UNION STEEL HOLDINGS LIMITED

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

ANNOUNCEMENT OF THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF HOCK ANN METAL SCAFFOLDING PTE LTD (THE "PROPOSED ACQUISITION")

All capitalised terms not otherwise defined in this Announcement shall bear the meanings ascribed to them in the announcement dated 26 July 2011.

Further to the announcement made on 26 July 2011 in relation to the Proposed Acquisition, the Board of Directors of the Company is pleased to announce that the Company has entered into a definitive Agreement (the "**Sale and Purchase Agreement**") on 28 September 2011 with the Vendors for the acquisition of 100% of the total issued shares of Hock Ann. Save as set out below, there has been no change to the information in relation to the Proposed Acquisition as set out in the announcement dated 26 July 2011.

1. RELATIVE FIGURES IN RULE 1006 OF THE LISTING MANUAL

Based on the unaudited financial statements of the Company for the financial year ended 30 June 2011 ("**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)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	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 the net profit before tax of Hock Ann's audited full year ended 31 December 2010 of approximately S$7,904,000 divided by the Group's unaudited net profit before tax for FY2011 of approximately S$11,537,000.

(2) Based on the maximum Aggregate Consideration (as defined below) 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 Sale and Purchase Agreement). The market capitalisation of the Company of S$39,378,109 is calculated based on 393,781,089 Shares in issue 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 and conditional upon the approval of Shareholders pursuant to Rule 1014(2).

2. FINANCIAL EFFECTS

2.1 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 the completion of the Proposed Acquisition.

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 unaudited consolidated financial statements of the Group for FY2011 and on the audited consolidated financial statements of Hock Ann for the financial year ended 31 December 2010;

(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 net tangible assets ("**NTA**") of the Group.

2.2 Share Capital

There will not be any change in the share capital of the Company as a result of the Proposed Acquisition.

2.3 NTA

Assuming that the Proposed Acquisition had been effected on 30 June 2011 (the end of FY2011), 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 the NTA 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. The book value and the NTA value of Hock Ann as at 31 December 2010 are the same figure.

2.4 EPS

Assuming that the Proposed Acquisition had been effected on 1 July 2010 (the beginning of FY2011), 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 unaudited net profit after tax for FY2011 of approximately S$10,025,000 and adding the net profit after tax of Hock Ann's audited full year ended 31 December 2010 of approximately S$6,589,000.

3. AGGREGATE CONSIDERATION

The Vendors shall sell, and the Company shall acquire, the Sale Shares in separate tranches and the consideration for the same shall be calculated based on the Target's audited consolidated Profit After Tax ("**PAT**"), as follows:

(1) Tranche 1 Consideration = 60% X the PAT for the financial year ending 31 December 2011 (based on the audited accounts as adjusted in accordance with the adjustments mentioned below ("**2011 PAT**")) X Target P/E Ratio[1], but subject to a cap of S$14.4 million;

(2) Tranche 2 Consideration = 20% X the PAT for the financial year ending 31 December 2012 (based on the audited accounts as adjusted in accordance with the adjustments mentioned below ("**2012 PAT**")) X Target P/E Ratio; and

(3) Tranche 3 Consideration = 20% X the PAT for the financial year ending 31 December 2013 (based on the audited accounts as adjusted in accordance with the adjustments mentioned below ("**2013 PAT**")) X Target P/E Ratio,

(collectively, the "**Aggregate Consideration**").

The maximum amount of Aggregate Consideration payable by the Company shall be subject to an overall cap of S$24.0 million.

The Company shall pay to the Vendors:

(i) the Tranche 1 Consideration on the completion of the sale of the Tranche 1 Shares pursuant to the terms of the Sale and Purchase Agreement;

(ii) 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

[1] The Target P/E Ratio is 4 times.

(iii) 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).

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 Hock Ann or its subsidiary Hock Ann Marine Scaffolding Pte. Ltd. (the "**Target Companies**" and each, a "**Target Company**")) to align with the Company's accounting policies; and

(iv) (to the extent this adversely impacts the PAT of the Target Companies) 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 Company and the Vendors agree that no separate consent from the other Vendors is required for such transactions).

The Aggregate Consideration was arrived at on a willing seller-willing buyer basis after arm's length negotiations with the Vendors. The cost of the Proposed Acquisition will be financed through internal proceeds and bank borrowings.

4. OTHER PRINCIPAL TERMS

Each of the Vendors (and the Vendors will procure and ensure that their affiliates and any extended family member of the Vendors) shall not, for its own account or for that of any person, firm or company (other than the Company or the Target Companies) or in any other manner, for a period from the completion of the sale of the Tranche 1 Shares until 30 June 2015 (or such shorter period of time recognised by applicable law as being binding on the Vendors) (the "**Restricted Period**"):

(1) directly or indirectly carry on, be engaged in or be economically interested in any Restricted Territory[2] 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

[2] "**Restricted Territories**" means 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.

within two (2) years prior to the completion of the sale of the Tranche 1 Shares been a regular customer of any Target Company in relation to the business of the Target Companies; or

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

5. CONDITIONS PRECEDENT

The closing of the Proposed Acquisition shall be conditional upon:

(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 Sales and Purchase Agreement;

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

(3) Where the terms of any Material Contract[4] 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 Sale and Purchase Agreement, 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 Sale and Purchase Agreement 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[5], 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.

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[3] "**Restricted Employee**" means any employee of the Target Companies who is immediately prior to the completion of the sale of the Tranche 1 Shares employed in the Target Companies who has access to confidential information of the Target Companies.

[4] "**Material Contracts**" means any contract agreement or arrangement which: (i) is a lease, tenancy or licence entered into by any Target Company in relation to any of the Properties (as defined in the Sale and Purchase Agreement); or (ii) 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 (iii) is not on commercial arm's length terms as at the date on which it is entered into; or (iv) has a consideration or annual value of in excess of S$100,000; or (v) 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 (vi) if terminated or not fulfilled substantially in accordance with its terms, would cause considerable or operational difficulties to any Target Company; or (vii) 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.

[5] "**Office Property**" means 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.

6. GENERAL INFORMATION

6.1 Interest of the Vendors

As at the date of this Announcement, 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.

6.2 Interest of the Directors and Controlling Shareholders

None of the directors, and to the best of the directors' knowledge, there are no controlling shareholders of the Company who have an interest, direct or indirect, in the Proposed Acquisition.

6.3 Director's Service Contracts

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

6.4 Target Completion Date

The Parties agree to work towards the completion of the Proposed Acquisition by 1 March 2012.

6.5 Circular

A circular containing further details of the Proposed Acquisition and enclosing the notice of Extraordinary General Meeting to be convened in connection therewith will be despatched by the Company to Shareholders in due course.

6.6 Documents for Inspection

A copy of the Sale and Purchase Agreement will be made 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 Announcement.

By Order of the Board

Ang Yu Seng
Chairman and Chief Executive Officer
Union Steel Holdings Limited
28 September 2011