

UNION STEEL HOLDINGS LIMITED

(Registration No. 200410181W)
(Incorporated in the Republic of Singapore)

PROPOSED RENOUNCEABLE NON-UNDERWRITTEN RIGHTS ISSUE (“WARRANTS ISSUE”) OF UP TO 69,421,050 WARRANTS (“WARRANTS”) AT AN ISSUE PRICE OF S\$0.03 FOR EACH WARRANT, EACH WARRANT CARRYING THE RIGHT TO SUBSCRIBE FOR ONE (1) NEW ORDINARY SHARE (“NEW SHARE”) IN THE CAPITAL OF UNION STEEL HOLDINGS LIMITED (THE “COMPANY”) AT AN EXERCISE PRICE OF S\$0.12 FOR EACH NEW SHARE, ON THE BASIS OF ONE (1) WARRANT FOR EVERY FIVE (5) EXISTING ORDINARY SHARES IN THE CAPITAL OF THE COMPANY HELD BY THE SHAREHOLDERS OF THE COMPANY AS AT THE BOOKS CLOSURE DATE (AS DEFINED BELOW) TO BE DETERMINED, FRACTIONAL ENTITLEMENTS TO BE DISREGARDED

1. Introduction

The Board of Directors (the “**Directors**”) of the Company wishes to announce that the Company is proposing a renounceable non-underwritten rights issue (the “**Warrants Issue**”) of up to 69,421,050 warrants (“**Warrants**”) at an issue price of S\$0.03 for each Warrant (the “**Issue Price**”), each Warrant carrying the right to subscribe for one (1) new ordinary share in the capital of the Company (“**New Share**”) at an exercise price of S\$0.12 for each New Share (the “**Exercise Price**”), on the basis of one (1) Warrant for every five (5) existing ordinary shares in the capital of the Company (“**Shares**”) held by shareholders of the Company (the “**Shareholders**”) as at a time and date to be determined by the Directors for the purpose of determining the Shareholders’ entitlements under the Warrants Issue (the “**Books Closure Date**”), fractional entitlements to be disregarded.

The Company has appointed Asian Corporate Advisors Pte. Ltd. (“**Manager**”) as the manager for the Warrants Issue.

2. Proposed Principal Terms of the Warrants Issue

The Company is proposing to offer the Warrants Issue to Shareholders whose registered addresses with the Company or The Central Depository (Pte) Limited (“**CDP**”), as the case may be, are in Singapore as at the Books Closure Date or who have, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents (collectively referred to as “**Entitled Shareholders**”). The Warrants Issue will be made on the basis of one (1) Warrant for every five (5) existing Shares held by Entitled Shareholders as at the Books Closure Date, fractional entitlements to be disregarded.

For practical reasons and in order to avoid any violation of the relevant legislation, if any, applicable in countries other than Singapore, the Warrants will not be offered to Shareholders with registered addresses outside Singapore as at the Books Closure Date and Shareholders who have not, at least five (5) market days prior to the Books Closure Date, provided to the Company or CDP, as the case may be, addresses in Singapore for the service of notices and documents (collectively referred to as “**Foreign Shareholders**”).

At the discretion of the Company, the entitlements to the Warrants, which would otherwise be provisionally allotted to Foreign Shareholders may, if practicable, be sold “nil-paid” on the Official List of the Main Board of the Singapore Exchange Securities

Trading Limited (“**SGX-ST**”) or dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. Any entitlements to the Warrants not taken up for any reason will be aggregated and allotted to satisfy excess applications or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit in the interests of the Company. Such sales may, however, only be effected if the Company, in its absolute discretion, determines that a premium can be obtained from such sales, after deduction of all expenses therefrom. The net proceeds will be pooled and thereafter distributed to Foreign Shareholders in proportion to their respective shareholdings or, as the case may be, the number of Shares entered against their names in the Depository Register as at the Books Closure Date and sent to them at their OWN RISK by ORDINARY POST. If the amount of net proceeds to be distributed to any single Foreign Shareholder is less than S\$10.00, the Company shall be entitled to retain or deal with such net proceeds as the Directors may, in their absolute discretion, deem fit and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP and their respective officers in connection therewith. Where such provisional allotments of Warrants are sold “nil-paid” on the Official List of the Main Board of the SGX-ST, they will be sold at such price or prices as the Company may, in its absolute discretion, decide and no Foreign Shareholder shall have any claim whatsoever against the Company, the Manager or CDP and their respective officers in respect of such sales or the proceeds thereof, such provisional allotments of Warrants or the Warrants represented by such provisional allotments.

Entitled Shareholders are at liberty to accept, decline or otherwise renounce or trade their provisional allotments of Warrants and will be eligible to apply for additional Warrants in excess of their provisional allotments under the Warrants Issue. Fractional entitlements to the Warrants will be disregarded in arriving at the Entitled Shareholders’ provisional allotments and will, together with the provisional allotments which are not taken up for any reason, be aggregated and used to satisfy excess applications (if any), or disposed of or otherwise dealt with in such manner as the Directors may, in their absolute discretion, deem fit for the benefit of the Company. In the allotment of Warrants which are not taken up for any reason or the excess Warrants, preference will be given to Shareholders for rounding of odd lots, and substantial shareholders and Directors will rank last in priority.

The Warrants will be issued in registered form and will be listed and traded on the Official List of the Main Board of the SGX-ST under the book-entry (scripless) settlement system, upon the listing of and quotation for the Warrants on the Official List of the Main Board of the SGX-ST, subject to, *inter alia*, there being an adequate spread of holdings of the Warrants to provide for an orderly market in the Warrants. Each Warrant will, subject to the terms and conditions governing the Warrants to be set out in an instrument constituting the Warrants (the “**Deed Poll**”), carry the right to subscribe for one (1) New Share at the Exercise Price of S\$0.12, at any time during the period commencing on and including the date of issue of the Warrants and expiring on a date immediately preceding the third (3rd) anniversary of such date of issue. The Exercise Price and the number of Warrants will be subject to adjustments under certain circumstances in accordance with the Deed Poll. The New Shares to be issued upon the exercise of the Warrants will, upon allotment and issue, rank *pari passu* in all respects with the then existing Shares, save that they shall not rank for any dividends, rights, allotments or other distributions that may be declared or paid, the record date for which is before the relevant date of exercise of the Warrants save as may be otherwise provided in the Deed Poll. For this purpose, “record date” means, in relation to any dividends, rights, allotments or other distributions, the date as at the close of business (or such other time as may have been notified by the Company) on which Shareholders must be registered in order to participate in such dividends, rights, allotments or other distributions.

Based on the existing issued and paid-up share capital of the Company of 347,105,250 Shares ("**Existing Issued Share Capital**"), up to 69,421,050 Warrants would be issued pursuant to the Warrants Issue. In the event that all the Warrants are exercised and converted into New Shares, the share capital of the Company would increase by up to 69,421,050 Shares, representing 20.0% of the Existing Issued Share Capital. Based on the Issue Price and Exercise Price of each Warrant, the aggregate cost of subscribing to each New Share is S\$0.15 which represents a discount of approximately 50.8% to the closing price of S\$0.305 for each Share on the Official List of the Main Board of the SGX-ST on 29 November 2007, being the last trading day of the Shares on the Official List of the Main Board of the SGX-ST prior to the date of this announcement.

The terms and conditions of the Warrants Issue are subject to such changes as the Directors, after consultation with the Manager, may deem fit. The final terms and conditions of the Warrants Issue will be contained in the offer information statement to be issued by the Company in connection with the Warrants Issue (the "**Offer Information Statement**"). The Offer Information Statement to be issued in relation to and for the purposes of the Warrants Issue and the accompanying documents will not be mailed outside Singapore.

3. Purpose of the Warrants Issue and Use of Proceeds

The purpose of the Warrants Issue is to allow the Company to raise net proceeds of up to approximately S\$1.8 million (the "**Net Proceeds**"), after deducting estimated expenses of approximately S\$0.3 million. The Company intends to utilise the Net Proceeds for the refinancing of the Group's borrowings.

As and when any significant amount of the Net Proceeds is deployed, the Company will make the necessary announcements and subsequently provide a status report on the use of such Net Proceeds in its annual report. Pending the deployment of the Net Proceeds for the use identified above, the Net Proceeds may be placed as deposits with financial institutions or invested in short-term money market or debt instruments or for any other purposes on a short-term basis as the Directors may deem fit.

As and when the Warrants are exercised, the proceeds arising therefrom may, at the discretion of the Directors, be applied towards repayment of the Group's borrowings, working capital and/or such other purposes as the Directors may deem fit.

4. Undertakings

As at the date of this announcement, Mr Ang Yu Seng, Mr Ang Yew Lai and Mr Ang Yew Chye (collectively the "**Undertaking Shareholders**") who separately and directly holds 114,373,674, 47,171,050 and 23,094,526 Shares respectively, representing approximately 32.95%, 13.59% and 6.65% of the Existing Issued Share Capital respectively, has separately given to the Company irrevocable undertakings to subscribe, *inter alia*, and pay and/or procure subscriptions and payment for, in accordance with the terms of the Warrants Issue, such other number of Warrants which may be provisionally allotted to them ("**Undertaken Warrants**") being not less than 22,874,734, 9,434,210 and 4,618,905 Warrants respectively, no later than the latest time and date for acceptance and payment for the Warrants under the Warrants Issue (the "**Closing Date**"). The Undertaking Shareholders had separately provided their undertakings to demonstrate their commitment to the Company.

In view of the above irrevocable undertakings and the savings in costs by the Company in respect of underwriting fees for a non-underwritten Warrants Issue, the Company has decided to proceed with the Warrants Issue on a non-underwritten basis.

5. Approvals for the Warrants Issue

The Warrants Issue is subject to, *inter alia*, the following:

- (a) the in-principle approval of the SGX-ST for the listing of and quotation for the Warrants and the New Shares on the Official List of the Main Board of the SGX-ST; and
- (b) the lodgement of the Offer Information Statement, together with all other accompanying documents, with the Monetary Authority of Singapore (“MAS”)

An application will be made to the SGX-ST for permission to deal in and for the listing of and quotation for the Warrants and the New Shares on the Official List of the Main Board of the SGX-ST. An appropriate announcement on the outcome of the application will be made in due course. The Offer Information Statement will be lodged with the MAS and dispatched to Entitled Shareholders in due course after in-principle approval of the SGX-ST is obtained.

The Company intends to rely on the general share issue mandate obtained from Shareholders at the annual general meeting of the Company held on 26 October 2007 for the Warrants Issue.

6. Responsibility Statement

The Directors (including any Director who may have delegated detailed supervision of the preparation of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.

By Order of the Board

Ang Yu Seng
Chief Executive Officer
Union Steel Holdings Limited
29 November 2007