

OUR CERTIFICATIONS & ACCOLADES

2001 YLS Steel and Union Steel obtained ISO9002:1994 status.

2003 YLS Steel and Union Steel obtained ISO9001: 2000 status.

Union Steel was presented the "Enterprise 50 Award" organised by Accenture and The Business Times and sponsored by the Economic Development Board of Singapore.

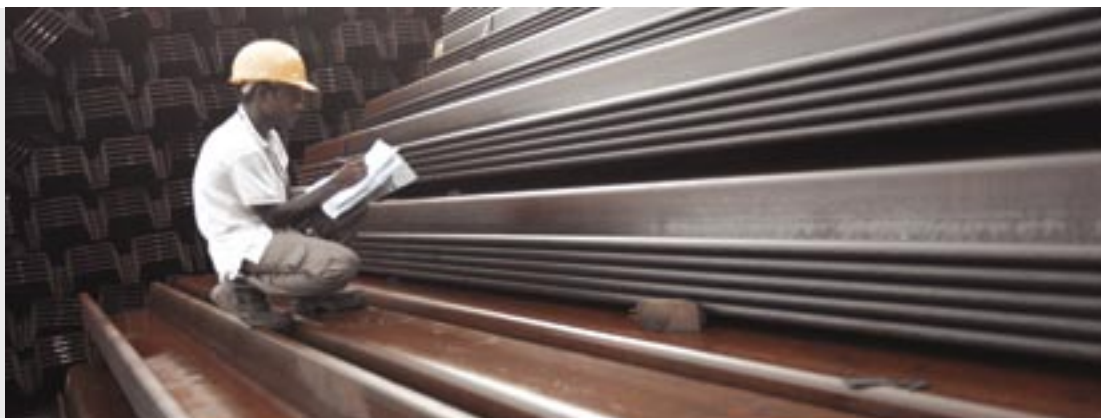
2004 Union Steel was ranked one of the top small and medium enterprises by DP Information Network Pte Ltd in the annual Singapore 500 Small Medium Enterprises awards.

Union Steel was presented with the "Fastest Growing 50 Certification" by DP Information Network Pte Ltd.

Union Steel and YLS Steel were each presented the "Enterprise 50 Award" organised by Accenture and The Business Times and sponsored by the Economic Development Board of Singapore.

2005 Union Steel obtained ISO:14001 status.

CORPORATE PROFILE



Founded in 1984, Union Steel Holdings Limited ("Union Steel") provides a one-stop supply centre for recycled metals. The Group is principally engaged in the recycling of ferrous and non-ferrous scrap metals, the trading of steel products and the provision of other services, comprising waste collection and management, demolition works, rental of steel plates and car scrapping. Union Steel's Directors believe that the Company and its subsidiaries (the "Group"), collectively, is currently one of the largest metals recycling companies in Singapore in terms of volume of metals recycled.

The Group is a recipient of several awards, including the "Enterprise 50 Award" in 2003 and 2004 and the "Fastest Growing 50 Certification" in 2004. A subsidiary of the Group, Union Steel Pte. Ltd., was also ranked one of the top small and medium enterprises in the annual Singapore 500 Small Medium Enterprises awards in 2004.

The Group serves a wide customer base of over 500 customers, spanning across countries such as the PRC, India, Indonesia, Japan, Malaysia and Singapore. The Group intends to seek expansion opportunities within both its existing and potential markets via possible acquisitions and joint ventures in the PRC and Indonesia.

Union Steel was listed on the SGX-ST Mainboard on 15 August 2005.

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FINANCIAL HIGHLIGHTS

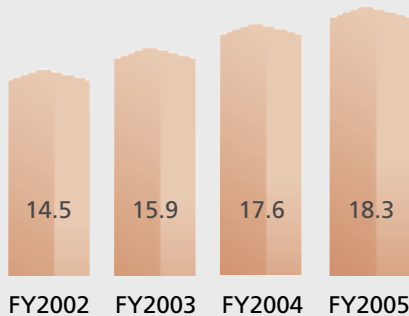
GROUP NTA
Net Tangible Assets (cents)



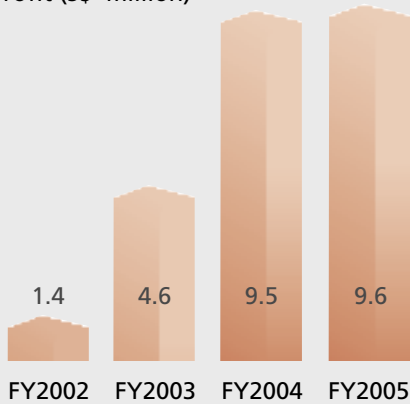
GROUP EPS
Earnings per share (cents)



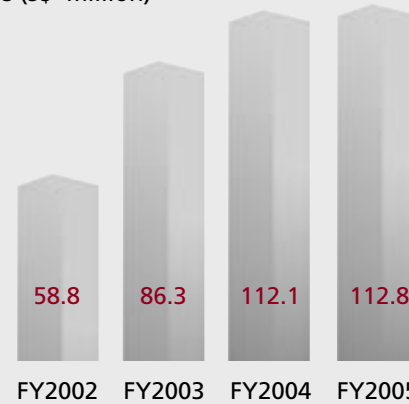
GROUP GROSS MARGIN
Gross Margin (%)



GROUP PAT
Net Profit (\$\$ 'million)



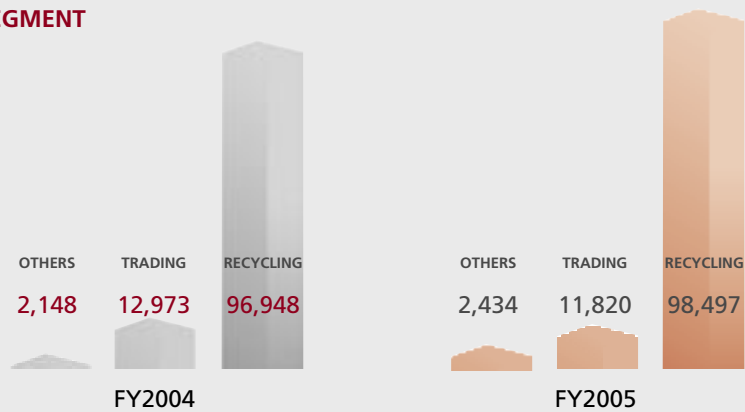
GROUP TURNOVER
Revenue (\$\$ 'million)



FINANCIAL HIGHLIGHTS (cont'd)

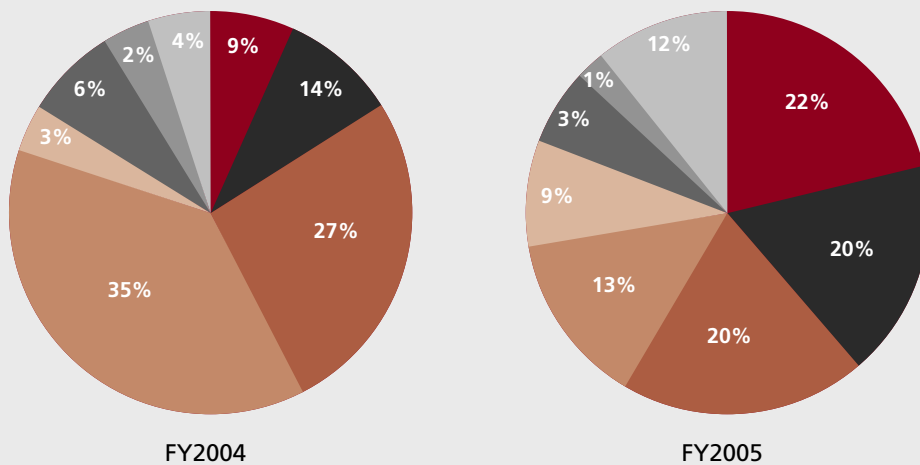
GROUP REVENUE BY SEGMENT

S\$' million



REVENUE BY MARKETS

Sales By Geographical Region (%)



	FY2004	FY2005
Indonesia	9%	22%
India	14%	20%
Singapore	27%	20%
PRC	35%	13%
Bangladesh	3%	9%
Japan	6%	3%
Malaysia	2%	1%
Others	4%	12%

FROM SCRAP TO SUCCESS...



CEO'S MESSAGE

The year of 2005 has been one of great excitement and success for us. It marks the Group's coming of age since it was founded 21 years ago in 1984. On Aug 15, 2005, we became one of the largest metal recyclers to be listed on the Mainboard of the Singapore Exchange (SGX). The listing was the culmination of a series of awards in recognition of the Group's significant achievements over the years.

Our initial public offering on the SGX marks a momentous milestone in our history. We take pride in our steadfast growth and evolution from a scrap dealer set up in 1984, to one of the largest metal recycling companies (in terms of volume of metals recycled) in Singapore today. However, our journey does not end with this success. In fact, it signifies another fresh chapter in our ongoing pursuit of leadership and excellence in markets where we are present.

Our IPO launch had been a resounding success, with our total invitation shares being more than five times subscribed – this is one of the highest IPO subscription rates for this year to date despite the soft market conditions. For that, I have you, our valued shareholder, to thank.

I am therefore extremely delighted to welcome all new shareholders into our company, as we embark on the next phase of our growth as a cutting edge, integrated, one-stop centre for metal recycling. It is also my great pleasure to report a profitable year – for our maiden set of results as a listed company.

FINANCIAL PERFORMANCE

We are pleased to announce our full year performance had exceeded our earlier expectations. In our IPO prospectus dated Aug 2, 2005 (the "Prospectus"), we had forecast lower Group profitability in FY2005 compared to FY2004, but instead we have succeeded in improving our performance. Our full-year net profit rose to approximately S\$9.6 million for FY2005, up about 1% from the previous financial year, and turnover grew to approximately S\$112.8 million, up about 0.6% from the previous financial year. Gross margin for the current financial year at 18.3% was also better than 17.6% achieved in the previous year.

Our improved performance was in spite of higher international fuel prices, which increased the Group's operating costs. The better performance also reflects the Group's success in sharpening our production and operational efficiencies to deliver positive value to shareholders.

In terms of segmental contributions, our recycling business continues to account for the bulk of the overall revenue and profit. Recycling contributed about 87% of Group revenue and about 75% of Group operating profit before interest and tax.

Exports remained robust. Overseas markets continued to be the biggest contributor to Group sales, accounting for about 80% of total revenue. The Group achieved robust revenue growth in emerging markets such as Indonesia, India and Bangladesh. Sales to Indonesia more than doubled while sales to India contributed 20% to overall turnover from just 14% in FY04. Sales to Bangladesh accounted for 9% of total revenue – up from just 3% in FY04.



OUTLOOK AND FORWARD STRATEGY

Our outlook for 2006 is positive, and we have a number of growth plans in the pipeline.

The demand for resources - especially metals is likely to increase globally. Indeed, the International Iron and Steel Institute reported that world crude steel production, for the 61 countries reporting to it, had risen by 6.1%. This is based on August 2005 figures as compared with the same month in the previous year.

The practice of recycling and reusing metals has been around for a long time, and we believe will continue to be so. Not only is our business profitable, we are also contributing to the environment by conserving precious resources that would otherwise go to waste.

The world is constantly in need of resources to drive growth. Metal, both ferrous and non-ferrous, would be a valuable resource. As we have seen in countries like India, Indonesia and Bangladesh, we feel that the growth potential for metals in Asia is generally robust.

We believe that the PRC will continue to be a major consumer of steel and other metals in line with its economic expansion and infrastructure expansion plans such as the Three Gorges project at the Yangtze River and projects relating to the Beijing Olympics in 2008 and the Shanghai Exposition in 2010.

A Shenzhen Daily report on 27 September 2005 has quoted a senior industry official saying that poor margins for steel exporters have made it probable that China will remain a net importer of steel products this year. The report added that China imported a net 2.2 million tons of steel products in the first seven months of 2005.

With the PRC being one of our key markets, we are in a position to take advantage of the expected rise in steel demand from China.

The Ministry of Industry of Vietnam has also forecasted a national consumption of 7.5 million tonnes of finished steel next year, an increase of 15 per cent from last year. This is due to the large number of industrial and building projects slated for 2006, and is a possible target for our market expansion.

To meet the potential increase in demand, we plan to seek new sources of scrap metals, particularly non-ferrous metals, from countries in the Middle East and Asia. Our ability to secure larger amounts of scrap metals will potentially allow us to fulfill larger quantity orders for recycled metals. We will also increase our product range to enhance profitability and to provide additional income streams.



We also intend to diversify into metal-related businesses. We have signed a non-binding Memorandum of Understanding with a Chinese partner to explore the possibility of establishing in the PRC, manufacturing operations for stainless steel products. We believe this will allow us to take advantage of lower production costs and reduce the lead time required for us to reach our customers in China.

In addition, we believe that India and Indonesia may undergo further infrastructure development in the future. Any growth in the manufacturing sectors, increased construction of highways and expressways and housing in these countries could also result in a rise in steel consumption.

We have also signed non-binding MOUs with various partners in Indonesia, including one where we are exploring the possibility to purchase certain assets used for aluminium extrusion.

For FY06, while we are bracing ourselves for increases to operating and distribution costs such as fuel, gas and diesel expenses, and the expected volatility in demand and prices for scrap metals and steel products, we will continue to take advantage of new opportunities in the region to enhance our value to you, our shareholders.

Barring any unforeseen circumstances, we are confident that Union Steel will continue to be profitable for the next financial year.

DIVIDENDS

In view of the Group's improved performance and objective of rewarding our shareholders for their support, the Board of Directors is pleased to recommend a maiden dividend of S\$0.012 per ordinary share. This amounts to approximately S\$4.2 million, which is about 43% of the Group's net profit after tax. This is also higher than the 30% as originally targeted in our Prospectus.

Providing good returns and enhancing shareholder value is of utmost importance to the Group. To demonstrate our commitment to shareholders, we have, declared good dividends – giving our shareholders a yield of above 5%. This is one of the highest dividend yields offered by listed companies this year.

NOTE OF THANKS/APPRECIATION

On behalf of the Board of Directors, I would like to express my appreciation to the management and staff for their dedication and diligence throughout the year. We are also grateful to our customers, business partners and suppliers for their unwavering support for the Group. We look forward to your continued support as we forge ahead to become the leading brandname in metal recycling in Singapore and the region.

BOARD OF DIRECTORS

Mr Ang Yu Seng is the Executive Chairman / CEO and co-founder of our Group. He was appointed to the Board of Directors as an Executive Director on 12 August 2004. With over 25 years of experience in the scrap metal recycling business, Mr Ang heads the overall management and operations of our Group and is also responsible for charting and reviewing our corporate directions and strategies. Before the establishment of YLS Steel in 1984, Mr Ang was a co-owner of Yew Lee Seng Hardware Company, which was in the business of collecting and recycling scrap metals.

Mr Ang Yew Lai was appointed to the Board of Directors as an Executive Director of our Group on 12 August 2004. With over 20 years of experience in the business of recycling scrap metals, Mr Ang is an important member of our Group, and has been instrumental to our growth. Mr Ang currently oversees the operations and development of our Group's consumer markets in Asia and Europe, including Singapore. Mr Ang also oversees the purchase, sale and marketing of our Group's non-ferrous recycled metals and steel products.

Mr Ang Yew Chye was appointed to the Board of Directors as an Executive Director on 12 August 2004 and is also a co-founder of our Group. With over 25 years in the scrap metal recycling business, Mr Ang oversees our Group's demolition works, and is also responsible for our Group's waste collection and management services, rental of steel plates and scrap metals operations.



BOARD OF DIRECTORS cont'd

Mr Chan Kok Poh was appointed to the Board of Directors as a Non-Executive Director of our Company on 28 June 2005. Mr Chan is a member of the Singapore Institute of Directors and a certified public accountant with the Institute of Certified Public Accountants of Singapore. Mr Chan is the founder of Chan Kok Poh & Company, an audit firm providing auditing, taxation, accounting, corporate secretarial and consultancy services.

Mr Chang Yeh Hong was appointed to the Board of Directors as an Independent Director of our Company on 28 June 2005. Mr Chang has over 18 years of experience in the banking sector, having held local, regional and global positions with Standard Chartered Bank and Citibank. He is currently the managing director of Nordic Corporation Pte. Ltd. and its related group of companies, and is also the independent director and chairman of both the audit committee and the remuneration committee of Jackspeed Corporation Limited.

Mr Siau Kai Bing was appointed to the Board of Directors as an Independent Director of our Company on 28 June 2005. Mr Siau is a fellow certified public accountant with the Institute of Certified Public Accountants of Singapore, and is currently the Chief Financial Officer and company secretary of Powermatic Data Systems Limited. Mr Siau is currently also an independent director and chairman of the audit committee and nominating committee of Advanced Holdings Limited.



KEY MANAGEMENT

Mr Tan Leong Chye, Jack is our Chief Operating Officer. Having joined us in 1997, Mr Tan is responsible for our Group's car scrapping business. He also supervises our day-to-day operations and ensures the smooth running of the logistics, warehousing and sales aspects of our Group. Mr Tan is also the management representative and internal auditor for our ISO9001:2000 accreditation.

Mr Lim Chen Wei, Jonathan is our Group Financial Controller in charge of the finance functions of our Group. Mr Lim was previously the finance manager of Digiland International Limited where he has experience in consolidated financial statements, operating performance and credit risk assessment. Mr Lim is a certified public accountant with the Institute of Certified Public Accountants of Singapore and a certified internal auditor of the Institute of Internal Auditors.

Ms Qiu Hong is the Sales and Marketing Manager of our Group. She is responsible for the trading of non-ferrous scrap metals and steel products. Prior to joining our Group, Ms Qiu was an assistant engineer in Dongfang Steam Turbine Works, Sichuan, PRC, and later, a ring dealer in the Shanghai representative office of the Agricultural Bank of China.



KEY MANAGEMENT cont'd

Ms Serene Soh Lay Beng is our Sales and Marketing Manager and is responsible for the sales and marketing of our steel products. Prior to joining our Group, Ms Soh was an operations and administrative supervisor in Legend Building Supplies (Pte) Ltd. where she was in charge of coordinating the company's sale and purchase orders, book-keeping, payment collection and issuing monthly reports on the company's stock, contracts and receivables.

Ms Zhang Yu is the Sales Manager of our Group and is responsible for the sale and trading of ferrous scrap metals and steel products. Ms Zhang is responsible for sourcing for more sales opportunities and maintaining the Group's existing clientele for ferrous scrap metals and steel products.

Ms Wang Fang is the Project Manager responsible for our Group's demolitions businesses. Ms Wang is in charge of preparing the cost estimates and plans, and administers the contracts for all levels and types of demolitions work. Ms Wang has over 12 years' experience as a quantity surveyor.



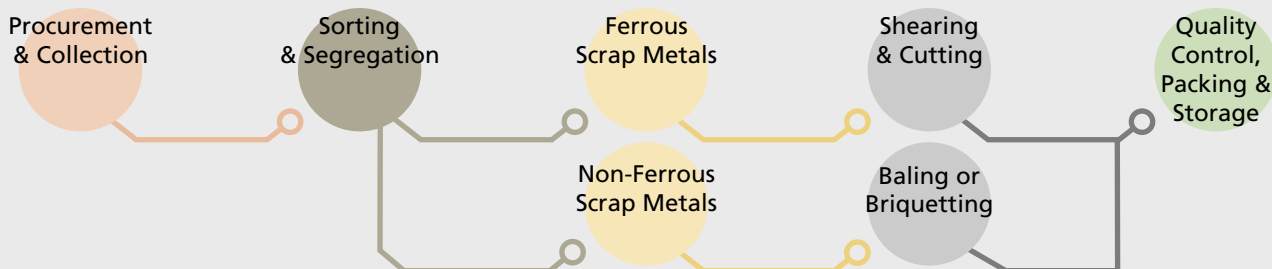
REVIEW OF OPERATIONS



Our core businesses comprise of the recycling of ferrous and non-ferrous metals, the trading of steel products, and the provision of other services. Our emphasis has always been on a vertically-integrated business model that offers our customers with a one-stop supply service for their recycled metal needs.

REVIEW OF OPERATIONS cont'd

Our recycling process involves a number of key processes:

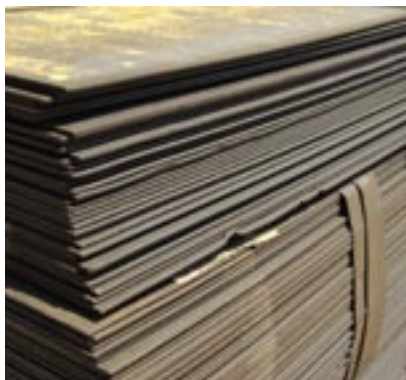


RECYCLING

We offer a fully-integrated recycling service, ranging from the collection of scrap metals, the segregation and recycling of scrap metals, to the packing and delivery of recycled metals to our customers.

Recycling remains the biggest contributor to our Group's income, which at approximately S\$98.5 million, makes up about 87% of Group turnover. It grew 1.6% compared to the previous financial year.

We are constantly focused on employing cost effective methods of processing scrap metals. Having recently acquired a shearing machine with a shearing force of 1000 tonnes, the Group now has two of such machines, which are used in the processing of ferrous scrap metals. We will continue to invest in machinery and equipment to enhance the cost-effectiveness of our operations and to maximise economies of scale.



STEEL TRADING

We mainly trade in steel products such as steel plates, reinforcement steel bars, H-beams, I-beams, pipes and sheet piles, which are largely used in construction activities.

Revenue from this segment amounted to approximately S\$11.8 million, a decline of 8.9% due to challenging market conditions. Notwithstanding this, it accounted for just 10% of Group revenue.

OTHER SERVICES

Our other businesses include waste collection and management, demolition works, rental of steel plates and car scrapping services.

While the revenue of approximately S\$2.4 million accounted for just about 2% of total Group turnover, these businesses also provide us with opportunities to collect, at a competitive cost, both ferrous and non-ferrous metals.

The above services complete our integrated business model where we ensure a stable and constant supply of scrap metals for our recycling operations.

REVIEW OF OPERATIONS cont'd

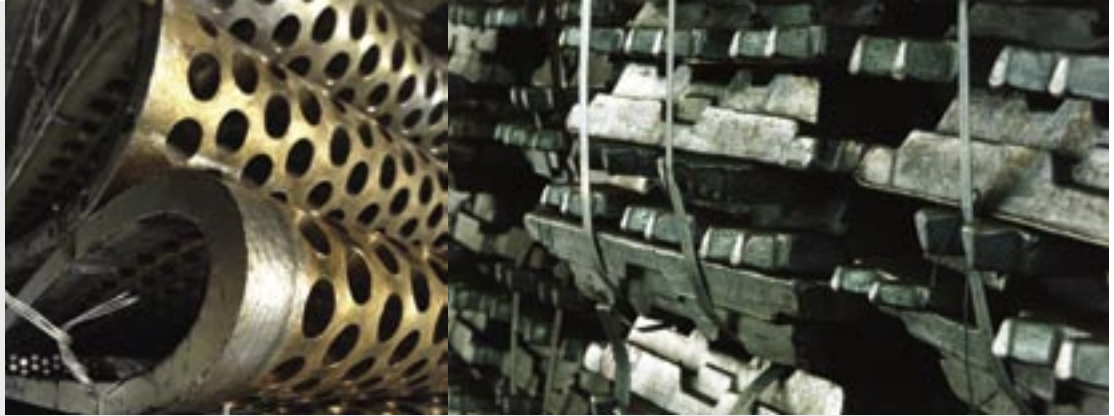


OUR FACILITIES INCLUDE:

Location	Approximate Land Area (sq m)	Principal Activities
4 Pioneer Sector 1 Singapore 628416*	11,270	Warehouse for storage of steel products
14 Defu Lane 11 Singapore 539170	4,750	Yard for storage of ferrous scrap metals and non-ferrous scrap metals
14 Gul Road Singapore 629344	21,089	Yard for steel products and processing of ferrous scrap metals
33 Pioneer Road North Singapore 628474	7,739	Office premises, factory and warehouse for processing and storage of non-ferrous scrap metals

* Partially sub-leased to third parties.

GEOGRAPHICAL SEGMENTATION



OUR GLOBAL NETWORK/MARKETS

We have a customer base of over 500 customers across more than 20 countries, including the PRC, India, Indonesia, Bangladesh, Japan, Malaysia and Singapore.

India, Indonesia and Bangladesh are emerging as potential growth markets for our businesses. Together, these three countries accounted for about 51% of Group revenue for the current financial year, as compared to just 26% in the previous year.

We have an extensive network of customers across Asia.



CORPORATE INFORMATION



BOARD OF DIRECTORS

Ang Yu Seng
Executive Chairman / CEO

Ang Yew Lai
Executive Director

Ang Yew Chye
Executive Director

Chan Kok Poh
Non-Executive Director

Chang Yeh Hong
Independent Director

Siau Kai Bing
Independent Director

AUDIT COMMITTEE

Chang Yeh Hong
(Chairman)

Siau Kai Bing

Chan Kok Poh

NOMINATING COMMITTEE

Siau Kai Bing
(Chairman)

Ang Yu Seng

Chang Yeh Hong

REMUNERATION COMMITTEE

Chang Yeh Hong
(Chairman)

Ang Yu Seng

Siau Kai Bing

COMPANY SECRETARY

Helen Thomas

REGISTERED OFFICE

33 Pioneer Road North
Singapore 628474

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

AUDITORS

LTC & Associates
Certified Public Accountants
1 Raffles Place #20-02
OUB Centre
Singapore 048616

AUDIT PARTNER-IN-CHARGE

Wong Pooi Khim
Date of Appointment:
12 August 2004

INVESTOR RELATIONS

Stratagem Consultants Pte Ltd
10 Anson Road
#22-08A International Plaza
Singapore 079903
Tel: (65) 6227 0502
Fax: (65) 6227 5663

Corporate Governance Statement

30 June 2005

The Company was admitted to the official list of the Singapore Exchange Securities Trading Limited ("SGX-ST") and was listed on August 15, 2005. The Board of Directors ("the Board") of Union Steel Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), is committed to high standards of corporate governance and has adopted the corporate governance practices contained in the Code of Corporate Governance ("Code") so as to ensure greater transparency and protection of shareholders' interests. This statement outlines the Company's corporate governance processes and activities. Save for any exceptions that are highlighted and fully explained in this Statement, the Company believes that it has complied with the Code.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board's primary role is to protect and enhance long-term shareholder value. It sets the overall strategy for the Group and oversees the overall management of the Group.

As at the date of this report, the Board comprises six directors, two of whom are independent directors and a non-executive director. The Directors of the Company as at the date of this statement are:-

Executive Directors

Mr Ang Yu Seng	(Executive Chairman/CEO)
Mr Ang Yew Lai	(Executive Director)
Mr Ang Yew Chye	(Executive Director)

Non-Executive and Independent Directors

Mr Chan Kok Poh	(Non-Executive Director)
Mr Chang Yeh Hong	(Independent Director)
Mr Siau Kai Bing	(Independent Director)

The Board examines its size to satisfy that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company's operations.

The Board is entrusted with the responsibility of the overall management of the Company. The principal functions of the Board are:

- Approving policies, strategies and financial objectives of the Company and monitoring the performance of Management;
- Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- Approving nominations of board directors, committee members and key personnel;
- Approving annual budgets, funding requirements, expansion programme, capital investment, major acquisitions and divestments proposals.

The Company has adopted internal guidelines setting forth matters, such as transactions relating to investment, financing, legal and corporate secretarial which require the Board's approval. The Board will review the guidelines on a periodical basis to ensure their relevance to the operations of the Company. Board members are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as directors. The Company works closely with professionals to provide its directors with changes to relevant laws, regulations and accounting standards.

The full Board meets on a regular basis and as when necessary to address any specific significant matters that may arise. Since our listing on August 15, 2005, we have so far conducted one Board meeting, one Nominating Committee meeting, one Remuneration Committee meeting and one Audit Committee meeting and there was full attendance by the Directors at the various meetings.

BOARD MATTERS (cont'd)

	Board Committee		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Ang Yu Seng	1	1	–	–	1	1	1	1
Ang Yew Lai	1	1	–	–	–	–	–	–
Ang Yew Chye	1	1	–	–	–	–	–	–
Chan Kok Poh	1	1	1	1	–	–	–	–
Chang Yeh Hong	1	1	1	1	1	1	1	1
Siau Kai Bing	1	1	1	1	1	1	1	1

Principle 2: Board Composition and Balance

The Company endeavours to maintain a strong and independent element on the Board. The independent directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. The Nominating Committee ("NC") has reviewed and determined that the said directors are independent. The independence of each director is reviewed annually by the NC.

The Board is of the opinion that its current size of six board members is appropriate, taking into account the nature and scope of the Company's operations. Together, the board members possess a balanced field of core competencies to lead the Company. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

Principle 3: Roles of Chairman and Chief Executive Officer

The Company has the same Chairman and CEO, Mr Ang Yu Seng and he is an Executive Director.

The board believes that there is adequate representation of independent and non-executive directors to ensure that there is a good balance of power and authority. As such, there is no need for the role of the chairman and CEO to be separated. The Board will however review this matter periodically if the situation warrants.

The Executive Chairman and CEO bear responsibility for the strategic direction of the Group, and also bear responsibility for the working of the Board. The Executive Chairman and CEO ensure that the board meetings are held when necessary and set the board meeting agenda in consultation with the directors. The Executive Chairman and CEO review the board papers, prior to presenting them to the Board. The Executive Chairman and CEO ensure that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully appraised of the affairs of the Group. Board papers incorporating sufficient information from management are forwarded to the Board Members in advance of a Board Meeting to enable each member to be adequately prepared.

Principle 4: Board Membership

The following persons are the members of the NC as at the date of this report:-

Chairman: Mr Siau Kai Bing (Independent Director)
 Members: Mr Ang Yu Seng (Executive Chairman/CEO)
 Mr Chang Yeh Hong (Independent Director)

BOARD MATTERS (cont'd)

Principle 4: Board Membership

The primary function of the NC is to determine the criteria for identifying candidates and reviewing nominations for the appointment of directors to the Board and also to decide how the Board's performance may be evaluated and to propose objective performance criteria for the Board's approval. Its duties and functions are outlined as follows:-

- a. to make recommendations to the Board on all board appointments and re-nomination having regard to the director's contribution and performance;
- b. to ensure that all directors would be required to submit themselves for re-nomination and re-election at regular intervals and at least once in every three years;
- c. to determine annually whether a director is independent, guided by the independent guidelines contained in the Code;
- d. to decide whether a director is able to and has adequately carried out his duties as a director of the company in particular where the director concerned has multiple board representations.

Principle 5: Board Performance

The NC uses its best efforts to ensure that the directors appointed to the Board possess the relevant background, experience and knowledge. The directors bring to the Board their related experiences and knowledge and also provide guidance in the various Board Committee as well as to the Management of the Group.

The NC will review and evaluate the performance of the Board as a whole, taking into consideration the attendance record at the meetings of the Board and the Board Committee and also the contribution of each director to the effectiveness of the Board.

Principle 6: Access to Information

The Board has separate and independent access to the management and the company secretary of the Company at all times. Requests for information from the Board are dealt with promptly by the management. The Board is informed of all material events and transactions as and when they occur. The management provides the Board with half yearly reports of the Company's performance. The management also consults with Board members regularly whenever necessary and appropriate. The Board is issued with board papers timely and prior to Board meetings.

The company secretary attends all board meetings. The company secretary administers, attends and prepares minutes of Board meetings, and assists the Executive Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively and the Company's Memorandum and Articles of Association and the relevant rules and regulations applicable to the Company are complied with. The Board in fulfilling its responsibilities, can as a group or individually, when deemed fit, direct the Company to appoint professional adviser to render professional advice.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The Remuneration Committee ("RC") has three members, a majority of whom are directors who are independent of management and free from any business or other relationships, which may materially interfere with the exercise of their independent judgement. The Remuneration Committee is chaired by an independent director, with access to expert advice inside and/or outside the company. As at the date of this Report, the RC members are:

Chairman:	Mr Chang Yeh Hong	(Independent Director)
Members:	Mr Ang Yu Seng	(CEO/Executive Chairman)
	Mr Siau Kai Bing	(Independent Director)

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual directors. The overriding principle is that no director should be involved in deciding his own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration.

REMUNERATION MATTERS (cont'd)**Principle 7: Procedures for Developing Remuneration Policies (cont'd)**

The duties of the RC are as follow:

- To review and recommend to the Board in consultation with senior management a framework of remuneration for executive directors, chief executive officer ("CEO") and senior management staff;
- To review the remuneration packages of all managerial staff that are related to any of the executive directors or CEO; and
- To recommend to the Board in consultation with senior management and the Chairman of the Board, the Executive's and Employees' Share Option Schemes or any long-term incentive scheme when applicable.

Principle 8: Level and Mix of Remuneration

The remuneration of the Executive Directors is based on service agreements.

The independent directors are paid a director's fee for their efforts and time spent, responsibilities and contribution to the Board, subject to approval by shareholders at the Annual General Meeting.

Principle 9: Disclosure on Remuneration

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2005 to each individual director of the Company is as follows:

Remuneration Band and Name of Director	Base/fixed salary (%)	Variable or performance-related income/bonuses (%)	Director's fee (%)	Other Benefits (%)
Above S\$250,000				
Executive Directors				
Ang Yu Seng (CEO)	92.3	7.7	-	-
Ang Yew Lai	92.3	7.7	-	-
Ang Yew Chye	92.3	7.7	-	-
Below S\$250,000				
Non-executive Director				
Chan Kok Poh	-	-	-	-
Independent Directors				
Chang Yeh Hong	-	-	-	-
Siau Kai Bing	-	-	-	-

Two employees of our group, Mdm Ang Siew Chin and Ang Lay Eng, are sisters of our Executive Directors, Messrs Ang Yu Seng, Ang Yew Lai and Ang Yew Chye. The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

The Company does not have any employee who is an immediate family member of a Director or a CEO whose remuneration in the financial year ended 30 June 2005 exceeded \$150,000.

Key Executives

The gross remuneration received by each of the top 6 executives (excluding Directors) are as follows:

Range	Number of Executives
Below \$250,000	6

The Company has in place a long-term incentive scheme under the Union Steel Holdings Employee Share Option Scheme ("the Scheme") administered by the RC. The Scheme was adopted by the Company on 28 June 2005. There were no options granted during the financial year to any person to take up unissued shares in the Company or any corporation of the group.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual.

For the financial performance reporting via the SGXNET announcement to SGX-ST and the Annual Report to the shareholders, the Board has a responsibility to present a fair assessment of the Group's financial position including the prospects of the Group.

The Board ensures that the Management maintains a sound system of internal control to safeguard the shareholders' investment and the Group's assets.

Principle 11: Audit Committee

The Audit Committee ("AC") comprises three directors, two of whom are independent directors and a non-executive director. At the date of this report, the Audit Committee comprises the following members:

Chairman:	Mr Chang Yeh Hong	(Independent Director)
Members:	Mr Siau Kai Bing	(Independent Director)
	Mr Chan Kok Poh	(Non-Executive Director)

The AC is established to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal control. The Board is of the opinion that the members of the AC possess the necessary qualifications and experience in discharging their duties. The details of the Board member's qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The terms of reference of the AC are :

- a) To review the audit plan, system of internal accounting controls and the audit report in conjunction with both the internal and external auditors;
- b) To review the assistance given by the Company's officers to both the internal and external auditors;
- c) To review the independence and objectivity of the external auditors annually;
- d) To nominate external auditors for re-appointment;
- e) To review the financial statements of the Company including half-year and full-year results and the respective announcements before submission to the Board of Directors;
- f) To give due consideration to the requirements of Stock Exchange Listing Rules;
- g) To review interested person transactions.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any director or executive director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly. The AC has conducted an annual review of the volume of non-audit services to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the auditors before recommending their re-nomination to the Board.

The AC has recommended to the Board the re-appointment LTC & Associates as the Company's external auditors at the forthcoming Annual General Meeting.

Principle 12: Internal Controls

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Company's management provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice and the identification and management of business risks.

The Board notes that no system of internal control can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

ACCOUNTABILITY AND AUDIT (cont'd)

Principle 13: Internal Audit

An Internal Audit team from an independent external accounting firm will be engaged to review and implement appropriate internal accounting controls. They will oversee and carry out the function of internal audits, including the running time of a robust and timely process of identifying business risks, controls over cash flows and preparing timely reports and communications to the various committees, such as audit matters to the AC and administrative and operational matters to the Board.

As part of the procedures to ensure adequacy of the internal audit function, the AC reviews the Internal Auditor's activities and processes at least once a year.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Communication with Shareholders

Principle 15: Greater Shareholder Participation

We believe in regular and timely communication with shareholders as part of our organization's development to build systems and procedures that will enable us to operate globally. In line with continuous obligations of the Company pursuant to the Singapore Exchange's Listing Rules, the Board's policy is that all shareholders should be equally informed of all major developments impacting the Group.

Information is disseminated to shareholders on a timely basis through:-

- (a) SGXNET announcements and new release
- (b) Annual Report prepared and issued to all shareholders
- (c) Press releases on major developments of the Group
- (d) Notices of and explanatory memoranda for Annual General Meeting, ("AGM") and Extraordinary General Meeting ("EGM") and
- (e) Company website at "www.unionsteel.com.sg" at which shareholders can assess information on the Group

At AGMs, shareholders are given the opportunity to voice their views and ask directors or management questions regarding the Company. The Chairman of the Audit, Remuneration and Nominating Committees will be normally present at future annual general meetings to answer any questions relating to the work of these committees. The external auditors shall also be present to assist the directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend AGM/EGM to ensure high level of accountability and to stay apprised of the Group's strategies and goals. Notice of the meeting will be advertised in newspapers and announced on SGXNET.

RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

DEALING IN SECURITIES

The Group has adopted a policy on dealing in securities that is in accordance with Best Practices Guide. The Group has procedures in place prohibiting dealings in the Company's shares by its officers while in possession of price sensitive information and during the period commencing one month prior to the announcement of the Company's half year and full year results. Directors and executives are also expected to observe insider trading laws at all times even when dealing in securities within permitted trading period.

MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of the chief executive officer, each director or controlling shareholder.

INTERESTED PERSON TRANSACTIONS

(Listing Manual Rules 907 and 1207(16))

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis.

The Company will seek a general mandate from its shareholders if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920).	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000).
nil	nil	nil

Three of our Executive Directors, Ang Yu Seng, Ang Yew Lai and Ang Yew Chye, have pledged certain properties and fixed deposits owned by them and provided joint and several guarantees for the group's banking facilities as detailed in page 39 and 40 of the Notes to the Financial Statements of this annual report.

BEST PRACTICES GUIDE

The Company has complied materially with the Best Practices Guide issued by SGX-ST.

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Report of the Directors

For the Financial Year Ended 30 June 2005

The directors present their report to the members together with the audited financial statements of the company and of the group for the financial year ended 30 June 2005.

The company was incorporated in the Republic of Singapore under the name of Union Steel Holdings Pte. Ltd. on 12 August 2004 as a private limited company. On 29 June 2005, it changed its name to Union Steel Holdings Limited in connection with the company's conversion to a public company limited by shares and was admitted to the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 15 August 2005.

1. DIRECTORS

The directors of the company in office at the date of this report are: -

Ang Yu Seng	(appointed on 12 August 2004)
Ang Yew Lai	(appointed on 12 August 2004)
Ang Yew Chye	(appointed on 12 August 2004)
Chan Kok Poh	(appointed on 28 June 2005)
Chang Yeh Hong	(appointed on 28 June 2005)
Siau Kai Bing	(appointed on 28 June 2005)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year was the company a party to any arrangement whose object was to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures of the company or any other body corporate.

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the Register of Directors' Shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows: -

	Ordinary shares of \$1.00 each At date of incorporation	Ordinary shares of \$0.06 each At end of year
The company		
Ang Yu Seng	60	160,263,150
Ang Yew Lai	25	68,026,312
Ang Yew Chye	15	40,815,788

By virtue of Section 7 of the Singapore Companies Act, the above directors with shareholdings are deemed to have an interest in the company and all the related corporations of the group.

There was no change in the above-mentioned directors' interest between the end of the financial year and 21 July 2005.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

5. SHARE OPTION SCHEME

On 28 June 2005, the company has adopted a share option scheme known as the Union Steel Holdings Employee Share Option Scheme (the "Scheme"), for the granting of options to reward and retain employees of the group whose services are vital to the group's well-being and success.

The Scheme is administered by the remuneration committee comprising the following directors: -

Chang Yeh Hong - Chairman
Ang Yu Seng
Siau Kai Bing

During the financial year, there were no options granted to any person to take up unissued shares in the company or any corporation in the group.

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of option to take up unissued shares.

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

6. AUDIT COMMITTEE

The Audit Committee of the company is chaired by Chang Yeh Hong, an independent director, and includes Siau Kai Bing, an independent director, and Chan Kok Poh, a non-executive director. The Audit Committee shall meet periodically to perform the following functions: -

- a) to review with the external auditors the audit plan, and the results of the external auditors' examination and evaluation of the group's system of internal controls;
- b) to review the scope and results of the internal audit procedures;
- c) to review the consolidated financial statements and the external auditors' report on those financial statements, before submission to the Board of Directors for approval;
- d) to review the co-operation given by the management to the auditors;
- e) to consider the appointment and re-appointment of the external auditors;
- f) to review and approve interested person transactions; and
- g) to generally undertake such other functions and duties as may be required by law or the Listing Manual of the SGX-ST, and by such amendments made thereto from time to time.

The Audit Committee has full access to and co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of LTC & Associates for re-appointment as external auditors of the group at the forthcoming annual general meeting.

7. AUDITORS

The auditors, LTC & Associates have expressed their willingness to accept re-appointment.

On behalf of the directors

Ang Yu Seng

Director

Ang Yew Lai

Director

Singapore, 15 September 2005



Statement by the Directors

In the opinion of the directors,

- (a) the accompanying financial statements are drawn up in accordance with Singapore Financial Reporting Standards and give a true and fair view of the state of affairs of the company and of the group as at 30 June 2005 and the results of the business, changes in equity and cash flows of the group for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

On behalf of the directors

Ang Yu Seng

Director

Ang Yew Lai

Director

Singapore, 15 September 2005



Report of the Auditors

To the Members of Union Steel Holdings Limited

We have audited the balance sheet of Union Steel Holdings Limited and the consolidated financial statements of the group for the financial year ended 30 June 2005, set out on pages 30 to 50. These financial statements are the responsibility of the directors of the company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the accompanying balance sheet of the company and consolidated financial statements of the group are properly drawn up in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the company and of the group as at 30 June 2005 and the results, changes in equity and cash flows of the group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

LTC & Associates

Certified Public Accountants

Partner in charge - Wong Pooi Khim

Singapore, 15 September 2005

Balance Sheets

As at 30 June 2005

	Note	GROUP 2005 \$'000	2004 \$'000	COMPANY 2005 \$'000
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity:-				
Share capital	4	16,326	2,120	16,326
Retained profits		9,599	21,206	4,920
Total shareholders' equity		25,925	23,326	21,246
Non-current liabilities:-				
Bank loans	5	6,198	2,980	-
Obligations under hire purchase contracts	6	107	512	-
Deferred taxation	7	482	202	-
		6,787	3,694	-
Current liabilities:-				
Bills payable, bank overdrafts and loans	5	15,556	9,508	-
Obligations under hire purchase contracts	6	1,074	950	-
Trade creditors	8	5,649	4,310	100
Other creditors	9	649	478	636
Provision for taxation		2,936	4,098	-
Total current liabilities		25,864	19,344	736
Total shareholders' equity and liabilities		58,576	46,364	21,982
ASSETS				
Non-current assets:-				
Property, plant and equipment	10	27,902	17,675	-
Investment in subsidiaries	11	-	-	16,326
Total non-current assets		27,902	17,675	16,326
Current assets:-				
Stocks	12	15,193	12,233	-
Trade debtors	13	10,718	8,725	-
Other debtors and prepayments	14	837	680	5,656
Cash and bank balances		3,926	7,051	-
Total current assets		30,674	28,689	5,656
Total assets		58,576	46,364	21,982

See accompanying notes to the financial statements

Consolidated Income Statement

For the Financial Year Ended 30 June 2005

	Note	GROUP	
		2005 \$'000	2004 \$'000
Revenue	15	112,751	112,069
Cost of sales		(92,124)	(92,340)
Gross profit		20,627	19,729
Other operating income	16	2,370	1,895
		22,997	21,624
Distribution costs		(5,435)	(4,208)
Administrative expenses		(5,160)	(4,331)
Other operating expenses		(75)	(691)
Profit from operations		12,327	12,394
Finance cost	17	(437)	(460)
Profit before taxation	18	11,890	11,934
Taxation	19	(2,291)	(2,427)
Net profit for the financial year		9,599	9,507
Basic earning per share (cents)	20	3.53	3.49

See accompanying notes to the financial statements

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2005

GROUP	Share capital \$'000	Retained profits \$'000	Proposed dividend \$'000	Total \$'000
Balance as at 1 July 2003	2,120	11,699	780	14,599
Dividend paid at \$0.975 per ordinary share	-	-	(780)	(780)
Net profit	-	9,507	-	9,507
Balance as at 30 June 2004 (a)	2,120	21,206	-	23,326
Interim dividend of \$25 per ordinary share (b)	-	(3,000)	-	(3,000)
Interim dividend of \$4 per ordinary share (c)	-	(4,000)	-	(4,000)
Bonus issue (d)	8,000	(8,000)	-	-
Issue of shares pursuant to restructuring exercise	16,326	-	-	16,326
Adjustment arising from restructuring exercise (e)	(10,120)	(6,206)	-	(16,326)
Net profit	-	9,599	-	9,599
Balance as at 30 June 2005	16,326	9,599	-	25,925

- (a) The share capital and retained profits as at 30 June 2004 represent the share capital and retained profits of its subsidiaries, Union Steel Pte. Ltd., YLS Steel Pte Ltd and Yew Lee Seng Metal Pte Ltd, prior to the restructuring exercise (Note 2).
- (b) The interim dividends in respect of the current financial year were paid by a subsidiary, Yew Lee Seng Metal Pte Ltd, prior to the restructuring exercise (Note 2).
- (c) The interim dividends in respect of the current financial year were paid by a subsidiary, YLS Steel Pte Ltd, prior to the restructuring exercise (Note 2).
- (d) Bonus issue of \$8,000,000 ordinary shares of \$1.00 each by way of capitalisation of \$8,000,000 from YLS Steel Pte Ltd's retained profits (Note 2).
- (e) The adjustment arising from the restructuring exercise (Note 2) represents the excess of the nominal value of shares issued by the company over the nominal value of shares acquired in exchange for those shares, accounted for using the pooling-of-interest method.

See accompanying notes to the financial statements

Consolidated Cash Flow Statement

For the Financial Year Ended 30 June 2005

	GROUP	
	2005 \$'000	2004 \$'000
Cash flows from operating activities:-		
Profit before taxation	11,890	11,934
Adjustments for:-		
Depreciation of property, plant and equipment	2,357	2,213
Gain on disposal of plant and equipment	(76)	(440)
Interest expense	437	460
Operating profit before working capital changes	14,608	14,167
Increase in stocks	(2,960)	(6,749)
(Increase)/ Decrease in trade debtors	(1,993)	174
Increase in other debtors and prepayments	(157)	(579)
Increase in trade creditors	1,339	157
Increase/ (Decrease) in other creditors	171	(675)
Cash generated from operations	11,008	6,495
Income tax paid	(3,173)	(410)
Interest paid	(437)	(460)
Net cash from operating activities	7,398	5,625
Cash flows from investing activities:-		
Purchase of property, plant and equipment	(11,592)	(2,788)
Proceeds from disposal of plant and equipment	106	591
Repayment of hire purchase contracts	(1,303)	(1,320)
Net cash used in investing activities	(12,789)	(3,517)
Cash flows from financing activities:-		
Funds from long-term and short-term bank loans	10,600	900
Increase in bills payable	3,688	2,124
Repayment of long-term and short-term bank loans	(2,353)	(487)
Dividends paid	(7,000)	(780)
Net cash from financing activities	4,935	1,757
Net (decrease)/ increase in cash and cash equivalents	(456)	3,865
Cash and cash equivalents at beginning of the financial year	4,382	517
Cash and cash equivalents at end of the financial year	3,926	4,382
Cash and cash equivalents comprise:-		
Cash and bank balances	3,926	7,051
Bank overdrafts (Note 5)	-	(2,669)
	3,926	4,382

During the year, the company acquired property, plant and equipment with an aggregate cost of \$12,613,585 (2004: \$3,425,436) of which \$1,022,030 (2004: \$637,552) were acquired by means of hire purchase contracts. Cash payment of \$11,591,555 (2004: \$2,787,884) was made to purchase these property, plant and equipment.

See accompanying notes to the financial statements

Notes to the Financial Statements

For the Financial Year Ended 30 June 2005

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL

The company was incorporated and domiciled in the Republic of Singapore under the name of Union Steel Holdings Pte Ltd on 12 August 2004 as a private limited company. On 29 June 2005, it changed its name to Union Steel Holdings Limited in connection with the company's conversion to a public company limited by shares and was admitted to the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 15 August 2005.

Its registered office and principal place of business is at 33 Pioneer Road North, Singapore 628474.

The principal activity of the company is that of investment holding. The principal activities of its subsidiaries in the group are stated in Note 11 to the financial statements.

The financial statements of the company and of the group for the financial year ended 30 June 2005 were authorised for issue in accordance with a resolution of the directors on 15 September 2005.

The group was formed during the financial year pursuant to a Restructuring Exercise (Note 2). The consolidated financial statements of the group for the financial years ended 30 June 2005 and 30 June 2004 had been prepared using the "pooling-of-interest" method as the entities within the group are under the common control before and after the restructuring exercise. Under the pooling-of-interest method, the financial statements of the group for the financial years ended 30 June 2005 and 30 June 2004 have been presented as if the group had been in existence prior to 28 June 2005 and the assets and liabilities are brought into the consolidated financial statements at their existing carrying amounts.

2. RESTRUCTURING EXERCISE

The group was formed as a result of a restructuring exercise ("Restructuring Exercise") undertaken for the purpose of the company's listing on the SGX-Mainboard. The Restructuring Exercise was undertaken on 28 June 2005 which involved the following transactions:-

(a) Acquisition of Union Steel Pte. Ltd. ("Union Steel")

The company acquired the entire issued and paid-up capital of Union Steel, comprising 1,000,000 ordinary shares of \$1.00 each, from Ang Yu Seng and Ang Yew Lai for an aggregate consideration of \$4,092,780. The purchase consideration was based on the net tangible assets of Union Steel as at 30 June 2004. The consideration was satisfied by the issuance of 4,092,780 ordinary shares of \$1.00 each at par in the share capital of the company to the then shareholders of Union Steel.

(b) Acquisition of YLS Steel Pte Ltd ("YLS Steel")

The company acquired the entire issued and paid-up capital of YLS Steel, comprising 9,000,000 ordinary shares of \$1.00 each, from Ang Yu Seng, Ang Yew Chye and Ang Yew Lai for an aggregate consideration of \$12,105,457. The consideration was satisfied by the issuance of 12,105,457 ordinary shares of \$1.00 each at par in the share capital of the company to the then shareholders of YLS Steel.

(c) Acquisition of Yew Lee Seng Metal Pte Ltd ("Yew Lee Seng Metal")

The company acquired the entire issued and paid-up capital of Yew Lee Seng Metal, comprising 120,000 ordinary shares of \$1.00 each, from Ang Yu Seng, Ang Yew Chye and Ang Yew Lai for an aggregate consideration of \$127,978. The consideration was satisfied by the issuance of 127,978 ordinary shares of \$1.00 each at par in the share capital of the company to the then shareholders of Yew Lee Seng Metal.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(I) Basis of presentation

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention and are expressed in Singapore dollars.

(b) Statement of compliance

The financial information are prepared in accordance with and comply with Singapore Financial Reporting Standards ("FRS") including related Interpretations promulgated by the Council on Corporate Disclosure and Governance and the Singapore Companies Act.

(II) Summary of significant accounting policies

(a) Basis of consolidation

Subsidiaries are companies controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of the company so as to obtain benefits from its activities.

Investments in subsidiaries are stated at cost, less provision for impairment in values. The group's financial statements include the financial statements of the subsidiaries made up to 30 June each year. The results of subsidiaries acquired or disposed of during the financial year are included in or excluded from the group's financial statements from their respective dates of acquisition or disposal. All significant intercompany balances and transactions and resulting unrealised profits are eliminated in full on consolidation. Unrealised losses resulting from intercompany transactions are also eliminated unless the costs cannot be recovered.

The subsidiaries acquired pursuant to the re-organisation of the companies under common control as described in Note 2 have been consolidated using the pooling-of-interest method. Accordingly, the group's results, including comparatives for prior year have been presented as if the subsidiaries had always been part of the group.

(b) Stocks

Stocks, comprising goods held for resale, are measured at the lower of cost (weighted average) and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

Provision is made where necessary for obsolete, slow moving and defective stocks.

(c) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment loss where the recoverable amount of the asset is estimated to be lower than the carrying amount.

Depreciation is calculated to write off the cost of the property, plant and equipment over their estimated useful lives by the straight-line method. The annual rates of depreciation are as follows:-

Leasehold land and buildings	10-50 years
Air-conditioners, electrical installations and computers	5 years
Containers, renovations and warehouse	5 years
Furniture, fittings and office equipment	5 years
Plant, machinery and material handling equipment	5-10 years
Motor vehicles, truck and cranes	5 years

No depreciation is provided on leasehold land and buildings in progress.

Fully depreciated assets still in use are retained in the financial statements.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**(II) Summary of significant accounting policies (cont'd)****(d) Taxation**

Taxation on the profit or loss for the year comprise current and deferred taxation. Taxation is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred taxation is provided using the balance sheet liability method, and it is applied to all significant temporary differences, arising between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the tax benefit will be realised.

(e) Foreign currencies

Transactions arising in foreign currencies are converted into Singapore dollars at rates of exchange approximating to those ruling at transaction dates and recorded monetary balances at the balance sheet date are converted at rates of exchange approximating to those ruling at that date. Exchange differences are taken up in the income statement.

(f) Assets under hire purchase

Where assets are under hire purchase agreements, the assets are capitalised in the group's financial statements and the corresponding obligation treated as a liability. The assets so capitalised are depreciated in accordance with the group's accounting policy on depreciation of plant and equipment. The total interest, being the difference between the total instalments payable and the capitalised amount, is charged to the income statement to give a constant rate of charge on the remaining balance of the obligation.

(g) Operating lease

Rental payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts which are repayable on demand and which form an integral part of the group's cash management.

(i) Impairment of assets

At each balance sheet date, the group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognised as an expense immediately.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(II) Summary of significant accounting policies (cont'd)

(j) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(k) Employee benefits

Defined contribution plan

As required by the law, the group makes contributions to the state managed retirement benefit schemes, the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employee entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

(l) Revenue recognition

Revenue from sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Service income is recognised when the services are rendered to the customers.

Rental income receivable under operating lease is recognised on the straight-line basis over the lease period.

Income receivable from the rental of steel plates is accrued on a time proportionate basis over the period of usage.

Interest income is recognised on a time proportionate basis.

Dividend income is recorded gross on the date it is declared payable by the investee.

(m) Financial risk management policies

The group's activities expose it to variety of financial risks including the effects of changes in foreign currency exchange rates and interest rates, along with credit and liquidity risks. The group has adopted risk management policies that seek to mitigate these risks in a cost-effective manner. Financial assets that expose the group to financial risk consist principally of cash and bank balances, trade debtors and other debtors. Financial liabilities that expose the group to financial risk consist principally of bank borrowings, obligations under hire purchase contracts, trade creditors and other creditors. The carrying amounts of the financial assets and liabilities approximate to their fair values as stated in these financial statements.

Foreign exchange risk

The group is exposed to foreign exchange risk arising from various currency exposures primarily with respect to United States Dollars. Those exposures are managed using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies or hedged using forward foreign exchange contracts.

Interest rate risk

The group's exposure to changes in market interest rates relates primarily to bank borrowings and obligations under hire purchase contracts. The group's policy is to manage its interest cost using a combination of fixed and variable interest rate borrowings, where applicable.

3. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(II) Summary of significant accounting policies (cont'd)

(m) Financial risk management policies (cont'd)

Credit risk

The group has no significant concentrations of credit risk. The group performs on going credit evaluation of its customers' financial condition.

Liquidity risk

The group maintains sufficient cash and open committed credit lines from banks for its funding requirements.

(n) Trade and other debtors

Debtors which generally are on normal credit terms, are recognised and carried at original invoiced amount less provision for doubtful debts.

Bad debts are written off as incurred and specific provision for doubtful are made when collection of the full amount is no longer probable.

(o) Trade and other creditors

Creditors, which generally are on normal credit terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

4. SHARE CAPITAL

(a) Authorised ordinary share capital

The total authorised number of ordinary shares as at the end of the financial year is 5,000,000,000 shares with a par value of \$0.06 per share.

(b) Issued ordinary share capital

	Par value \$	Shares	Total \$'000
At date of incorporation	1.00	100	-*
Issued during the financial year pursuant to the Restructuring Exercise (Note 2)	1.00	16,326,215	16,326
		16,326,315	16,326
The consolidation of three ordinary shares of \$1.00 each into one ordinary share of \$3.00 each and then sub-division of each ordinary share of \$3.00 each into 50 ordinary shares of \$0.06 each	0.06	272,105,250	16,326
At end of financial year		272,105,250	16,326

* Less than \$1,000

4. SHARE CAPITAL (cont'd)

(b) Issued ordinary share capital (cont'd)

During the financial year, the company:-

- increased its authorised share capital from \$100,000,000 divided into 100,000,000 ordinary shares of \$1.00 each to \$300,000,000 divided into 300,000,000 ordinary shares of \$1.00 each;
- issued 16,326,215 ordinary shares of \$1.00 each pursuant to the Restructuring Exercise;
- the consolidation of three ordinary shares of \$1.00 each in the authorised and issued share capital of the company into one ordinary share of \$3.00 each;
- the sub-division of each ordinary share of \$3.00 each in the authorised and issued share capital of the company into 50 ordinary shares of \$0.06 each;

Subsequent to the financial year, the company increased its issued and paid-up capital by way of issue of 75,000,000 ordinary shares of \$0.06 each for cash at \$0.20 per ordinary share pursuant to Initial Public Offering. The net proceeds will be used for expansion plans in the China and Indonesia, failing which the fund will be used for other possible acquisition, strategic partnerships and/or joint ventures. The net proceeds will also be used for pay down of certain bank borrowings and working capital requirements.

All issued shares are fully paid. The newly issued shares rank pari passu in all respect with the previously issued shares.

5. BILLS PAYABLE, BANK OVERDRAFTS AND LOANS

	GROUP	
	2005 \$'000	2004 \$'000
Bank overdrafts	-	2,669
Bills payable to banks	9,175	5,488
Bank loan I	620	980
Bank loan II	2,347	2,451
Bank loan III	2,329	-
Bank loan IV	2,083	-
Short-term bank loans	5,200	900
	21,754	12,488
Current portion	(15,556)	(9,508)
Non-current portion	6,198	2,980

Bank loans

(i) Bank loan I

A loan of \$2,000,000 commencing in 2001, which is repayable by 59 equal monthly instalments of \$30,000 each and a final instalment of \$230,000. It bears interest at 0.5% over the prevailing prime rate per annum.

(ii) Bank loan II

A loan of \$3,241,596 commencing in 2002, which is repayable over 20 years by monthly instalment of \$20,508. It bears interest at 4.5% per annum for the first year, 4.75% per annum for the second year, 1% below the prevailing prime rate for the third year and thereafter at the prevailing prime rate. On 24 June 2004, the interest rate was revised to 3.75% per annum for the first year, 4% per annum for the second year, 1.25% below the prevailing prime rate for the third year and thereafter 0.5% below the prevailing prime rate.

5. **BILLS PAYABLE, BANK OVERDRAFTS AND LOANS (cont'd)**

Bank loans (cont'd)

(iii) Bank loan III

A loan of \$2,400,000 commencing in 2004, which is repayable over 10 years by monthly instalments of \$22,625 each for the first year, \$22,873 each for the second year and thereafter, the monthly instalments will be determined in accordance with the prevailing interest rate. It bears interest at 2.5% per annum for the first year, 2.75% per annum for the second year, 3% per annum which is pegged at 2.25% below the Prime Lending Rate for the third year and thereafter 4% per annum which is pegged at 1.25% below the Prime Lending Rate.

(iv) Bank loan IV

Bank loan of \$2,500,000 commencing in August 2004, which is repayable by 59 equal monthly instalments of \$41,666 and a final instalment of \$41,706. It bears interest at 2.5% per annum for the first year, 3% per annum for the second year, 3.5% per annum for the third year and thereafter at the prevailing prime rate.

(v) Short-term bank loans

The short-term bank loans bear interest at rate ranging from 2.37% to 3.7% (2004: 2.2%) per annum. The short-term bank loans are obtained on the same terms and conditions as bills payable.

These bank loans are secured by leasehold land and buildings as disclosed in Note 10.

Bank overdrafts and bills payable

- (i) Bank overdrafts, bills payable and other credit facilities granted to the group, which are secured by the legal mortgage of the group's leasehold land and buildings with net book value of about \$7,208,000 (2004: \$13,893,000) (Note 10) and joint and several guarantees by certain directors of the group are as follows:-

	GROUP	
	2005 \$'000	2004 \$'000
Bank overdrafts	-	2,669
Bills payable	4,273	1,996
	4,273	4,665

- (ii) Bills payable and other credit facilities granted to the group, which are secured by joint and several guarantees by certain directors of the group, pledge of fixed deposits in the name of a director of the group and legal mortgage of certain properties under the name of certain directors of the group are as follows:-

	GROUP	
	2005 \$'000	2004 \$'000
Bills payable	4,902	3,492

The bank overdrafts and bills payable bear interest at rates ranging from 4% to 6.25% (2004: 2% to 6.5%) per annum.

The effective borrowing rates range from 2% to 6.25% (2004: 2% to 6.5%) per annum.

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

6. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	GROUP		Present value of minimum lease payments	
	Minimum lease payments		2005	2004
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments payable:-				
Within one year	1,112	1,008	1,074	950
Within two to five years	132	546	107	512
	1,244	1,554	1,181	1,462
	(63)	(92)	-	-
Finance charges allocated to future periods				
Present value of minimum lease payments	1,181	1,462	1,181	1,462
Less: Repayable within one year included under current liabilities			(1,074)	(950)
Repayable after one year			107	512

The effective rate of interest ranges from 2.2% to 5% (2004: 2% to 6%) per annum.

The hire purchase contracts are guaranteed by certain directors of the group.

7. DEFERRED TAXATION

This represents the tax effect of the excess capital allowances over depreciation.

8. TRADE CREDITORS

	GROUP		COMPANY
	2005	2004	2005
	\$'000	\$'000	\$'000
Outside parties	5,649	4,310	100

9. OTHER CREDITORS

	GROUP		COMPANY
	2005	2004	2005
	\$'000	\$'000	\$'000
Amount payable for purchase of plant and equipment	-	131	-
Deposit received	277	226	-
Subsidiary	-	-	636
Sundry creditors	372	121	-
	649	478	636

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

10. PROPERTY, PLANT AND EQUIPMENT

GROUP	Leasehold land and buildings \$'000	Leasehold land and buildings in progress \$'000	Air- conditioners, electrical installations and computers \$'000	Containers, renovations and warehouse \$'000	Furniture, fittings and office equipment \$'000	Plant, machinery and material handling equipment \$'000	Motor vehicles, truck and cranes \$'000	Total \$'000
Cost								
As at 1 July 2004	16,780	-	358	1,028	221	8,059	2,752	29,198
Additions	2,995	5,399	283	468	77	2,901	491	12,614
Disposals	-	-	-	-	(1)	(256)	(57)	(314)
As at 30 June 2005	19,775	5,399	641	1,496	297	10,704	3,186	41,498
Accumulated depreciation								
As at 1 July 2004	2,858	-	313	910	174	5,121	2,147	11,523
Depreciation charged for the year	734	-	43	97	28	1,203	252	2,357
Disposals	-	-	-	-	(1)	(226)	(57)	(284)
As at 30 June 2005	3,592	-	356	1,007	201	6,098	2,342	13,596
Net book value								
As at 30 June 2005	16,183	5,399	285	489	96	4,606	844	27,902
As at 30 June 2004	13,922	-	45	118	47	2,938	605	17,675

Certain plant and equipment with net book value of about \$2,273,000 (2004: \$2,402,000) are under hire purchase contracts. Leasehold land and buildings with net book value of about \$19,653,000 (2004: \$13,893,000) are under mortgage with banks (Note 5).

11. SUBSIDIARIES

	COMPANY 2005 \$'000
Unquoted equity shares, at cost	16,326

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

11. SUBSIDIARIES (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation/ place of business	Date of acquisition	Percentage of equity held %	Cost of investment \$'000
Union Steel Pte. Ltd. +	Recycling of non-ferrous metal and stainless steel	Singapore	28 June 2005 (see Note 2)	100	4,093
YLS Steel Pte Ltd +	Recycling of scrap metals, trading of steel products, waste collection and management, car scrapping services and rental of steel plates	Singapore	28 June 2005 (see Note 2)	100	12,105
Yew Lee Seng Metal Pte Ltd +	Demolition of buildings and trading of ferrous and non-ferrous scrap metals	Singapore	28 June 2005 (see Note 2)	100	128
					16,326

+ Audited by LTC & Associates, Singapore

12. STOCKS

	GROUP	
	2005 \$'000	2004 \$'000
At cost		
Trading stocks	15,193	11,973
Stock in transit (Trading stocks)	-	260
	15,193	12,233

13. TRADE DEBTORS

	GROUP		COMPANY
	2005 \$'000	2004 \$'000	2005 \$'000
Outside parties	10,932	8,944	-
Less: Provision for doubtful debts	(214)	(219)	-
	10,718	8,725	-

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

13. TRADE DEBTORS (cont'd)

The movement in provision for doubtful debts account is as follows:-

	GROUP		COMPANY
	2005	2004	2005
	\$'000	\$'000	\$'000
Balance at beginning of year	219	137	-
Current year provision	12	82	-
Amount written off	(17)	-	-
Balance at end of year	214	219	-

14. OTHER DEBTORS AND PREPAYMENTS

	GROUP		COMPANY
	2005	2004	2005
	\$'000	\$'000	\$'000
Deposit for purchase of property, plant and equipment	-	462	-
Dividend receivable from subsidiaries	-	-	5,000
Prepayments	734	180	636
Sundry debtors	83	38	-
Tax recoverable	20	-	20
	837	680	5,656

15. REVENUE

	GROUP	
	2005	2004
	\$'000	\$'000
Trading income	110,317	109,921
Service and rental income	2,434	2,148
	112,751	112,069

16. OTHER OPERATING INCOME

	GROUP	
	2005	2004
	\$'000	\$'000
Foreign exchange gain	135	79
Gain on disposal of plant and equipment	76	440
Rental income	1,734	1,204
Sundry income	425	172
	2,370	1,895

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

17. FINANCE COST

	GROUP	
	2005 \$'000	2004 \$'000
Bank loans interest	275	189
Bank overdrafts interest	2	3
Hire purchase interest	50	127
Trust receipts interest	110	141
	437	460

18. PROFIT BEFORE TAXATION

	GROUP	
	2005 \$'000	2004 \$'000
This is determined after charging/(crediting):-		
Auditors' remuneration		
- other services	5	-
Depreciation of property, plant and equipment	2,357	2,213
Directors' remuneration		
- directors of the company	938	895
Foreign exchange gain, net	(72)	(71)
Interest expense to non-related companies	437	460
Gain on disposal of plant and equipment	(76)	(440)
Loss on trading in commodities	-	601
Operating lease expenses	1,455	1,115
Provision for doubtful trade debts	12	82

19. TAXATION

	GROUP	
	2005 \$'000	2004 \$'000
Current year taxation	2,011	2,443
Deferred taxation	280	-
Overprovision in prior years	-	(16)
	2,291	2,427

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

19. TAXATION (cont'd)

The income tax expense varied from the amount of tax expense by applying the Singapore income tax rate of 20% (2004: 20%) to profit before taxation as a result of the following differences:-

	GROUP	
	2005 \$'000	2004 \$'000
Accounting profit	11,890	11,934
Income tax expenses at statutory tax rate	2,378	2,387
Tax effect on non-allowable items	81	94
Tax saving on partial exempt income	(31)	(31)
Underprovision in current year	(200)	-
Overprovision in prior years	-	(16)
Others	63	(7)
	2,291	2,427

20. BASIC EARNING PER SHARE

Basic earnings per share is calculated based on the net profit of the financial year divided by the pre-invitation share capital of 272,105,250 ordinary shares (Note 4(b)).

As at year end, there were no share options issued and hence, there were no potential dilutive ordinary shares.

21. STAFF COST

	GROUP	
	2005 \$'000	2004 \$'000
Wages, salaries and bonus	2,872	2,080
Employers' contribution to Central Provident Fund and SDL	224	174
Other staff related expenses	96	51
	3,192	2,305
Number of employees employed at the end of year	150	91

The staff cost excludes directors' remuneration.

22. REMUNERATION BANDS OF DIRECTORS OF THE COMPANY

The number of directors of the company in remuneration band as required under the Singapore Exchange Securities Trading Limited Listing Manual is set out below:-

	GROUP	
	2005	2004
Executive directors		
\$250,000 - \$499,999	3	2
Below \$250,000	-	1
	3	3

23. CONTINGENT LIABILITIES

As at the balance sheet date, the group had contingent liabilities as follows:-

	GROUP	
	2005 \$'000	2004 \$'000
Bankers' guarantee	230	526
Insurance guarantee (unsecured)	-	36
Performance guarantee	72	304
Letter of credit	6,028	-
	6,330	866

The maximum amount the group could become liable is as shown above.

The details of the securities are disclosed in Note 5.

24. COMMITMENTS

(i) Capital commitments

As at the balance sheet date, the group had capital commitments as follows:-

	GROUP	
	2005 \$'000	2004 \$'000
Amount contracted for but not provided for in the financial statements		
- Plant and machinery	-	1,680
- Leasehold land and buildings	-	2,610
	-	4,290

24. COMMITMENTS (cont'd)

(ii) Operating leases

At the balance sheet date, the group had non-cancellable operating leases commitments in respect of the yard, factory, warehouse and office premises payable as follows:-

	GROUP	
	2005 \$'000	2004 \$'000
Payable:-		
Within one year	1,315	1,020
In the second to fifth years inclusive	3,856	2,044
After five years	8,394	6,064

25. FORWARD CONTRACTS

In the normal course of business, the group entered into forward exchange contracts to purchase and sold foreign currencies to meet its obligations.

As at year end, the group had the following outstanding commitments:-

	GROUP	
	2005 \$'000	2004 \$'000
Bought contracts	1,740	-
Sold contracts	2,242	-

The fair values of the forward foreign exchange contracts were not materially different and accordingly, no disclosure was made in the financial statements.

26. SEGMENT INFORMATION

- (i) The group is primarily engaged in three business segments namely, recycling, trading and others. The dominant source and nature of the group's risk and returns are based on business segments. Therefore, the primary segment of the group is business segment.

Principal activities are as follows:-

- Recycling - Importers and exporters of scrap iron and steel, ferrous and non-ferrous metals.
- Trading - Steel products business.
- Others - This includes income from rental of steel plates, providing services in relation to waste management services, demolition business and car scrapping business.

(a) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the group's financial statements that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

(b) Segment assets and liabilities

Assets, which consist principally of plant and machinery and leasehold building, support the entire dealing of recycling, trading and others activities. Accordingly, it is not meaningful to allocate fixed assets and related capital expenditure to the various business segments. Expenses such as depreciation of fixed assets, overheads and salaries are incurred in Singapore.

The group operates in Singapore with majority of sales made to overseas countries. Analysis of geographical segments results is therefore, not included herein.

Notes to the Financial Statements (cont'd)

For the Financial Year Ended 30 June 2005

26. SEGMENT INFORMATION (cont'd)

	Recycling		Trading		Others		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
REVENUE								
Total revenue	98,497	96,948	11,820	12,973	2,434	2,148	112,751	112,069
RESULT								
Segment result	9,229	9,894	2,211	2,443	917	346	12,357	12,683
Other operating income							2,370	1,895
Unallocated corporate expenses							(2,400)	(2,184)
Profit from operations							12,327	12,394
Finance cost							(437)	(460)
Profit before taxation							11,890	11,934
Taxation							(2,291)	(2,427)
Profit after taxation							9,599	9,507

(ii) Geographical segments

Revenue by the geographical segments is based on location of customers.

	Revenue	
	2005	2004
	\$'000	\$'000
China	14,900	39,760
Singapore	22,247	29,820
India	22,359	15,491
Indonesia	24,865	9,607
Bangladesh	10,393	3,151
Japan	3,451	6,823
Malaysia	1,338	2,199
Germany	3,058	152
Taiwan	2,592	1,705
Sri Lanka	2,458	1,358
Others *	5,090	2,003
	112,751	112,069

* Include Belgium, United Kingdom, Hong Kong, Korea, Nepal, Pakistan, Turkey, Vietnam, Myanmar, Thailand, Cambodia and Kenya.

27. COMPARATIVE FIGURES

No comparative figures were presented for the company's balance sheet as the company was incorporated only on 12 August 2004.

The comparative figures of the group represent the results, state of affairs, changes in equity and cash flows of its subsidiaries, Union Steel Pte. Ltd., YLS Steel Pte Ltd and Yew Lee Seng Metal Pte Ltd, as if the subsidiaries had been part of the group since the beginning of the previous financial year (Note 2).

28. SUBSEQUENT EVENTS

- (a) The company was admitted to the Mainboard of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 15 August 2005 with an issue of 89,000,000 ordinary shares of \$0.06 each, comprising 75,000,000 new shares and 14,000,000 vendor shares, pursuant to the initial public offering of the company.
- (b) The directors of the company recommended that a first and final tax exempt dividend of 0.12 cents per ordinary share totalling \$4,165,263 be paid in respect of the financial year just ended. The proposed dividend is not accrued as a liability for the current financial year in accordance with FRS 10 - Events After the Balance Sheet Date.

Shareholders' Information

As at 19 September 2005

Authorised share capital	:	SGD 300,000,000
Issued and fully paid	:	SGD 20,826,315
Number of shares	:	347,105,250
Class of shares	:	Ordinary shares of SGD 0.06 each
Voting rights	:	One vote per share

Distribution of Shareholdings

Size of shareholdings	No. of shareholders	%	No. of Shares	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	889	46.38	5,956,000	1.71
10,001 - 1,000,000	1,018	53.10	73,922,000	21.30
1,000,001 and above	10	0.52	267,227,250	76.99
Total	1,917	100.00	347,105,250	100.00

Twenty Largest Shareholders

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	151,863,150	43.75
2	Ang Yew Lai	64,526,312	18.59
3	Ang Yew Chye	38,715,788	11.15
4	Lian Bee Metal Pte Ltd	3,553,000	1.02
5	Laio Chi-Shun @ Archie Laio	1,750,000	0.50
6	Chua Swee Cheng	1,700,000	0.49
7	OCBC Securities Private Ltd	1,567,000	0.45
8	Tan Seng @ Tan Hun Seng	1,252,000	0.36
9	Leow Kim Siang	1,200,000	0.35
10	UOB Kay Hian Pte Ltd	1,100,000	0.32
11	Lim Kian Peng	1,000,000	0.29
12	Qiu Qianliang	1,000,000	0.29
13	Quek Nak Puang	1,000,000	0.29
14	Thiang Bee Chuan	1,000,000	0.29
15	Vinod Kumar Ramgopal Didwania	1,000,000	0.29
16	Ho Su Chue	750,000	0.22
17	Poh Seng Kui	750,000	0.22
18	Tan Chong Siang Michael	750,000	0.22
19	Ong Chye Tab	700,000	0.20
20	Heng Kim Chai	656,000	0.19
Total:		275,833,250	79.48

Based on the information available to the Company as at 19 September 2005, approximately 26.25% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Substantial Shareholders

No.	Name of shareholders	No. of shares	%
1	Ang Yu Seng	151,863,150	43.75
2	Ang Yew Lai	64,526,312	18.59
3	Ang Yew Chye	38,715,788	11.15

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **UNION STEEL HOLDINGS LIMITED** will be held at 33 Pioneer Road North Singapore 628474 on Wednesday, 26 October 2005 at 10.00 a.m. to transact the following business: -

AS ORDINARY BUSINESS

- | | |
|--|---------------------|
| 1. To receive, consider and adopt the Audited Accounts for the financial period ended 30 June 2005 and the Reports of the Directors and Auditors and the Statement by Directors thereon. | Resolution 1 |
| 2. To declare an exempt (1-tier) first and final dividend of S\$0.012 per ordinary share for the financial period ended 30 June 2005. | Resolution 2 |
| 3. To re-elect Mr Ang Yew Chye retiring by rotation pursuant to Article 91 of the Company's Articles of Association. | Resolution 3 |
| 4. To re-elect the following Directors retiring pursuant to Article 97 of the Company's Articles of Association. | |
| (i) Mr Chan Kok Poh | Resolution 4 |
| (ii) Mr Siau Kai Bing | Resolution 5 |
| (iii) Mr Chang Yeh Hong | Resolution 6 |
| <i>Mr Chan Kok Poh, Mr Siau Kai Bing and Mr Chang Yeh Hong will, upon re-election as Directors of the Company, remain as members of the Audit Committee.</i> | |
| 5. To re-appoint Messrs LTC & Associates as the Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 7 |
| 6. To transact any other business which may properly be transacted at an Annual General Meeting. | |

AS SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following resolutions which will be proposed as Ordinary Resolutions: -

7. Authority to allot and issue shares up to fifty per centum (50%) of the issued share capital
- "That pursuant to Section 161 of the Companies Act, Cap. 50 and Clause 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be and are hereby empowered to allot and issue shares and/or convertible securities where the maximum number of shares to be issued upon conversion is determinable at the time of the issue of such securities in the Company (whether by way of rights, bonus or otherwise) at any time and from time to time thereafter to such persons and on such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit provided always that the aggregate number of shares and/or convertible securities to be issued shall not exceed fifty per centum (50%) of the issued share capital of the Company, of which the aggregate number of shares and/or convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per centum (20%) of the issued share capital of the Company (percentage of issued share capital being based on the issued share capital at the time such authority is given after adjusting for new shares arising from the conversion of convertible securities or employee share options on issue at the time such authority is

given and any subsequent consolidation or subdivision of shares) and unless revoked or varied by the Company in general meeting and that such authority shall continue in force until the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier." [See Explanatory Note (i)]

Resolution 8

8. Authority to grant options and issue under "The Union Steel Holdings Limited Employee Share Option Scheme (the "Scheme")

"That pursuant to the provision of The Union Steel Holdings Limited Employee Share Option Scheme (the "Scheme"), authority be given to the Directors of the Company to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Scheme, provided that the aggregate number of shares to be issued pursuant to the Scheme shall not exceed fifteen percent (15%) of the issued share capital of the Company at any time or from time to time." [See Explanatory Note (ii)]

Resolution 9

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of UNION STEEL HOLDINGS LIMITED (the "Company") will be closed on 13 December 2005 to 14 December 2005, both dates inclusive, for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Registrar, B.A.C.S. Private Limited, 63 Cantonment Road Singapore 089758, up to the close of business at 5.00 p.m. on 12 December 2005 will be registered to determine shareholders' entitlements to the said dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 12 December 2005 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the Annual General Meeting to be held on 26 October 2005, will be made on 23 December 2005.

By Order of The Board

HELEN CAMPOS THOMAS
Company Secretary

Singapore
11 October 2005

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting (the "Meeting") of the Company is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholdings (expressed as a percentage of the whole) to be represented by each proxy.
3. A proxy need not be a member of the Company.
4. If the appointer is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
5. The instrument appointing a proxy must be deposited at the Registered Office of the Company at **33 Pioneer Road North Singapore 628474** not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Explanatory Notes:

STATEMENT PURSUANT TO ARTICLE 54 OF THE COMPANY'S ARTICLES OF ASSOCIATION

- i) The Ordinary Resolution proposed in item (7) above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue new shares in the share capital of the Company. The number of new shares which the Directors may allot and issue under this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company. For issues of shares other than on a pro rata basis to all shareholders, the aggregate number of shares to be allotted and issued shall not exceed twenty per centum (20%) of the issued share capital of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.
- ii) The Ordinary Resolution proposed in item (8) above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue shares in the share capital of the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company for the time being pursuant to the exercise of the options under the Scheme.

UNION STEEL HOLDINGS LIMITED

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

IMPORTANT:

1. For investors who have used their CPF monies to buy shares in Union Steel Holdings Limited, this report 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.

Proxy Form

(Please see notes overleaf before completing this Form)

*I/We _____ of
_____ being *member/members of UNION

STEEL HOLDINGS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)
And/or (delete as appropriate)			

as my/our proxy / proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 33 Pioneer Road North Singapore 628474 on 26 October 2005 at 10.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of Annual 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 matter arising at the Annual General Meeting.)

No.	Resolutions relating to:	For	Against
1	Adoption of Directors' Report and Financial Statements for the financial period ended 30 June 2005 together with the Auditors' Report thereon.		
2	Declaration of an exempt (1-tier) first and final dividend of S\$0.012 per ordinary share for the financial period ended 30 June 2005.		
3	Re-election of Mr Ang Yew Chye retiring pursuant to Article 91 of the Company's Articles of Association.		
4	Re-election of Mr Chan Kok Poh retiring pursuant to Article 97 of the Company's Articles of Association.		
5	Re-election of Mr Siau Kai Bing retiring pursuant to Article 97 of the Company's Articles of Association.		
6	Re-election of Mr Chang Yeh Hong retiring pursuant to Article 97 of the Company's Articles of Association.		
7	Re-appointment of Messrs LTC & Associates as Auditors of the Company and authorization of Directors to fix their remuneration.		
8	Authority to Directors to allot and issue new shares.		
9	Authority to grant options and issue shares under The UNION STEEL HOLDINGS LIMITED Employee Share Option Scheme.		

Dated this _____ day of _____ 2005

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

* Delete accordingly

Signature(s) of Member(s)
Or Common Seal of Corporate Shareholder

Notes: -

1. Please insert in the box at the bottom left 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 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 the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
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. However, if no such proportion is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.
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 less than forty-eight (48) hours before the time fixed for holding the Annual General Meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized 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 authorized.
6. A corporation which is a member may also authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
7. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.
8. In the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time fixed for holding the Annual General Meeting as certified by the CDP to the Company.

FOLD HERE FOR SEALING

PLEASE AFFIX
23 CENTS
POSTAGE
STAMP HERE

The Company Secretary
UNION STEEL HOLDINGS LIMITED
33 Pioneer Road North
Singapore 628474

FOLD HERE FOR SEALING

