuation conducted for the Proposed Acquisition. No valuation was performed on the Hock Ann Group as the Company is familiar with the scaffolding business and is of the view that the Proposed Acquisition represented a good opportunity for the Group to acquire a profitable scaffolding business at the typical price-earnings ratio of similar companies.

3. PRINCIPLE TERMS OF THE PROPOSED ACQUISITION

3.1 Conditions Precedent

The closing of the Proposed Acquisition shall be conditional upon satisfaction (or waived in accordance with the conditions set out in the SPA) of the following conditions:

(1) the passing at a board meeting and general meeting of the Company of a resolution to approve the acquisition of the Sale Shares on the terms and conditions set out in the SPA ("**CP Clause 1**");

(2) the completion to the Company's satisfaction of commercial, financial, accounting and legal due diligence of the Target Group;

(3) where the terms of any Material Contract contains any restrictions or prohibition on the change in control of the shareholdings and/or the boards of directors of any Target Company or includes any right to terminate exercisable prior to or as a result of any matter contemplated by the SPA, written confirmation in a form and on terms (if any) satisfactory to

the Company by the counterparties thereto, of their consent to the sale and purchase of the Sale Shares and the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the SPA or of any such right to terminate (for the avoidance of doubt, this shall include the consent of Standard Chartered Bank, in its capacity as mortgagee to the Office Property, to the sale and purchase of the Sale Shares, on terms satisfactory to the Company); and

(4) the licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals necessary or desirable for or in respect of the Proposed Acquisition having been obtained from appropriate governments, governmental, courts or other regulatory bodies on terms satisfactory to the Company and such licences, authorisations, orders, grants, confirmations, permissions, registrations and other approvals remaining in full force and effect.

With the exception of CP Clause 1, the Company may at any time waive in whole or in part and conditionally or unconditionally the condition precedents set out above by notice in writing to the Vendors. In the event that CP Clause 1 is not satisfied or waived on or before 31 December 2012 (or such other date as may be agreed in writing between the Company and the Vendors), save as expressly provided, the SPA (other than the surviving provisions) shall lapse and neither the Vendors nor the Company shall have any claim against the other under it, save for any claim arising from antecedent breaches of the SPA. In the event that the Company waives any of the condition precedents set out above, an announcement will be made immediately by the Company to notify shareholders.

As at the Latest Practicable Date, the financial and legal due diligence of the Target Group have been completed to the Company's satisfaction by professional advisers and the Company is not aware of any major issues noted from the due diligence.

3.2 Closing

The obligations of the Parties to the SPA to complete the sale and purchase of the Tranche 1 Shares shall become unconditional on the date when notification is made of the fulfilment or waiver of the condition(s) referred to in paragraph 3.1 above (the "**Unconditional Date**"). Closing will take place on 1 March 2012 or on a date which falls 20 Business Days after the Unconditional Date, whichever is the later, or at such other date as may be agreed in writing between the Parties.

3.3 Funding of the Proposed Acquisition

The Aggregate Consideration will be fully settled in cash. The Company intends to fund the Proposed Acquisition from internal sources and bank borrowings.

3.4 Other Principal Terms

Pre-Closing

Vendors' Obligations in Relation to the Conduct of Business

The Vendors undertake to procure and ensure that, between the date of the SPA and Closing, each Target Company:

(1) shall carry on its business as a going concern in the ordinary and usual course as carried on prior to the date of the SPA, save in so far as agreed in writing by the Company ("**Clause 1**");

(2) shall maintain in force all existing insurance policies in all material respects on the same terms and similar level of cover prevailing at the date of the SPA for the benefit of the Target Group;

(3) without prejudice to the generality of Clause 1 above, shall not without the prior written consent of the Company, such consent not to be unreasonably withheld:

(i) enter into, or exercise an option in relation to, any agreement or incur any commitment involving any capital expenditure in excess of S$100,000 per item and S$500,000 in aggregate, in each case exclusive of GST or equivalent tax;

(ii) enter into, or exercise an option in relation to, or amend, any agreement or incur any commitment which is not capable of being terminated without compensation at any time with one (1) month's notice or less and is not in the ordinary and usual course of business in excess of S$100,000, exclusive of GST or equivalent tax;

(iii) acquire or dispose of, or agree to acquire or dispose of, any material asset (other than scaffolding assets in the ordinary course of business) or material stock (other than scaffolding stock in the ordinary course of business), or enter into or amend any agreement or incur any commitment to do so, in each case involving consideration, expenditure or liabilities in excess of S$100,000, exclusive of GST or equivalent tax;

(iv) acquire or agree to acquire any shares or other interests in any company, limited liability partnership, partnership, business trust or other venture;

(v) incur any additional borrowings or incur any other indebtedness in each case in excess of S$100,000;

(vi) create, allot or issue any share capital or loan capital of any Target Company or any option to subscribe for the same;

(vii) repay, redeem or repurchase any share capital or loan capital of any Target Company;

(viii) declare, make or pay any dividend or other distribution to shareholders;

(ix) amend, to any material extent, any of the terms on which goods, facilities or services are supplied;

(x) in relation to any Property:

(a) apply for any planning permission or implement any planning permission already obtained but not implemented;

(b) carry out any structural alteration or addition to, or effect any change of use of, such Property;

(c) terminate or serve any notice to terminate, surrender or accept any surrender of or waive the terms of any lease, tenancy or licence;

(d) agree any new rent or fee payable under any lease, tenancy or licence;

(e) enter into or vary any agreement, lease, tenancy, licence or other commitment; or

(f) sell, convey, transfer, assign or charge any Property or grant any rights or easements over any Property or enter into any covenants or other Encumbrance affecting any Property or agree to do any of the foregoing;

(4) save as required by law:

(a) make any amendment to the terms and conditions of employment (including remuneration, pension entitlements and other benefits) of any employee (other than minor increases in the ordinary and usual course of business which the Vendors shall notify to the Company in writing as soon as reasonably possible);

(b) provide or agree to provide any gratuitous payment or benefit to any such person or any of his dependants;

(c) dismiss any employee; or

(d) engage or appoint any additional employee;

(5) enter into any guarantee, indemnity or other agreement to secure any obligation of a third party or create any Encumbrance over any of its assets or undertaking in any such case, other than for security bonds provided in relation to the employment of foreign workers by such Target Company;

(6) settle an insurance claim in excess of S$10,000 other than insurance claims for workmen injuries made prior to the date of the SPA and which have been disclosed in writing to the Company; or

(7) make any change to its accounting practices or policies or amend its memorandum or articles of association or other constitutive document.

Other Vendors' Obligations Prior to Closing

Without prejudice to the generality of Clause 1 above, prior to Closing the Vendors shall procure and ensure that:

(1) the Target Group shall allow the Company and its agents, upon reasonable notice, access to, and to take copies of, the books, records and documents of, or relating in whole or in part to, any Target Company; and

(2) the Vendors and the Target Group make available to the Company and its advisers, in a timely manner, all reasonably requested documents in relation to the Company's due diligence.

Restrictions on the Vendors

Each of the Vendors (and the Vendors will procure and ensure that their Affiliated Persons) shall not, for its own account or for that of any person, firm or company (other than the Company or the Target Group) or in any other manner, during the Restricted Period:

(1) directly or indirectly carry on, be engaged in or be economically interested in any Restricted Territory any business which is of the same or similar type to the business of any Target Company as now carried on or as may be carried on during the Restricted Period by any Target Company in any Restricted Territory and which is or is likely to be in competition with the business of any Target Company as now carried on or as may be carried on during the Restricted Period by any Target Company in any such Restricted Territory;

(2) in competition with the business as now carried on or as may be carried on during the Restricted Period, canvass or solicit the custom of any person, firm or company who has within two (2) years prior to Closing been a regular customer of any Target Company in relation to the business of the Target Group; or

(3) induce or seek to induce any present Restricted Employee to become employed whether as employee, consultant or otherwise by any of the Vendors or their Affiliated Persons, whether or not such Restricted Employee would thereby commit a breach of his contract of service.

Dividends

Dividend Policy

(1) From Closing, the Parties shall take such action as may be necessary to procure that, subject to the appropriation of prudent and proper reserves and funds for the growth of Hock Ann as determined by the Hock Ann Board and the retention out of profits of funds to meet any requirement as to solvency or otherwise applicable to Hock Ann (whether under any statute, regulation or ruling, whether or not having the force of law in Singapore, or otherwise), Hock Ann distributes to and among the shareholders the maximum amount of its net profits after provision for tax paid or accrued due in any financial year, such profits being declared and paid by way of dividend to the shareholders as soon as possible from the end of the financial year in accordance with the rights to dividends set out in the memorandum and articles of association of Hock Ann.

Use of Dividends

The Vendors undertake and agree that:

(2) any and all dividends declared by Hock Ann and paid to the Vendors from the Closing Date until Hock Ann becomes a wholly owned subsidiary of the Company, within five (5) Business Days of being paid to each Vendor, be used solely by the Vendors to subscribe for new ordinary shares in the Company (the "**New Shares**") under the respective names of the Vendors, at a price per New Share equivalent to the Company's last audited consolidated NAV per share for the period prior to the purchase, subject to a maximum 10 per cent. discount to the weighted average price for trades done on SGX-ST for the full market day on which the respective issuance takes place or such other requirement as may be applicable under the Listing Manual; and

(3) the Vendors agree that any such New Shares shall be under moratorium whereby the Vendors cannot sell the New Shares until 30 June 2014.

For the purpose of above clause, NAV means total assets minus total liabilities as reflected in the relevant audited consolidated accounts of the Company. For the avoidance of doubt, the New Shares (if required) shall be issued from the general mandate in existence at the point of issuance that has been given by Shareholders to the Directors to issue such new shares in the Company and the Company shall seek separate approval from SGX-ST, as the case may be. In the absence of such general mandate or in the event that the New Shares exceed the limits provided by such general mandate, the Company shall seek separate approvals from Shareholders and SGX-ST, as the case may be, on the issuance of the New Shares.

Board of Directors

From Closing until Completion or 30 June 2014, whichever is the later, the Parties agree that the board of directors of each Target Company shall consist of not more than four (4) directors and shall comprise two (2) existing executive directors and two (2) other directors to be nominated by the Company (of whom one shall be the Chairman).

The Parties agree that the Chairman shall be entitled to a second or casting vote at any meeting of the board of directors or at any general meeting of each Target Company.

Voting Proxies

With effect from Closing, the Vendors undertake not to exercise any and all voting or other rights in relation to all the Sale Shares and shall on Closing deliver to the Company irrevocable powers of attorneys in favour of the Company in the agreed form as set out in the SPA for this purpose, which shall remain in full force and effect for so long as the Company is a Shareholder.

Representations and Warranties

The SPA incorporates representations and warranties from the Parties that are regarded as reasonable and customary for transactions of similar nature.

Indemnity

The Vendors covenant with the Company to indemnify and save harmless the Company or at its option, any Target Company from and against any and all Losses which the Company or such Target Company (as the case may be) may at any time and from time to time sustain, incur or suffer by reason of:

(1) any breach of any representation, warranty or undertaking given by the Vendors under the SPA; and/or

(2) any liability of any Target Company arising on or before Closing or in relation to the period on or before Closing for which no provision has been made in the Specified Accounts and the Management Accounts.

3.5 Service Agreements

On Closing, the Service Agreements which Hock Ann had entered into with the Key Employees shall come into effect. The Service Agreements have, *inter alia*, the following key terms:

(a) the terms of the Service Agreements shall commence from the Closing Date and shall continue for an initial fixed period until 30 June 2014 and shall be renewable annually thereafter on such terms as mutually agreed between the Key Employees and Hock Ann;

(b) the Key Executives will be entitled to a basic salary (below S$250,000 per annum) and an annual performance bonus of an amount equal to three (3) percent of Hock Ann's audited consolidated profit before tax for the relevant financial year;

(c) the employment for each of the Key Executives may be terminated immediately upon written notice and without any compensation or damages being payable by Hock Ann to the Key Executives (but without prejudice to the rights and remedies of Hock Ann for any breach of the Service Agreements and to the Key Executive's continuing obligations hereunder), if each of the Key Executives shall at any time:

   (i) commit any breach of any of the provisions contained in the Service Agreement;

   (ii) be guilty of any misconduct or neglect in the discharge of his duties hereunder as reasonably determined by the Hock Ann Board;

   (iii) becomes bankrupt or makes any arrangement or composition with his creditors generally;

   (iv) becomes of unsound mind;

   (v) exhibits unfitness or unavailability for service, unsatisfactory performance, habitual neglect or incompetence as reasonably determined by the Hock Ann Board; or

   (vi) be convicted of any offence other than an offence which in the reasonable opinion of the Hock Ann Board does not affect the Key Executive's position in Hock Ann.

(d) each of the Key Executives covenants with and undertakes to Hock Ann that he will not during his employment and for a period of one (1) year from the date of cessation of his employment, without prior written consent of Hock Ann, whether directly or indirectly, alone or together with other persons, on his own account or in conjunction with, though or on behalf of any agents, affiliates, intermediaries, joint ventures or alliances, whether as director, manager, shareholder, employee, consultant, subcontractor or in any capacity:

(i) engage or be engaged in any competing business in Singapore and any country which Hock Ann has business interests or which is aimed at generating competing business (for the purposes of the Service Agreements, competing business shall mean any business relating to or involving scaffolding works and general construction);

(ii) acquire or hold any interest in any company which is engaged in any competing business or which is directly or indirectly controlled by a person engaged in a competing business;

(iii) solicit or endeavour to entice away from dealing with the Target Company or the Target Group, any person who has within two (2) years prior to the Closing Date been a regular customer of the Target Company or the Target Group; and

(iv) hire, employ or endeavour to entice away from being employed or hired by the Target Company or the Target Group, any person who was at the Closing Date an employee, manager, director, independent contractor or consultant of the same.

4. INFORMATION ON THE HOCK ANN GROUP

4.1 Description of the Hock Ann Group

The Hock Ann Group is principally engaged in the provision of scaffolding works and general construction. The Hock Ann Group comprises Hock Ann and Hock Ann Marine.

(a) Hock Ann is a company incorporated in January 2008 in Singapore. It is principally engaged in the provision of scaffolding works and general construction. The Vendors, collectively, hold 100% shareholding interests in Hock Ann.

(b) Hock Ann Marine is a company incorporated in March 2010 in Singapore. While Hock Ann Marine is currently dormant, the Company has future plans for Hock Ann Marine to secure scaffolding contracts from customers within the marine industry, which could be a new customer group for the Hock Ann Group. If proceeding with this strategy, Hock Ann Marine will recruit relevant people with the necessary expertise, as required. Hock Ann holds 100% shareholding interests in Hock Ann Marine.

4.2 Financial Information of Hock Ann

The following is a summary of Hock Ann's income statement for FY2008, FY2009 and FY2010 and its statement of financial position as at 31 December 2010:

INCOME STATEMENTS [1] FOR FY2008, FY2009 AND FY2010

S$'000	For year ending 31 December		
	FY2008[2] (Unaudited[3])	FY2009 (Audited)	FY2010 (Audited)
Revenue	4,822	12,351	15,276
Cost of sales	(2,031)	(8,685)	(5,630)
Gross profit	2,791	3,666	9,646
Selling expenses	–	(459)	(372)
General & Administrative expenses	(2,203)	(1,651)	(1,367)
Other income	4	38	42
Other expenses	–	(111)	(45)
Profit before income tax	592	1,483	7,904
Income tax expense	(81)	(258)	(1,315)
Profit for the year	511	1,225	6,589

Notes:

(1) As Hock Ann Marine was only acquired by Hock Ann in July 2011, the income statements of Hock Ann for FY2008, FY2009 and FY2010 do not include that of Hock Ann Marine. Given that Hock Ann Marine is a dormant company, the Company is of the view that a combined Hock Ann Group statement will not be necessary as the financial impact of Hock Ann Marine on the Hock Ann Group will not be material.

(2) For the period from 28 January 2008 (being the date of incorporation of Hock Ann) to 31 December 2008.

(3) For FY2008, Hock Ann is exempted from audit in accordance with Section 205C of the Singapore Companies Act.

AUDITED STATEMENT OF FINANCIAL POSITION [1] AS AT 31 DECEMBER 2010

S$'000	FY2010 (Audited)
Cash and cash equivalents	5,048
Trade and other receivables	795
Amount owing by directors [2]	121
Total current assets	**5,964**
Property, plant and equipment	206
Available-for-sale financial assets	238
Total non-current assets	**444**
Total assets	**6,408**

S$'000	FY2010 (Audited)
Trade and other payables	1,493
Provision for taxation	1,573
Other current liabilities	75
Total current liabilities	**3,141**
Finance lease liabilities	91
Total non-current liabilities	**91**
Total liabilities	**3,232**
Share capital	800
Retained earnings	2,385
Other reserves	(9)
Total equity	**3,176**
Total liabilities and equity	**6,408**

Notes:

(1) As Hock Ann Marine was only acquired by Hock Ann in July 2011, the audited financial position of Hock Ann as at 31 December 2010 does not include that of Hock Ann Marine. Given that Hock Ann Marine is a dormant company which was acquired on a book value basis, the Company is of the view that a combined Hock Ann Group financial position will not be necessary as the financial impact of Hock Ann Marine on the Hock Ann Group will not be material.

(2) The amount owing by directors is unsecured, interest-free and is repayable on demand.

Based on the audited financial statements of Hock Ann for FY2010, the book value and NTA value of Hock Ann as at 31 December 2010 was approximately S$3,176,000. The auditor of Hock Ann for FY2010 and FY2009 is Chew Whye Lee & Co. After Closing, it is the intention of the Company to appoint LTC LLP (the Company's auditor) as the auditor of the Hock Ann Group.

Performance overview for FY2009 versus FY2008

Hock Ann's revenue increased by 156.1% from S$4.8 million in FY2008 to S$12.4 million in FY2009. The large increase was due mainly to the lower revenue base in FY2008, being the start-up year for Hock Ann (which was incorporated in January 2008). During its start-up year in FY2008, Hock Ann had relatively fewer numbers of contracts. In addition, Hock Ann activities were primarily on marketing its business, building up its reputation in the industry, as well as strengthening its relationships with potential customers.

Gross margin was reduced from 57.9% in FY2008 to 29.7% in FY2009 as a result of Hock Ann reducing its margins in order to secure more contracts in FY2009. Hock Ann's margins tend to fluctuate in general due mainly to the project-based and non-recurrent nature of the scaffolding business. During times when the construction industry is performing well or when there is higher demand for scaffoldings, Hock Ann tend to enjoy higher margins for its contracts. At other times, Hock Ann may have to reduce its margins in order to secure a contract. The Vendors are of the opinion that the historical gross margins of Hock Ann are largely in line with similar companies in the industry.

Despite an increase in revenue over the corresponding period, the total Selling and General & Administrative expenses (collectively, the "**SG&A Expenses**") decreased by 4.2% from S$2.2 million in FY2008 to S$2.1 million in FY2009 due mainly to a tight rein on costs by the management. Further, in order to conform to the financial presentation for FY2009, most of the expenses for FY2008 were reclassified under General & Administrative expenses by Hock Ann's auditor. Other income includes interest income and foreign exchange gains.

Performance review for FY2010 versus FY2009

The increase in revenue by 23.7% from S$12.4 million in FY2009 to S$15.3 million in FY2010 was due mainly to larger contracts secured in FY2010. FY2010 was considered to be a good year for the construction industry. This was largely due to the increased construction activities as the Integrated Resorts in Singapore rushed towards completing most of their key installations for their respective openings in 2010. An increase in construction activities will generally lead to an increase in scaffolding demand. As a result, Hock Ann was able to leverage on the increased construction activities in FY2010 and secured larger contracts.

Hock Ann's gross margin increased from 29.7% in FY2009 to 63.1% in FY2010 due mainly to the increase in scaffolding demand in FY2010 as explained above. As a result, Hock Ann was able to secure higher margins from their contracts in FY2010. The Vendors expect that gross margins for the industry may come under pressure if construction activities are slowing down. SG&A Expenses for FY2010 decreased by 17.6% from S$2.1 million in FY2009 to S$1.7 million in FY2010 due mainly to savings from relocation of storage facilities (to a smaller warehouse) and the decision to discontinue bonus payouts to its directors (who are also the Vendors) from FY2010 onwards. Other expenses decreased by 59.5% from S$111,000 in FY2009 to S$45,000 in FY2010 as a result of lower finance costs and bank borrowings.

Major customers for FY2010

The revenue from each of the top five customers of Hock Ann in FY2010 has been set out in the table below. The revenue for Hock Ann's top five customers in FY2010 was mainly for the provision of scaffolding services.

Customers	**FY2010 Revenue (S$'000)**	**Percentage of Total Revenue (%)**
Customer A	4,907	32%
Customer B	2,973	20%
Customer C	2,297	15%
Customer D	693	5%
Customer E	683	4%
Others	3,723	24%
Total revenue	**15,276**	**100%**

(*Source: The Vendors)*

The brief description of each of the top five customers has been provided in the table below.

Customers	Description
Customer A	The company, a subsidiary of a major Japanese construction group, provides construction, project and facility management services. Their projects include construction and development of corporate offices, residential buildings, hospitals, hotels, shopping complexes and sports centres.
Customer B	The company is a joint venture between a major Japanese construction group and a leading building construction and civil engineering contractor in Singapore. Their projects include corporate offices, hotels, and retail complexes.
Customer C	The company, a subsidiary of an Italian construction group, focuses on turnkey supply and installation of curtain walls (architectural exterior facades) for commercial buildings.
Customer D	The company, the Singapore branch of a major Japanese construction group, provides construction and civil engineering services. Their projects include bridges, expressways, transportation infrastructures, commercial complexes, retail outlets, and residential buildings.
Customer E	A Singapore-based construction company whose projects include commercial and institutional buildings.

(*Source: The Vendors)*

4.3 Contingent Liabilities

Based on the due diligence conducted by the Company on the Hock Ann Group, there are no contingent liabilities that have been identified.

4.4 Rationale for the Proposed Acquisition

The Proposed Acquisition presents an opportunity for the Group that is in line with the Company's strategic intent to acquire new businesses that will improve the performance of the Group and also enlarge its range of products and services and penetrate into new markets.

Through the Proposed Acquisition, the Group intends to provide its existing customers, particularly those in the construction and engineering industries, with the Hock Ann Group's core service offerings. At the same time, the Group expects to provide the Hock Ann Group's existing customers with the Group's wide range of products and services. By leveraging on each other's strengths, the Proposed Acquisition is expected to generate synergies for the Group and create cross-selling opportunities to an enlarged customer base.

Further, the Hock Ann Group is expected to provide the Group with a relatively more stable income stream compared to the capricious nature of the Group's metal trading business. Following the Proposed Acquisition, the Hock Ann Group will be able to extract synergies from the metal recycling expertise of the Group.

4.5 Risk factors relating to the Proposed Acquisition

An investment in the Shares following Completion involves a number of risks, some of which (including market, liquidity, credit, operational, legal and regulatory risks) could be substantial and are inherent in the business of the Hock Ann Group.

Shareholders should evaluate carefully the following considerations and the other information in this Circular before deciding on how to cast their votes at the EGM. The risks set out below are not the only risks which the Group faces following the Proposed Acquisition. Some risks are not yet known to the Company and there may be others which the Company currently believes are material but may subsequently turn out not to be so. As such, the following should not be construed as a comprehensive list of all risk factors relating to the Proposed Acquisition. If any of the following considerations, risks and uncertainties develops into actual events, the business, financial condition, results of operations, cash flows and prospects of the Group following the Proposed Acquisition could be materially and adversely affected.

The business of the Hock Ann Group is subject to the cyclical nature of the construction industry

The majority of the customers of the Hock Ann Group are primarily operating in the construction industry. Therefore, the Hock Ann Group is subject to the performance of the construction industry which is cyclical in nature and are largely influenced by fluctuation in demand for infrastructure and property development projects as well as global and regional economic conditions. In the event that there is a decline in the level of construction activities, resulting in a decrease in demand for scaffolding services by such customers, the financial performance of the Hock Ann Group will be adversely affected.

Hock Ann Group is reliant on construction activities in Singapore

The business and operations of the Hock Ann Group are dependent on the volume of construction activities in Singapore which is in turn dependent on the commitments and investments made by property and infrastructure developers, in terms of construction of new buildings or transportation network, or expansion or upgrading of existing facilities. The demand for scaffolding services provided by the Hock Ann Group is therefore reliant on the favourable economic conditions of Singapore and the continuous investments by the government and private sector on property and infrastructure projects. There can be no assurance that such property and infrastructure developers would not reduce their investments in Singapore for whatever reasons. In such event, the volume of construction activities may decline in Singapore and the revenue and financial performance of the Hock Ann Group will be adversely affected.

Hock Ann Group faces keen competition in its businesses

The Hock Ann Group faces keen competition in its businesses from new and existing competitors based in Singapore and overseas. Some of these competitors are established global players in the construction industries. In order to secure tenders, the Hock Ann Group may have to compete aggressively in their bid price. If the Hock Ann Group is required to lower their bid prices in order to win a tender, their profit margins may be adversely affected.

There is no assurance that the Hock Ann Group will be able to compete effectively against its new and existing competitors and adapt quickly to changing market conditions and trends. In the event that the Hock Ann Group's competitors are able to provide comparable services at lower prices or respond to changes in market conditions more swiftly or effectively than the Hock Ann Group, the Hock Ann Group's business, results of operations and financial position may be adversely affected.

Hock Ann Group may be subject to disputes, claims and variation orders

Under the terms of certain contracts entered into by the Hock Ann Group, in the event of a breach by the Hock Ann Group of the terms of such contracts, their customers may be entitled to claim for liquidated damages for delay in completion, defective workmanship, non-performance or other losses suffered by them by off-setting the same from retention monies or enforcing performance bonds furnished by the Hock Ann Group. Disputes may also arise between the Hock Ann Group, their contractors and customers for various reasons including defective works, delays in the completion of a project and disputes over contract specifications and the final amount payable for work done on a project and claims may be made against the Hock Ann Group from time to time by its contractors and clients arising from such disputes. In the event that any of such claims are successful, the Hock Ann Group's business, results of operations and financial performance may be adversely affected. Any legal proceedings relating to such claims may also have an adverse impact on the Hock Ann Group's market reputation and integrity.

From time to time, after work on a project has started, the Hock Ann Group's customers may request for alterations to the agreed specifications or additional works which were not originally specified. Notwithstanding that the costs for such variations may have been agreed with their customers, such costs may still be disputed by them. Where the dispute involves a substantial amount, such dispute may result in the final value of the variations being lower than that initially agreed as well as a delay in payment by their customers, thereby adversely affecting the Hock Ann Group's results of operations and financial position.

Hock Ann Group may be affected by a worldwide economic downturn

In the event that there is a worldwide economic downturn, the business and operations of the Hock Ann Group may be adversely affected. For example, such downturn may result in a decrease in investments made by property and infrastructure developers, which will in turn reduce the volume of construction activities in Singapore. In addition, such downturn may also erode the profit margins for any construction activities due to keen competition. In such event, the revenue and financial performance of the Hock Ann Group will be adversely affected.

The revenue of the Hock Ann Group may be volatile

The Hock Ann Group's revenue is largely project-based and is therefore non-recurrent in nature. There is therefore no assurance that the customers of the Hock Ann Group will continue to engage the Hock Ann Group for their subsequent projects. Hence, the level of revenue may not be sustainable going forward. In the event that customers cease to have business dealings with the Hock Ann Group, or materially reduce the frequency of jobs that they engage the Hock Ann Group for, or if the Hock Ann Group is unsuccessful in securing future contracts, the revenue and profitability of the Hock Ann Group will be adversely affected.

Hock Ann Group is dependent on its major customers

The Hock Ann Group is dependent on its major customers to continue to award contracts to the Hock Ann Group. In the event that any of these customers decides to switch to the competitors of the Hock Ann Group or if there is a drop in the demand from these customers, there will be a negative impact on the revenue and profitability of the Hock Ann Group. In the event that the Hock Ann Group loses any of its key customers, or there is a significant reduction of revenue from any one of them, the revenue and financial performance of the Hock Ann Group will be adversely affected.

Hock Ann Group is exposed to foreign exchange risks

The foreign exchange risks which the Hock Ann Group faces arise mainly from the mismatch between the currency of its receipts and payments. the Hock Ann Group's revenue is mainly denominated in S$, while inventory purchases is mainly denominated in United States dollars. Any appreciation of the United States dollars against S$ may lower the Hock Ann Group's profits which would in turn, adversely affect their financial performance.

Hock Ann Group is dependent on its key management personnel

The operations of the Hock Ann Group are dependent upon the continued service of its key management personnel. Besides, as the Group does not engage in the same business as the Hock Ann Group, the existing management and workforce of the Group may not have the necessary experience and expertise to manage and operate the businesses of the Hock Ann Group immediately after Closing. Notwithstanding the Service Agreements to be entered into pursuant to the Proposed Acquisition, in the event that the Hock Ann Group loses the services of any of its existing key personnel without timely and suitable replacements, or is unable to attract and retain new experienced personnel as it grows, the profitability and operations of the Hock Ann Group would be adversely affected.

Hock Ann Group has a limited operating history

Hock Ann was incorporated in January 2008 (Hock Ann Marine, a dormant subsidiary, was incorporated in March 2010) and has a limited history upon which to assess its future expected performance. Although the Hock Ann Group's management and technical staff possess the relevant experience and expertise in the scaffolding business, we cannot assure you that the growth and future performance of the Hock Ann Group will be successful. The failure of the Hock Ann Group to perform as a reliable scaffolding service provider could have a material adverse effect on the financial condition and results of operations of the Hock Ann Group and the Group.

Hock Ann Group is exposed to credit risks of its customers

The Hock Ann Group is exposed to payment delays and defaults by its customers. The financial position and profitability of the Hock Ann Group are therefore dependent on the creditworthiness of its customers. Any material default in payment by its customers will adversely affect the profitability and cash flow of the Hock Ann Group.

Hock Ann Group is exposed to potential liability arising from damages, injury or death due to accidents

Due to the nature of the Hock Ann Group's business, there is a risk of accidents affecting either its employees or third parties on its customers' premises. In the event that any claims for compensation are made against the Hock Ann Group which are not covered by its insurance policies or the respective workmen's compensation, or if claims arising from such accidents are in excess of the insurance or workmen's compensation coverage and/or any of its insurance claims are contested by any insurance company, the Hock Ann Group will be required to pay for such compensation. Should such events occur, the reputation and financial performance of the Hock Ann Group would be adversely affected.

Hock Ann Group is reliant on the stable supply of foreign labour

The business of the Hock Ann Group relies on a large pool of foreign workers to fill the positions. Any unfavourable changes to the employment regulations in Singapore or the countries of origins of the respective workers, such as a reduction in the quota for foreign employees or an increase in demand for foreign workers in other countries, may result in higher labour cost or project delay due to a shortage of manpower. Should such events arise, the profitability and operation of the Hock Ann Group may be adversely affected.

Hock Ann Group is dependent on its stringent safety standards and established reputation

Over the recent years, the Hock Ann Group has established its reputation in the construction industry as a reliable and competent scaffold company with strong emphasis on safety and quality. The Hock Ann Group has been known for its commitment to a high standard of quality, safety and health practices and standards for its operations, through its various accreditations such as the bizSTAR and OHSAS 18001:2007 certifications. Such recognition has enabled the Hock Ann Group to enjoy customer loyalty and remain competitive in the past years. Hence, should there be any major defects, lapses in its services, adverse publicity due to accidents or other circumstances beyond its control, the reputation, business and financial performance of the Hock Ann Group will be adversely affected.

Successful integration of the Hock Ann Group with the Group may take time

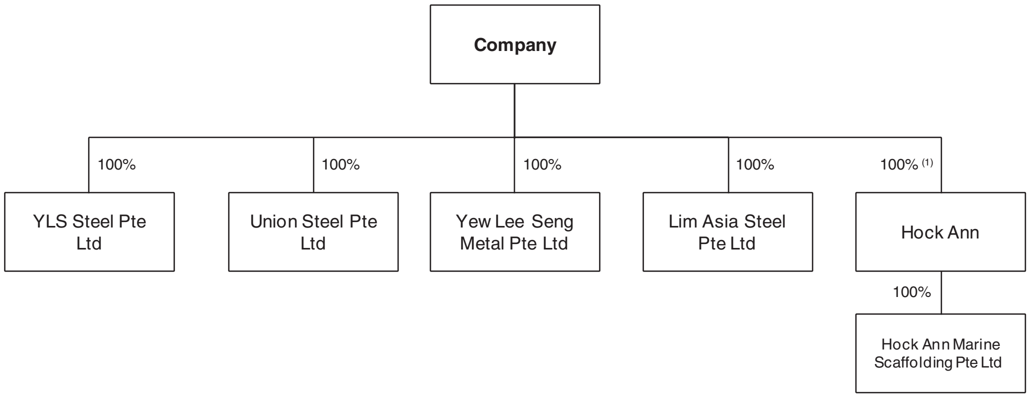
As the Group does not engage in the same business as the Hock Ann Group, the Group may not have readily available resources, management expertise and technical skills required for the operations of the Hock Ann Group. Moreover, the Hock Ann Group has its own set of operations, internal systems and procedures. The process of integrating the Hock Ann Group may require a substantial amount of time and resources before the expected synergy may be achieved. As such, the positive impact of the Proposed Acquisition may not be experienced by the Group immediately or at all.

Goodwill recognised upon Closing and Completion may be subject to impairment

Based on the maximum Aggregate Consideration of S$24.0 million, the Company will purchase the Sale Shares for an aggregate consideration that is more than the net amount of the identifiable assets acquired and the liabilities assumed at fair value. Such difference will be recognised by the Group upon Closing and Completion as goodwill and intangibles, if any, acquired. An assessment is carried out at least annually to determine whether goodwill and intangibles have suffered any impairment loss. In the event of any impairment of goodwill and intangibles, the financial performance and position of the Group will be adversely affected.

5. POST-COMPLETION CORPORATE STRUCTURE

Following Completion, the entire issued and paid-up share capital of Hock Ann will be held by the Company. The following chart illustrates the corporate structure of the Group following Completion:



Note:

(1) The Company will acquire the Sale Shares in three separate tranches as set out in the SPA.

6. RELATIVE FIGURES UNDER RULE 1006 OF THE LISTING MANUAL

As set out in the SPA Announcement based on the unaudited financial statements of the Company for FY2011, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual in relation to the Proposed Acquisition are as follows:

Listing Rule	Bases	Relative Figures (%)
1006 (a)	NAV of the assets to be disposed of, compared with the Group's NAV	Not applicable to an acquisition of assets
1006 (b)	Net profits attributable to the assets acquired, compared with the Group's net profits	69% (1)
1006 (c)	Aggregate value of consideration compared with the Company's market capitalisation	61% (2)
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 (3)

Notes:

(1) The figure was computed based on Hock Ann's audited profit before tax for FY2010 of approximately S$7,904,000 divided by the Group's unaudited net profit before tax for FY2011 of approximately S$11,537,000. Based on the audited financial statements of the Company for FY2011 announced after the SPA Announcement, the net profits attributable to the assets acquired, compared with the Group's audited net profit before tax for FY2011 remains at 69% as set out above.

(2) Based on the maximum Aggregate Consideration of S$24,000,000 and the market capitalisation of the Company of S$39,378,109 as at 22 September 2011 (being the last trading day preceding the date of the SPA). The market capitalisation of the Company of S$39,378,109 is calculated based on 393,781,089 Shares in issue as at 22 September 2011 multiplied by S$0.10 being the volume weighted average price of such Shares transacted on 22 September 2011.

(3) Not applicable as the Company will not be issuing equity securities as consideration for the Proposed Acquisition.

As the relative figures under Rules 1006(b) and (c) exceed 20%, the Proposed Acquisition constitutes a major acquisition pursuant to Rule 1014 of the Listing Manual. Accordingly, the Proposed Acquisition is subject to the approval of Shareholders pursuant to Rule 1014(2).

7. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

7.1 Assumptions

The pro forma financial effects of the Proposed Acquisition set out below are purely for illustration purposes only and do not reflect the actual future financial situation of the Company or the Group after Completion.

The pro forma financial effects of the Proposed Acquisition presented below:

(1) have been calculated based on the maximum Aggregate Consideration of S$24,000,000;

(2) have been prepared based on the audited consolidated financial statements of the Group for FY2011[(1)] and on the audited consolidated financial statements of Hock Ann for FY2010;

(3) has not taken into account the expenses for the Proposed Acquisition; and

(4) assume that the Proposed Acquisition had been completed on (a) 1 July 2010 for illustrating the financial effects on the consolidated earnings of the Group, and (b) 30 June 2011 for illustrating the financial effects on the NTA of the Group.

Note:

(1) The auditor of the Group for FY2011 is LTC LLP.

7.2 Share Capital

Save as discussed in paragraph 3.4 (Dividends - Use of Dividends) of the Circular on the potential requirement for the Company to issue New Shares, there will not be any change in the share capital of the Company as a result of the Proposed Acquisition.

7.3 NTA

Assuming that the Proposed Acquisition had been effected on 30 June 2011 (the end of FY2011 for the Group), the effect of the Proposed Acquisition on the NTA of the Group is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S$'000)	72,213	51,389 (1)
Total number of Shares in issue ('000)	393,781	393,781
NTA per Share (cents)	18.34	13.05

Note:

(1) Based on the Group's NTA value as at 30 June 2011 of approximately S$72,213,000, adding Hock Ann's NTA value as at 31 December 2010 of approximately S$3,176,000, and less the maximum Aggregate Consideration of S$24,000,000. The book value and the NTA value of Hock Ann as at 31 December 2010 are the same figure.

7.4 EPS

Assuming that the Proposed Acquisition had been effected on 1 July 2010 (the beginning of FY2011 for the Group), the effect of the Proposed Acquisition on the EPS of the Group is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to equity holders of the Company (S$'000)	10,025	16,614 (1)
Weighted average number of ordinary shares outstanding for basic/diluted earnings per share ('000)	361,094	361,094
Basic/Diluted EPS (cents)	2.78	4.60

Note:

(1) Based on the Group's audited net profit after tax for FY2011 of approximately S$10,025,000 and adding Hock Ann's audited net profit after tax for FY2010 of approximately S$6,589,000.

7.5 Gearing

For illustrative purposes only, the effect of the Proposed Acquisition on the gearing ratio of the Group for FY2011, assuming that the Proposed Acquisition had been effected at the end of the financial year is as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Total bank borrowings (S$'000)	29,348	29,348
Total equity (S$'000)	73,450	52,626 (1)
Gearing (times)	0.40	0.56

Note:

(1) Based on the Group's equity value as at 30 June 2011 of approximately S$73,450,000, adding the equity value of Hock Ann's as at 31 December 2010 of approximately S$3,176,000, and less the maximum Aggregate Consideration of S$24,000,000.

For the purposes of the above calculations, “gearing” means the ratio of “total bank borrowings” to “total equity”, and “total equity” means the aggregate amount of issued and paid-up share capital, capital reserve, fair value reserve and revenue reserves of the Group.

8. SHAREHOLDING INTERESTS OF THE VENDORS

As at the Latest Practicable Date, the Vendors do not hold, directly or indirectly, any Shares. Neither the Vendors nor Hock Ann’s directors have any connection with any Director or substantial shareholder of the Company.

9. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS IN THE PROPOSED ACQUISITION

None of the Directors or substantial shareholders has any interest, direct and indirect, in the Proposed Acquisition.

10. SHAREHOLDING INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

The interests of the Directors and substantial shareholders of the Company in the Shares as at the Latest Practicable Date as recorded in the Register of Directors’ Shareholding and the Register of Substantial Shareholding maintained under the provisions of the Companies Act are, as follows:

	Direct Interest		**Deemed Interest**	
Directors	**Number of shares**	**%**	**Number of shares**	**%**
Ang Yu Seng	137,248,408	34.85	–	–
Ang Yew Chye	29,576,431	7.51	–	–
Chang Yeh Hong	100,000	0.03	–	–
Siau Kai Bing	120,000	0.03	–	–
Chan Kok Poh	240,000	0.06	–	–
Substantial Shareholders (other than Directors)				
Ang Yew Lai	47,171,050	11.98	–	–
Goi Seng Hui [(1)]	16,082,000	4.08	17,500,000	4.44

Note:

(1) Goi Seng Hui is deemed to be interested in 17,500,000 ordinary shares which were held in the name of Hong Leong Finance Nominees Pte Ltd.

As discussed in paragraph 3.4 (Dividends - Use of Dividends) of the Circular on the potential requirement for the Company to issue New Shares, the Proposed Acquisition may result in the Vendors holding Shares of the Company. However, the New Shares to be issued will be dependent on the dividends, if any, declared by the Hock Ann Group for the period FY2011-FY2013, which will in turn be largely dependent on the financial performance of the Hock Ann Group for the aforementioned period. As such, it would not be possible for the Company to now quantify the amount of New Shares to be issued.

11. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a Director of Union Steel in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between Union Steel and any such person. However, the Service Agreements were entered into between Hock Ann (not Union Steel) and the Key Employees.

12. DIRECTORS' RECOMMENDATIONS

Having considered and reviewed the rationale for the Proposed Acquisition, the financial effects of the Proposed Acquisition and the terms of the SPA, the Directors are of the opinion that the Proposed Acquisition is in the best interests of the Company. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Proposed Acquisition as set out in the notice of EGM.

13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on page A-1 of this Circular, will be held at 33 Pioneer Road North, Singapore 628474 on 8 December 2011 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution set out in the notice of EGM.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to this Circular in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the EGM. The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the EGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register as at 48 hours before the EGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after having made all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Acquisition and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular materially misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

16. CONSENTS

The following have given and have not withdrawn their written consents to the issue of this Circular with the inclusion of their names and all references thereto in the form and context in which they appear in this Circular.

(1) Ernst & Young Corporate Finance Pte Ltd;

(2) Chew Whye Lee & Co.; and

(3) LTC LLP.

17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 33 Pioneer Road North, Singapore 628474 during normal business hours for a period of three (3) months from the date of this Circular:

(1) the SPA;

(2) the Annual Report of Hock Ann for FY2010;

(3) the Annual Report of the Company for FY2011;

(4) the Memorandum and Articles of Association of the Company;

(5) the Memorandum and Articles of Association of Hock Ann; and

(6) the consents referred to in paragraph 16 of this Circular.

Yours faithfully,
For and on behalf of the Directors

Ang Yu Seng
Chairman and Chief Executive Officer
Union Steel Holdings Limited

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 2004010181W)

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Union Steel Holdings Limited ("**Company**") will be held at 33 Pioneer Road North, Singapore 628474 on 8 December 2011 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution which will be proposed as an Ordinary Resolution:

ORDINARY RESOLUTION

APPROVAL FOR THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HOCK ANN METAL SCAFFOLDING PTE LTD

THAT:

(a) approval be and is hereby given for the proposed acquisition by the Company from Messrs Loke Kok Keong, Wilson Ong and Or Hock Seng (the "**Vendors**") of the entire issued share capital of Hock Ann Metal Scaffolding Pte Ltd for a maximum aggregate consideration of S$24.0 million, in accordance with the terms and conditions of the sale and purchase agreement dated 28 September 2011 (the "**Agreement**") entered into between the Company and the Vendors; and

(b) the directors of the Company and each of them be and are hereby authorised to complete and do all such acts and things (including modifying the Agreement and executing all such documents as may be required under or pursuant to the Agreement) as they or he may consider necessary, desirable or expedient or in the interests of the Company to give effect to this Ordinary Resolution as they or he may deem fit.

BY ORDER OF THE BOARD

Helen Campos
Company Secretary

23 November 2011
Singapore

Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint a proxy to attend and vote in his stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a member of the Company.

2. The Proxy Form is attached and must be deposited at the registered office of the Company at 33 Pioneer Road North, Singapore 628474 not less than 48 hours before the time fixed for holding the Extraordinary General Meeting in order for the proxy to be entitled to attend and vote at the Extraordinary General Meeting.

3. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited 48 hours before the time fixed for holding the Extraordinary General Meeting in order for the Depositor to be entitled to attend and vote at the Extraordinary General Meeting.

PROXY FORM

UNION STEEL HOLDINGS LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 2004010181W)

EXTRAORDINARY GENERAL MEETING - PROXY FORM

IMPORTANT:
1. For investors who have used their CPF monies to buy UNION STEEL HOLDINGS LIMITED shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

*I/We ______________________________

of ______________________________

being *a member/members of **UNION STEEL HOLDINGS LIMITED** (“**Company**”), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/them the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held at 33 Pioneer Road North, Singapore 628474 on 8 December 2011 at 10.00 a.m. and at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without amendment, the following Ordinary Resolution:

NO.	ORDINARY RESOLUTION	FOR	AGAINST
1.	Approval of the Proposed Acquisition		

(Please indicate with a cross (X) in the spaces provided whether you wish your vote(s) to be cast for or against the Resolution as set out in the Notice of Extraordinary General Meeting. In the absence of specific directions, your proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matters arising at the Extraordinary General Meeting.)

Dated this ____________ day of ________________ 2011

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal
Register of Members

*Delete accordingly

PROXY FORM

Notes:

1. Please insert in the box at the bottom right hand corner of this form, the number of Shares registered in your name in the Register of Members in respect of share certificates held by you and the number of Shares entered against your name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"). If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member.

3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 33 Pioneer Road North, Singapore 628474 not later than 48 hours before the time fixed for holding the Extraordinary General Meeting.

5. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.

6. A corporation which is a member may also authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.

7. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument appointing a proxy or proxies. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument of proxy lodged if such member is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time fixed for holding the Extraordinary General Meeting as certified by the CDP to the Company.